 Regulatory Policy Committee	Opinion	
Impact Assessment (IA)	Prohibiting Bearer Shares in UK companies	
Lead Department/Agency	Department for Business, Innovation and Skills	
Stage	Final	
IA number	Not provided	
Origin	Domestic	
Expected date of implementation	October 2014	
Date submitted to RPC	14 March 2014	
RPC Opinion date and reference	23 April 2014	RPC13-BIS-1987(2)
Departmental Assessment		
One-in, Two-out status	OUT of SCOPE	
Estimate of the Equivalent Annual Net Cost to Business (EANCB)	N/A	
RPC Overall Assessment	GREEN	
<p>RPC comments</p> <p>The IA is fit for purpose. The Department has addressed the comments in the Committee’s consultation stage opinion of 4 February 2014. The Department has provided much stronger evidence in support of its One-In, Two-Out (OITO) assessment. The Committee can confirm the proposal as out of scope of OITO. The Department has also strengthened its evidence base for the estimated EANCB of £0.12 million. Based on the evidence presented, this is a reasonable assessment of the impact on business.</p>		
<p>Background (extracts from IA)</p> <p>What is the problem under consideration? Why is government intervention necessary?</p> <p><i>“Opacity of the control of corporate structures can firstly facilitate illicit activity, and secondly lead to a deficiency in corporate governance that erodes trust and damages the business environment. Both can ultimately hold back economic growth. Government intervention is necessary to correct the regulatory failure underpinning the first, and the information asymmetry reflected in the second. Bearer shares are a means through which the record of an individual’s ownership of a stake in a company can be avoided. Individuals can therefore conceal their control or transfer their control anonymously.”</i></p> <p>What are the policy objectives and the intended effects?</p> <p><i>“The objectives and intended effects are to:</i></p> <ul style="list-style-type: none"> <i>• improve our understanding, in conjunction with the wider Transparency and</i> 		

Trust measures, of who really owns and controls UK companies so as to prevent the potential for their misuse; and

- *ensure the UK fully meets international Global Forum on Tax Transparency standards and Financial Action Task Force (FATF) recommendations on bearer shares activity.*

Three options are considered:

Option 0: maintaining the current situation

Option 1: abolishing bearer shares (the recommended option)

Option 2: a mandatory custodian arrangement “.

Comments on the robustness of the OITO assessment

The Department has addressed the comments in the Committee’s consultation stage opinion of 4 February 2014. The Department has provided further details on the nature of the G8 international commitment; information on what other G8 countries are doing in relation to dealing with the opacity of corporate structures; and, particularly, how the individual policy proposals of the UK Action Plan correspond to the specific commitments in the G8 agreement (pages 38-42 of the IA, and accompanying paper).

Using the information provided by the Department, the Committee is satisfied that these proposals are not likely to impose burdens on business beyond the minimum necessary to meet the international commitments. We can, therefore, confirm this proposal as out of scope of OITO under paragraph 1.9.8 (iii), ‘International agreements and obligations’ of the Better Regulation Framework Manual.

Comments on the robustness of the Small & Micro Business Assessment (SaMBA)

A SaMBA is not required as the proposals are of international origin. However, the IA includes a SaMBA (pages 43-46). The SaMBA explains why small and micro businesses cannot be exempt as “shell” companies are “*often the vehicle of choice for money-laundering and other crimes*” and “*we believe that the majority of shell companies would be classified as small and micro businesses*” (page 43). The IA also presents an analysis of the costs to small businesses (using data from an IFF Research survey) and considers how the Department might mitigate the impacts on small and micro businesses.

Quality of the analysis and evidence presented in the IA

The IA is part of a set of proposals that aims to reduce the opacity around the control of corporate structures, in order to reduce the damage from illicit activity and improve the trust in corporate governance. This IA focuses specifically upon the prohibition of the issue of bearer shares.

The IA explains how the proposals will have an impact on business from familiarisation costs; bearer shareholders needing to identify themselves to the company; and from the conversion of bearer shares to ordinary ones. This latter

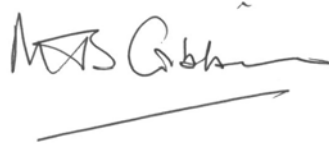
cost will also impact upon bearer share issuing companies who would be responsible for the share conversion.

The Department has addressed the Committee's comments in its consultation stage opinion. In particular, the Department has provided:

- greater explanation of the effect and impact on business of unconverted shares (page 27);
- further and improved sensitivity analysis (Annex C);
- an improved qualitative assessment of benefits (pages 30-31); and
- an improved presentation of the comparative costs and benefits of the two options (pages 48-50).

The Department has updated the evidence base in its final stage IA through conducting a follow-up survey of a sample of respondents to the IFF Research survey (pages 53 -55). The cost estimates, which have increased in overall terms since the consultation stage IA, appear to be more robust. Based on the evidence provided, the estimated EANCB of £0.12 million appears to be a reasonable estimate, although out of scope of OITO as noted above.

Signed

A handwritten signature in black ink, appearing to read 'Michael Gibbons', with a long horizontal line underneath it.

Michael Gibbons, Chairman