

Title: Costs and benefits of making a company's own PSC register publicly available IA No: RPC15-BIS-2376 Lead department or agency: Department for Business Innovation and Skills Other departments or agencies:	Impact Assessment (IA)		
	Date: 18 May 2015		
	Stage: Consultation		
	Source of intervention: International		
	Type of measure: Secondary legislation		
	Contact for enquiries: Sophie Green; Corporate Law Reform Team; Tel.: 0207 215 3799; Email: Sophie.Green@bis.gsi.gov.uk		
Summary: Intervention and Options	RPC Opinion: Awaiting Scrutiny		

Cost of Preferred (or more likely) Option: Option 2¹

Total Net Present Value	Business Net Present Value	Net cost to business per year (EANCB on 2009 prices)	In scope of One-In, Measure qualifies as Two-Out?			
-£62.28m	-£62.28m	£5.34m	No	N/A		

What is the problem under consideration? Why is government intervention necessary?

Measures in the Small Business, Enterprise and Employment (SBEE) Act 2015 will require companies to keep a register of their People with Significant Control (a company's PSCs). Information in the register will be made publicly available. The overarching policy objective, described in the 'Transparency and Trust – Enhanced Transparency of Company Beneficial Ownership' Final IA, is to reduce crime and improve the business environment to facilitate economic growth through enhanced corporate transparency. Companies that do not elect to hold their register at Companies House will therefore be required to keep their PSC register available for inspection and to provide a copy of all or some of their register upon request. Government intervention is necessary to ensure this transparency without imposing disproportionate costs on a company or the person requesting the information. We therefore need to establish what charging regime to set in order to balance companies covering their costs, whilst not limiting the benefits that flow from greater transparency.

What are the policy objectives and the intended effects?

The PSC register will implement the UK's 2013 G8 commitment to ensure that UK companies obtain and hold adequate, accurate and current information on their beneficial ownership and provide this to a central registry; and the commitment to make this information publicly accessible. The policy element described in this IA intends to ensure that the PSC register, when kept by companies themselves, remains truly accessible. The chosen option should strike a fair balance between allowing a company to recover the reasonable costs it incurs in providing a copy of its PSC register, and ensuring that these costs do not pose a barrier to those wanting to access the information.

What policy options have been considered, including any alternatives to regulation? Please justify preferred option (further details in Evidence Base)

0) Firstly, we consider the 'Do Nothing' option and conclude that this would not meet the policy objectives.
1) Implementation of prescribed fees proportionate to the number of entries requested. .
2) Implementation of a prescribed fixed fee for some, or all, entries in a company's PSC register. This is our preferred option.
3) A published recommended rate of fees (non-regulatory option). Although costs would be lower than Options 1 and 2, this is our least preferred option. This is primarily because we think that there is a risk of companies overcharging (potentially, especially by companies who do not wish to share this information). This would therefore mean requestors would be put off making requests, meaning we would not realise the policy objectives and the non-monetised benefits would be substantially less than under other options.

Will the policy be reviewed? If applicable, set review date: *Policy will be reviewed within three years of the primary legislation coming into force, as set out in section 82 of the SBEE Act.*

Does implementation go beyond minimum EU requirements?				N/A		
Are any of these organisations in scope? If Micros not exempted set out reason in Evidence Base.	Micro Yes	< 20 Yes	Small Yes	Medium Yes	Large Yes	

¹ Option 2 is stated here as our preferred option. Responses from the consultation will be used to inform whether this will be our preferred option in the final IA.

What is the CO ₂ equivalent change in greenhouse gas emissions? (Million tonnes CO ₂ equivalent)	Traded: N/a	Non-traded: N/a
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I have read the Impact Assessment and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the leading options.

Signed by the responsible SELECT SIGNATORY: _____ Date: _____

Summary: Analysis & Evidence

Policy Option 1

Description: Implementation of prescribed fees proportionate to the number of entries requested.

FULL ECONOMIC ASSESSMENT

Price Base Year 2014	PV Base Year 2016	Time Period Years 10	Net Benefit (Present Value (PV)) (£m)		
			Low: -£236.05m	High: -£119.23m	Best Estimate: -£139.15m

COSTS (£m)	Total Transition (Constant Price) Years		Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	£3.2m	10	£15.7m	£138.3m
High	£3.2m		£27.9m	£243.0m
Best Estimate	£3.2m		£16.6m	£146.1m

Description and scale of key monetised costs by 'main affected groups'

There will be one-off costs for affected companies, or their service providers, in familiarising themselves with the guidance, as well as ongoing costs in time taken to respond to requests:

- Total costs £3,230,916 to familiarise themselves with the guidance;
- Total costs £6,514,911 to respond to requests to inspect a register; and
- Total costs £10,088,248 to respond to requests for copies of a register.

Part of these costs will be transferred to requestors through the chosen fee regime. This is captured in the monetised benefits section.

Other key non-monetised costs by 'main affected groups'

There will be direct one-off costs incurred by the NGOs to familiarise themselves with the new information available in the first year, as well as staff time spent on additional activities. For example, campaigns as a result of being better informed about the company's people with significant control on an ongoing basis. There will also be indirect ongoing costs to the requestors of the register (e.g. NGOs/companies/Trust and Company Service Providers (TCSPs)) with regard to the time taken to complete and submit a request to inspect, or for a copy of, the register and to analyse the content of the register. We have not costed for installing a new payment mechanism to charge requestors for copies of the register as we have assumed this will already be in place for the vast majority of companies.

BENEFITS (£m)	Total Transition (Constant Price) Years		Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	0	10	£0.8m	£7.0m
High	0		£2.2m	£19.0m
Best Estimate	0		£0.8m	£7.0m

Description and scale of key monetised benefits by 'main affected groups'

There will be monetised benefits to the companies and TCSPs that charge requestors for copies of their register– the fees charged will differ depending on the options for this policy. Our best estimate for Option 1 is £811,925 in monetised benefits per year. In broad economic terms, the fee revenues received by the company reflect a (non-monetised) transfer from requestors of the gain they receive from having this information. It is assumed that the benefits to requestors will at least equal the fee paid.

Other key non-monetised benefits by 'main affected groups'

We assume:

- legal certainty for companies and those requesting copies;
- familiarity for companies and those requesting copies, given it will replicate an existing approach in company law;
- companies can recover some or all of their reasonable costs;
- the size of a company's register is taken into account;
- there is an upper limit on what a company may charge.

Key assumptions/sensitivities/risks	Discount rate (%)	3.5
<ul style="list-style-type: none"> that we will be able to exempt companies listed on prescribed markets from the requirement to maintain a PSC register²; an average number of PSCs per company based on the number of shareholders in a company; that there are 312,104 accountants in line with the Company Filing Requirements Red Tape Challenge IA and the Micro Exemptions IA³. This is used as the best proxy available for the number of TCSPs; that 41% of companies will hold their register with a TCSP (based on research from Companies House); that the current register of members inspection regime is the best comparison for potential costs under the PSC register inspection regime. We have assumed comparable demand for access to the registers based on survey responses; that in the absence of reliable data on the price sensitivity of requesters, our modelling of monetised costs and benefits assumes the same number of requests are made under each fee regime. In practice we would expect the number of requests to fall under higher charges; that there will be no or very few cases brought for refusal of access or of a copy of the register; that companies and TCSPs will only familiarise themselves with the guidance should they receive a request to inspect or for a copy of their register. In addition, we have assumed that the time for companies to familiarise themselves with the guidance will be in line with time to familiarise with overall policy (as costed in the Transparency and Trust – Enhanced Transparency of Company Beneficial Ownership Final IA (T&T FIA) and that the role of the person familiarising themselves with the guidance will be in line with our survey responses; an estimated number of requests per year (based on survey responses) to inspect and for copies of the register. In addition, we have assumed that <i>companies</i> will not receive requests to inspect their register (based on survey responses) but will receive requests for copies of their register; the time companies will take to respond to requests to inspect or for a copy of their register and the job function (i.e. administrator/middle manager or senior manager) of the person responsible for handling the request (based on survey responses); that all or the vast majority of requests will be requested and responded to via email (and not by post); that companies and TCSPs will not need to develop a new payment mechanism to charge requesters for copies of their registers; and 2013 ASHE wage data, uplifted for non-wage costs using Eurostat data (19.76%)⁴ (See Annex C for calculation of median salaries). 		

BUSINESS ASSESSMENT (Option 1)

Direct impact on business (Equivalent Annual) £m:			In scope of OITO?	Measure qualifies as
Costs: £0.3m	Benefits: £0.6m	Net: £0.3m	No	

² This assumption is subject to the outcome on the EU's Fourth Money Laundering Directive, which may require companies listed on prescribed markets to report beneficial ownership information to a central register.

³ June 2014, <http://www.parliament.uk/documents/impact-assessments/IA14-14F.pdf>

⁴ Uplift of 19.76% to consider non-wage costs taken from: http://ec.europa.eu/eurostat/statistics-explained/index.php/File:Labour_costs_per_hour_in_EUR,_2004-2014_whole_economy_excluding_agriculture_and_public_administration.png

Policy Option 2

Description: Implementation of a prescribed fixed fee for some, or all, entries in a company's PSC register.

FULL ECONOMIC ASSESSMENT

Price Base Year	PV Base Year	Time Period Years	Net Benefit (Present Value (PV)) (£m)		
			Low:	High:	Best Estimate:
2014	2016	10	-£159.18m	-£24.01m	-£62.28m

COSTS (£m)	Total (Constant Price)	Transition Years	Average (excl. Transition) (Constant Price)	Annual (Constant Price)	Total (Present Value) Cost
Low		£3.2m		£15.7m	£138.3m
High		£3.2m		£27.9m	£243.0m
Best Estimate		£3.2m		£16.6m	£146.1m

Description and scale of key monetised costs by 'main affected groups'

There will be one-off costs for affected companies or their service providers in familiarising themselves with the guidance, as well as ongoing costs in time taken to respond to requests:

- Total costs £3,230,916 to familiarise themselves with the guidance;
- Total costs £6,514,911 to respond to requests to inspect a register; and
- Total costs £10,088,248 to respond to requests for copies of a register.

Part of these costs will be transferred to requestors through the chosen fee regime. This is captured in the monetised benefits section.

Other key non-monetised costs by 'main affected groups'

There will be direct one-off costs incurred by the NGOs to familiarise themselves with the new information available in the first year, as well as staff time spent on additional activities. For example, campaigns as a result of being better informed about the company's people with significant control on an ongoing basis. There will also be indirect ongoing costs to the requesters of the register (e.g. NGOs/companies/TCSPs) with regard to the time taken to complete and submit a request to inspect, or for a copy of, the register and to analyse the content of the register. We have not costed for installing a new payment mechanism to charge requesters for copies of the register as we have assumed this will already be in place for the vast majority of companies.

BENEFITS (£m)	Total (Constant Price)	Transition Years	Average (excl. Transition) (Constant Price)	Annual (Constant Price)	Total (Present Value) Benefit
Low	0		£9.7m		£83.9m
High	0		£13.3m		£114.3m
Best Estimate	0		£9.7m		£83.9m

Description and scale of key monetised benefits by 'main affected groups'

There will be monetised benefits to the companies and TCSPs that charge requesters for copies of their register— the fees charged will differ depending on the options for this policy. Our best estimate for Option 2 is £9,743,099 in monetised benefits per year. In broad economic terms, the fee revenues received by the company reflect a (non-monetised) transfer from requesters of the gain they receive from having this information. It is assumed that the benefits to requesters will at least equal the fee paid.

Other key non-monetised benefits by 'main affected groups'

We assume:

- legal certainty for companies and those requesting copies;
- companies can recover some or all of their reasonable costs;
- the size of a company's register is taken into account;
- there is an upper limit on what a company may charge;

Key assumptions/sensitivities/risks	Discount rate (%)	3.5
<ul style="list-style-type: none"> that we will be able to exempt companies listed on prescribed markets from the requirement to maintain a PSC register⁵; an average number of PSCs per company based on the number of shareholders in a company; that there are 312,104 accountants in line with the Company Filing Requirements Red Tape Challenge IA and the Micro Exemptions IA⁶. This is used as the best proxy available for the number of TCSPs; that 41% of companies will hold their register with a TCSP (based on research from Companies House); that the current register of members inspection regime is the best comparison for potential costs under the PSC register inspection regime. We have assumed comparable demand for access to the registers based on survey responses; that in the absence of reliable data on the price sensitivity of requesters, our modelling of monetised costs and benefits assumes the same number of requests are made under each fee regime. In practice we would expect the number of requests to fall under higher charges; that there will be no or very few cases brought for refusal of access to a copy of the register; that companies and TCSPs will only familiarise themselves with the guidance should they receive a request to inspect or for a copy of their register. In addition, we have assumed that the time for companies to familiarise themselves with the guidance will be in line with time to familiarise with overall policy (as costed in the Transparency and Trust – Enhanced Transparency of Company Beneficial Ownership Final IA (T&T FIA) and that the role of the person familiarising themselves with the guidance will be in line with our survey responses; an estimated number of requests per year (based on survey responses) to inspect and for copies of the register. In addition, we have assumed that <i>companies</i> will not receive requests to inspect their register (based on survey responses) but will receive requests for copies of their register; the time companies will take to respond to requests to inspect or for a copy of their register and the job function (i.e. administrator/middle manager or senior manager) of the person responsible for handling the request (based on survey responses); that all or the vast majority of requests will be requested and responded to via email (and not by post); that companies and TCSPs will not need to develop a new payment mechanism to charge requesters for copies of their registers; 2013 ASHE wage data, uplifted for non-wage costs using Eurostat data (19.76%)⁷ (See Annex C for calculation of median salaries); and that the flat rate charged as a fee will be £12 – we will need to consult on this figure before the final amount is determined. 		

BUSINESS ASSESSMENT (Option 2)

Direct impact on business (Equivalent Annual) £m:			In scope of Measure qualifies OTO?	as
Costs:	Benefits:	Net:	No	
£12.5m	£7.2m	-£5.3m		

⁵ This assumption is subject to the outcome on the EU's Fourth Money Laundering Directive, which may require companies listed on prescribed markets to report beneficial ownership information to a central register.

⁶ June 2014, <http://www.parliament.uk/documents/impact-assessments/IA14-14F.pdf>

⁷ Uplift of 19.76% to consider non-wage costs taken from: http://ec.europa.eu/eurostat/statistics-explained/index.php/File:Labour_costs_per_hour_in_EUR,_2004-2014_whole_economy_excluding_agriculture_and_public_administration.png

Policy Option 3

Description: A published recommended rate of fees (non-regulatory option)

FULL ECONOMIC ASSESSMENT

Price Base Year 2014	PV Base Year 2016	Time Period Years 10	Net Benefit (Present Value (PV)) (£m)		
			Low: £52.45m	High: £490.17m	Best Estimate: £149.35m

COSTS (£m)	Total (Constant Price)	Transition Years	Average (excl. Transition) Price)	Annual (Constant Price)	Total (Present Value) Cost
Low		£3.2m		£15.7m	£138.3m
High		£3.2m		£27.9m	£243.0m
Best Estimate		£3.2m		£16.6m	£146.1m

Description and scale of key monetised costs by 'main affected groups'

There will be one-off costs for affected companies or their service providers in familiarising themselves with the guidance, as well as ongoing costs in time taken to respond to requests:

- Total costs £3,230,916 to familiarise themselves with the guidance;
- Total costs £6,514,911 to respond to requests to inspect a register; and
- Total costs £10,088,248 to respond to requests for copies of a register.

Part of these costs will be transferred to requestors through the chosen fee regime. This is captured in the monetised benefits section.

Other key non-monetised costs by 'main affected groups'

There will be direct one-off costs incurred by the NGOs to familiarise themselves with the new information available in the first year, as well as staff time spent on additional activities. For example, campaigns as a result of being better informed about the company's people with significant control on an ongoing basis.

There will also be indirect ongoing costs to the requesters of the register (e.g. NGOs/companies/TCSPs) with regard to the time taken to complete and submit a request to inspect or for a copy of the register and to analyse the content of the register.

We would also expect there to be indirect costs to the requesters and companies under this option through a lack of clarity regarding requirements, which could in turn result in additional costs to the company through time spent revisiting guidance or direct costs in legal advice. If companies were unsure whether they could charge a fee, they could also incur disproportionate costs in making the information available if they chose not to charge a fee. We might also expect some requestors to be deterred by the uncertainty over fees.

BENEFITS (£m)	Total (Constant Price)	Transition Years	Average (excl. Transition) Price)	Annual (Constant Price)	Total (Present Value) Benefit
Low	0		£34.3m		£295.5m
High	0		£73.0m		£628.4m
Best Estimate	0		£34.3m		£295.5m

Description and scale of key monetised benefits by 'main affected groups'

There will be monetised benefits to the companies and TCSPs that charge requesters for copies of their register – the fees charged will differ depending on the options for this policy. Our best estimate for Option 3 is £34,329,471 in monetised benefits per year.

Other key non-monetised benefits by 'main affected groups'

Companies could recover their costs and the size of a company's register could be taken into account.

However, there is a risk of companies overcharging (potentially, especially amongst companies who do not wish to share this information) under this option. This would therefore mean that requestors would be put off making requests, meaning we would not realise the policy objectives and the non-monetised benefits would be substantially less than under other options.

Key assumptions/sensitivities/risks	Discount rate (%)	3.5
<p>We assume:</p> <ul style="list-style-type: none"> that we will be able to exempt companies listed on prescribed markets from the requirement to maintain a PSC register⁸; an average number of PSCs per company based on the number of shareholders in a company; that there are 312,104 accountants in line with the Company Filing Requirements Red Tape Challenge IA and the Micro Exemptions IA⁹. This is used as the best proxy available for the number of TCSPs; that 41% of companies will hold their register with a TCSP (based on research from Companies House); that the current register of members inspection regime is the best comparison for potential costs under the PSC register inspection regime. We have assumed comparable demand for access to the registers based on survey responses; that in the absence of reliable data on the price sensitivity of requesters, our modelling of monetised costs and benefits assumes the same number of requests are made under each fee regime. In practice we would expect the number of requests to fall under higher charges; that there will be no or very few cases brought for refusal of access to a copy of the register; that companies and TCSPs will only familiarise themselves with the guidance should they receive a request to inspect or for a copy of their register. In addition, we have assumed that the time for companies to familiarise themselves with the guidance will be in line with time to familiarise with overall policy (as costed in the Transparency and Trust – Enhanced Transparency of Company Beneficial Ownership Final IA (T&T FIA) and that the role of the person familiarising themselves with the guidance will be in line with our survey responses; an estimated number of requests per year (based on survey responses) to inspect and for copies of the register. In addition, we have assumed that <i>companies</i> will not receive requests to inspect their register (based on survey responses) but will receive requests for copies of their register; the time companies will take to respond to requests to inspect or for a copy of their register and the job function (i.e. administrator/middle manager or senior manager) of the person responsible for handling the request (based on survey responses); that all or the vast majority of requests will be requested and responded to via email (and not by post); that companies and TCSPs will not need to develop a new payment mechanism to charge requesters for copies of their registers; and 2013 ASHE wage data, uplifted for non-wage costs using Eurostat data (19.76%)¹⁰ (See Annex C for calculation of median salaries). 		

BUSINESS ASSESSMENT (Option 3)

Direct impact on business (Equivalent Annual) £m:			In scope of Measure qualifies OITO?	as
Costs: £12.5m	Benefits: £25.3m	Net: £12.8m	No	

⁸ This assumption is subject to the outcome on the EU's Fourth Money Laundering Directive, which may require companies listed on prescribed markets to report beneficial ownership information to a central register.

⁹ June 2014, <http://www.parliament.uk/documents/impact-assessments/IA14-14F.pdf>

¹⁰ Uplift of 19.76% to consider non-wage costs taken from: http://ec.europa.eu/eurostat/statistics-explained/index.php/File:Labour_costs_per_hour_in_EUR,_2004-2014_whole_economy_excluding_agriculture_and_public_administration.png

Evidence Base (for summary sheets)

Executive summary

Problem under consideration and rationale for intervention

Measures in the Small Business, Enterprise and Employment (SBEE) Act 2015 will require companies to keep a register of their People with Significant Control (a company's PSCs). Information in the register will be made publicly available. Companies that do not elect to hold their register at Companies House will therefore be required to keep their PSC register available for inspection and to provide a copy of all or some of their register upon request. Government intervention is necessary to ensure transparency of information without imposing disproportionate costs on a company or the person requesting the information.

Options

- Option 0) 'Do Nothing' option - this would not meet the policy objectives.
- Option 1) Implementation of prescribed fees proportionate to the number of entries requested.
- Option 2) Implementation of a prescribed fixed fee for some, or all, entries in a company's PSC register. This is our preferred option.
- Option 3) A published recommended rate of fees (non-regulatory option). Although costs would be lower than Options 1 and 2, this is our least preferred option as it would not meet the policy objectives.

Policy objectives

The PSC register will implement the UK's 2013 G8 commitment to ensure that UK companies obtain and hold adequate, accurate and current information on their beneficial ownership and provide this to a central registry; and subsequent commitment to make this information publicly accessible. The policy element described in this IA intends to ensure that the PSC register, when kept by companies themselves, remains truly accessible. The chosen option should strike a fair balance between allowing a company to recover the reasonable costs it incurs in providing a copy of its PSC register, and ensuring that these costs do not pose a barrier to those wanting to access the information.

Costs and Benefits

The options have the following costs and benefits:

	Option 1 (Proportionate fees – joint preferred option)	Option 2 (Fixed fee – joint preferred option)	Option 3 (non-regulatory option)
Total Transitional costs	<p>There will be one-off costs for affected companies and TCSPs in familiarising themselves with the guidance:</p> <p>1. TCSPs: £1,947,663</p> <p>Calculation step 1: Familiarisation costs in Trust and Transparency Final IA were £55.90 for 13 page document. Assume same costs but apply to two-page document (guidance for this IA) and apply uplift to 2014 of 2% (based on GDP deflator,): $((55.9/13)*2)*1.022 = £8.79$ per TCSP in familiarisation</p> <p>Calculation step 2: Assume 71% of TCSPs will need to familiarise themselves with the guidance based on survey responses: $=£8.79*(0.71*312,104) = £1,947,633$ (whereby 312,104 is the number of TCSPs – based on previous research from Companies House and the Trust and Transparency Final IA calculations)</p> <p>2. Companies</p> <p>Calculation step 1: Assume 147,143 companies will be affected and need to familiarise. This is based on a total of 3,429,549 companies in UK; excluding 41% of companies that hold their register with a TCSP (based on CH research); excluding the number of TCSPs (312,104) to avoid double counting and assuming that 8% of companies will need to familiarise themselves (based on survey responses that found 8% of companies had previously received a request for a copy or to inspect their register of members): $=(0.59*(3,429,549-312,104))*0.08 = 147,143$</p> <p>Calculation step 2: Assume that the person responsible for familiarisation will be a middle manager and not an accountant as with TCSPs – calculate wage difference using 2013 ASHE data (£19.27 for middle manager</p>	As Option 1	As Option 1

	<p>(excluding non-wage uplift); £19.42 for accountant, excluding non-wage uplift): 0.992 of accountant wage =£8.77 (cost per TCSP)* 0.992 = £8.72 per company</p> <p>Calculation step 3: Multiply cost per company by number of affected companies: £8.72*147,143 = £1,283,284</p> <p>Total familiarisation costs: £1,947,633 + £1,283,284 = £3,230,916¹¹</p>		
Total On-going costs	<p>Ongoing costs were separated into 1) Costs incurred through requests to inspect a register and 2) Costs incurred through requests for a copy of the register.</p> <p>1) Costs incurred through requests to inspect a register</p> <p>No companies that responded to the survey had received a request to inspect their register of members; we have therefore assumed that this will also apply to the PSC register and that only TCSPs will be affected by requests to inspect a register.</p> <p>Of the TCSPs that responded, 56% had received a request to inspect (extrapolating to 174,778 of all TCSPs); the median number of requests was 6.5 in one year; the responsibility for responding to requests fell to the middle manager; and the response took 0.5 hours (based on survey responses). However, we have taken 6.5 requests to be a high estimate given that the TCSPs that responded were larger than the average population of TCSPs and therefore more likely to hold more registers.</p> <p>Best estimate per TCSP: 3*(0.5*£24.85) = £37.28 (where £24.85 is median wage for Middle Managers from ASHE 2013 data)</p> <p>Best estimate per year: 174,778*£37.28 = £6,514,911</p>	As Option 1	As Option 1

¹¹ Total familiarisation costs are £1 different due to rounding

	<p>2) Costs incurred through requests for a copy of a register</p> <p>For <i>TCSPs</i>, 71% of TCSPs who responded (extrapolated to 221,594 of all TCSPs) received a request for a copy of a register in the last year. Based on survey responses, a median of 3 requests were made for copies of their registers in the last year, responses took 0.5 hours to prepare and fell to a middle manager.</p> <p>Best estimate per TCSP: $3 \times (0.5 \times £24.85) = £37.28$</p> <p>Best estimate per year for TCSPs: $£37.28 \times 221,594 = \textbf{£8,259,977}$</p> <p>For <i>companies</i>, 8% of companies had received a request for a copy and this had already been taken into consideration when calculating the number affected (147,143). Based on survey responses, our best estimate is that companies will receive one request per year, this will take 0.25 hours to respond and the responsibility will fall to a middle manager. However, given this only equated to one response from a company, we have taken the conservative estimate, and to keep in line with the TCSP estimate, that this will take 0.5 hours to complete.</p> <p>Best estimate per company: $1 \times (0.5 \times 24.85) = £12.43$</p> <p>Best estimate per year for companies: $£12.43 \times 147,143 = \textbf{£1,828,272}$</p> <p>Total ongoing costs: $£6,514,911 + £8,259,977 + £1,828,272 = \textbf{£16,603,160}$</p>		
Total Non-monetised costs	<p>1) Costs to NGOs (and other companies) to submit requests to inspect or for a copy of their register. These costs have been estimated but have not been included in the NPV calculation as have assumed that an NGO or a company would not submit a request if the costs outweighed the benefits.</p> <p>2) Costs to NGOs (and to other companies) to analyse the</p>	As Option 1.	As Option 1

	<p>responses to requests to inspect or for a copy of the register. These costs have been estimated but have not been included in the NPV calculation as have assumed that an NGO or a company would not submit a request if the costs outweighed the benefits.</p>		
Total Monetised benefits	<p>Under option 1, fees would be proportionate to the number of entries in the register. Given our best estimate is that companies will have 1.3 PSCs and our high estimate is 1.6 PSCs, we've assumed a £1 best estimate fee and a high estimate of £2. There would also be additional 'proportionate costs' (e.g. postage) but we have not estimated these benefits as have no evidence as to the likely charges.</p> <p>TCSPs best estimate (Fee* no of TCSPs * no of requests per year): $£1 * 221,594 * 3 = £664,782$</p> <p>Company best estimate: (Fee* no of companies * no of requests per year): $£1 * 147,143 * 1 = £147,143$</p> <p>Total benefits under Option 1: £811,925</p>	<p>Option 2 is a flat rate of fees. We've suggested a flat fee of £12 on the basis that this was the median cost per company per request for a copy and that this represents a rate that is fair to both companies and requesters.</p> <p>TCSPs best estimate: (Fee* no of TCSPs * no of requests per year) $£12 * 221,594 * 3 = £7,977,378$</p> <p>Companies best estimate: (Fee*no of companies*no of requests per year): $£12 * 147,143 * 1 = £1,765,721$</p> <p>Total benefits under option 2: £9,743,099</p>	<p>Under option 3, we used survey responses to estimate the amount companies/TCSPs would charge in the absence of guidance/legislation. The median amount TCSPs would charge was £66 and the median amount companies would charge was £30 based on survey responses. Although the benefits are higher under this option, it is not the preferred option as the fees are thought to be prohibitively high and could prevent requesters submitting requests.</p> <p>TCSPs best estimate (Fee* no of TCSPs * no of requests per year): $£66 * 221,594 * 3 = £29,915,169$</p> <p>Companies best estimate (Fee*no of companies * no of requests per year): $£30 * 147,143 * 1 = £4,414.302$</p> <p>Total benefits under option 3: £34,329,471</p>

Total Non-monetised benefits	Reasonable additional costs (e.g. postage) to send the register to requesters of copies of the register as have assumed the majority will respond by mail and no evidence of what these costs might be.		
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Conclusion

Option 2 is our preferred option. It has an EANCB of £5.34m, and a total net present value of -£62.27m. This option, we believe, will give rise to the most benefits (although we have not been able to monetise all these benefits in this IA) that result from making a company register publicly available.

A. Background

Implementation

- The Small Business, Enterprise and Employment (SBEE) Act 2015 contains measures to implement a central register of company beneficial ownership information (a register of people with significant control, or 'PSC register'). This includes a requirement that a company's PSC register must be open to the inspection of any person without charge and that any person may require a copy of a company's PSC register, or a part of it, on payment of a prescribed fee.
- Secondary legislation is required to set the level of the fee. We intend to consult on draft regulations in summer 2015. The outcome of that consultation will be used to inform the Final Impact Assessment for this measure. We intend to lay the regulations setting the fees in autumn 2015.
- We intend that companies will be required to keep their own PSC registers from January 2016. We intend to require them to make information in their PSC register publicly available, and start filing this information at Companies House, from April 2016. This 'proportionate' approach provides companies with a period of at least three months in which to obtain the required information before they need to submit it to the central registry and make it publicly available.
- The SBEE Act requires the Secretary of State to review the legislation implementing the central registry within three years of the requirement to file information at Companies House commencing. This is likely to be in or before 2019.

Corporate opacity and illicit activity

1. At the UK-chaired G8 Summit in 2013, the G8 Leaders¹² recognised this problem of corporate opacity. They agreed common Principles¹³ to tackle the misuse of companies and legal arrangements and to publish National Action Plans setting out the concrete steps they would take to implement them. Central to the Principles was that companies should obtain and hold information on their beneficial ownership (i.e. on the individuals who ultimately own and control the company), and that this information should be accessible onshore to relevant authorities. The UK has committed to do this by creating a publicly accessible central registry of company beneficial ownership information, maintained by Companies House¹⁴. The reform is described fully in the Transparency

¹² Now G7.

¹³ G8 action plan principles to prevent the misuse of companies and legal arrangements (June 2013): <https://www.gov.uk/government/publications/g8-action-plan-principles-to-prevent-the-misuse-of-companies-and-legal-arrangements/g8-action-plan-principles-to-prevent-the-misuse-of-companies-and-legal-arrangements>

¹⁴ UK action plan (June 2013): <https://www.gov.uk/government/publications/uk-action-plan-to-prevent-misuse-of-companies-and-legal-arrangements/uk-action-plan-to-prevent-misuse-of-companies-and-legal-arrangements>

and Trust – Enhanced Transparency of Company Beneficial Ownership Final IA (T&T FIA), and summarised below.

2. The T&T FIA details the problem of opaque company ownership structures. In particular, it considers the potential benefits to the UK in tackling the misuse of companies through implementation of a publicly accessible central registry.
3. In summary, the T&T FIA describes how corporate opacity can facilitate illicit activity, and lead to poor corporate behaviour, which erodes trust and damages the business environment. Both crime and a lack of trust can impede economic growth. Where there is a lack of transparency around corporate structures which facilitates illicit activity and hinders the criminal justice system, there is regulatory failure with respect to the company law framework and enforcement. Where there is a lack of transparency, there is an information asymmetry, which damages trust and hinders transactions and investment. Therefore, there is a dual rationale for government intervention to address the problems of corporate opacity.

The People with Significant Control register (PSC register)

4. Measures to implement the PSC register are contained within the Small Business, Enterprise and Employment (SBEE) Act 2015. The legislation refers to the central registry as ‘the register of people with significant control’ or ‘PSC register’.
5. A PSC is any individual¹⁵ who meets one or more of the following conditions in relation to the company:
 - Directly or indirectly holding more than 25% of the company’s shares;
 - Directly or indirectly holding more than 25% of the company’s voting rights;
 - Directly or indirectly holding the right to appoint or remove a majority of the board of directors;
 - Right to exercise or actually exercises significant influence or control over the company; or
 - Right to exercise or actually exercises significant influence or control over a firm or trust which would itself meet one of the above conditions were it an individual.
6. UK companies, with the exception of companies listed on EEA regulated markets and UK prescribed markets, will be required to take reasonable steps to identify their PSCs.
7. Companies will be required to hold information on their PSCs’ full name, date of birth, nationality, country or state of usual residence, residential address, a contact (or “service”) address, the date on which the PSC acquired their interest in the company (and ceased to hold it, where applicable), details of how they exercise control over the company, and whether the individual has applied for their information to be protected from public disclosure.
8. They must hold this information in a register and keep it up to date. They must provide all of this information to Companies House on incorporation, and update the central register at least once every 12 months thereafter.
9. Consistent with the UK’s commitment to openness and transparency, and building on the established practice of making information on UK companies available on the public

¹⁵ In certain circumstances, a legal entity must be recorded in the register instead of an individual.

record, the PSC register will be publicly available via companies and Companies House. There will be limited exceptions to this, described in the T&T FIA.

10. The public nature of the register is discussed in more detail below (see Problem Under Consideration).

Prescribed Fees

11. As described above, the company must keep its PSC register and make it available for public inspection. The register may be held at its registered office or other specified location (such as a service provider's office). Following reforms in the SBEE Act, private companies may also elect to hold their PSC register solely at Companies House¹⁶. In such cases they will only need to respond to requests to access historic information (i.e. information held before the election was made), or to confirm that information held at Companies House is up to date.
12. The legislation provides that a person may inspect a company's PSC register without charge and/or require a copy of some or all of a company's PSC register on request and for a proper purpose. 'Proper purpose' is intended to have a wide interpretation and application; it may be read in light of the fact that the purpose of the PSC register is to provide public information about a company's ownership and control. The person making the request must provide the company with their name, address and the purpose for which the information is sought. A company will have five working days to either comply with a request or apply to the court to refuse it. A company will not be able to simply decline a request.
13. Although we anticipate that most people will access PSC information via Companies House, where information will be easily searchable online, for free, there are two primary reasons why a person may request access to the company's own PSC register. The first is to access the full date of birth of a PSC. This information will not be available via Companies House¹⁷, and might be particularly important information for banks and others conducting due diligence on a company. The second is to check the latest position of a company's PSCs. As information held at Companies House must only be updated once every 12 months, the information held by the company may be more up to date.
14. The legislation setting out a person's right to inspect and require copies of a company's PSC register is largely based on the inspection regime for a company's register of members ('shareholders'). This is an established precedent that works well. However, in view of the wider purpose of the PSC register, there are some differences. The most notable difference is that the SBEE Act (by introducing section 790O of new Part 21A of the Companies Act 2006) established that there will be no charge for inspecting a company's PSC register, only for copies. This is because the purpose of the PSC register is to provide transparency of company ownership and control by making this information publicly and easily accessible. Unlike the register of members, it is also considered important that any person may inspect the register free of charge due to the scope of those who may be PSCs in respect of a company (and may therefore wish to

¹⁶ Section 790X of the Small Business, Enterprise and Employment Act 2015

¹⁷ Unless the company has elected to hold its PSC register solely at Companies House.

inspect a company's register), as opposed to the more limited category of people who are members of a company.

15. Section 116 of the Companies Act 2006 (CA06) enables the Secretary of State to prescribe fees that companies may charge for providing a copy of all, or part of, their register of members. These are prescribed by Statutory Instrument No.2612 (2007). This sets out that a company may charge £5 for the first 5 entries; £30 for the next 95 entries; £30 for the next 900 entries; £30 for the next 99,000 entries; and £30 for the remainder of the entries in the register; plus any reasonable costs incurred in delivering the copy.
16. Our interpretation of this provision, as confirmed by BIS lawyers – and which underpins the analysis in this Impact Assessment – is that the fixed fee per number of entries is intended to cover the costs incurred by the company in providing the copy of the information. The 'reasonable costs' element would then cover any **additional** costs incurred in *delivering* the information to the requestor. We anticipate this would essentially only cover postage costs, and so would vary depending on whether the information was required to be sent by email or by post, and if the latter, to which country. For the purpose of this Impact Assessment however, we assume that information would be requested and therefore delivered by email, and so companies would not need to charge any 'reasonable costs'. This assumption is in line with the general trend towards digital communications and with the responses we received to our survey whereby the majority of requests were responded to by email (e.g. only one out of twelve service providers responded to a request for a copy of the register by post).
17. In summary, therefore, no company may charge more than £125 (plus any reasonable costs incurred for delivery) for a copy of its register of members.
18. According to the Impact Assessment of Regulations for Fees for Inspection and Copying of Company Records, the fees were structured in this way because respondents to the survey that was conducted indicated that the cost of providing a few entries is disproportionately high compared to the cost of providing hundreds or thousands of entries.¹⁸ We anticipate that given its similarities with the register of members, this may also be true of the proposed PSC register regime. However, we anticipate that it would be very rare for a company to have hundreds or thousands of entries in its PSC register, so the problem may be less marked.
19. For the purposes of this Impact Assessment and draft regulations, we describe one 'entry' as all the information concerning a particular PSC; or any one additional matter that is required to be noted on the register, such as a statement that the company has no PSCs.
20. While we have researched other fee structures and rates (see Annex A), there was a lack of information available on fee transfers wholly within the private sector. Prescribed fees are overwhelmingly used to regulate fees charged to consumers by the public sector.

B. Problem under consideration

21. The overarching problem under consideration, as described in the T&T FIA, is where opaque company ownership structures, in which the registered directors and legal

¹⁸ http://www.legislation.gov.uk/uksi/2007/2612/pdfs/uksiem_20072612_en.pdf

owners of the company are not the individuals who ultimately own and control the company, are used to facilitate illicit activity; or create scope for reduced levels of trust in UK business.

22. As outlined above and detailed in the T&T FIA, opacity of the control of corporate structures can facilitate illicit activity and lead to a deficiency in corporate governance, which can erode trust and damage the business environment. Both can ultimately hold back economic growth. A lack of knowledge around the beneficial ownership of UK companies – i.e. around the individuals who really own and control the company – can contribute to corporate opacity.
23. The PSC register, as part of the Transparency and Trust package, aims to reduce crime and improve the business environment so as to facilitate economic growth. It will also implement the UK's 2013 G8 commitment to ensure that UK companies obtain and hold adequate, accurate and current information on their beneficial ownership and provide this to a central registry; and the UK commitment that this information should be publicly accessible.
24. In order to meet these aims, and ensure that company beneficial ownership information is publicly accessible, companies must hold a PSC register and make it available for public inspection on request, as detailed above. We anticipate that inspection, as under the current register of members regime, will usually take place in person at the company's registered address.
25. As described above, we anticipate that most people will access PSC information via Companies House, where information will be easily searchable online, for free. There are two primary reasons why a person may request access the company's own PSC register. The first is to access the full date of birth of a PSC. This information will not be available via Companies House¹⁹, and might be particularly important information for banks and others conducting due diligence on a company.
26. The second is to check the latest position of a company's PSCs. As information held at Companies House must only be updated once every 12 months, the information held by the company may be more up to date.
27. It is therefore important that companies not electing to keep their register at Companies House make their PSC register available for public inspection. It is equally important that they provide a copy of all, or part of, their register on request. This is because those unable or deterred by the cost of travel to inspect a company register in person may effectively have reduced access to the PSC register. Others may require a copy of the information in order to, for example, comply with statutory obligations to conduct client due diligence under anti-money laundering requirements.
28. The benefits of having access to this information are described in the T&T FIA. Although they cannot be monetised, the IA makes clear that increasing corporate transparency – including by making PSC information publicly available – increases trust in the economy, and hence strengthens the business environment. In turn, further economic growth could potentially be realised.

¹⁹ Unless the company has elected to hold its PSC register solely at Companies House.

29. Consequently, section 790O of new Part 21A of the Companies Act 2006, sets out a person's right to inspect and require copies of a company's PSC register. This provides that: any person may, on request and for a proper purpose, inspect the company's register without charge and require a copy of the register on payment of such fee as may be prescribed by the Secretary of State. The person requesting information must provide the company with their name, address and the purpose for which the information is sought.
30. Here, 'proper purpose' is intended to have a wide interpretation and application. The purpose of the PSC register is to provide transparency of company ownership and control and a person may inspect the register in the interests of finding out that information. For example, in the context of investigative journalism.
31. Where a company receives a request which complies with s790O, it will have to, within five working days of receipt of that request, either comply with it (i.e. allow inspection/provide a copy, as applicable) or apply to the court to refuse inspection if it suspects the request is not made for a proper purpose. A company will not be able to simply decline a request: it will be an offence to refuse an inspection or fail to provide a copy of the register without a court order.
32. We have described above why it is important for the company to make its register available for public inspection, and provide copies of it. This will ensure transparency of company ownership, in line with the objectives outlined in the T&T FIA. To ensure these objectives are fully met it is important that searchers do not incur disproportionate costs in accessing copies. This is because disproportionate costs could adversely impact the frequency with which PSC information is accessed and used, which would prevent the benefits of reform from being fully realised.
33. However, it is also important that companies do not incur uncompensated disproportionate costs in providing copies of this information, particularly when the majority of the information can be freely accessed via Companies House.
34. The problem under consideration in this IA is how to ensure transparency, by upholding the public nature of the PSC register, without imposing disproportionate costs on a company or searchers of the register. We therefore need to establish what charging regime to set in order to balance companies covering their costs, whilst not limiting the benefits that flow from greater transparency.

C. Rationale for intervention

35. As described in the T&T FIA, the introduction of the PSC register will deliver transparency in identifying beneficial owners of companies. We expect the benefits of increased transparency of People with Significant Control (PSC) to include a reduction in crime and an increase in trust through addressing both regulatory failures and an asymmetry of information. As described in the T&T FIA, the benefits of increased transparency are achieved by making information in the register publicly available. This applies both to the information held by the company and by Companies House.
36. As described above, there are two key reasons why a person may want to access information via the company rather than via Companies House – to access the full date of birth and to get the most up to date information available. It is therefore as important

that companies, individuals and others can access PSC information held by the company as PSC information held by Companies House. For that reason, the SBEE Act requires companies to keep their PSC register available for public inspection, and to provide copies on request.

37. Allowing companies to charge a fee ensures that, where government requires companies *by law* to provide information, those requesting the copies should incur (some of) the costs they impose on companies by these requests. It is not a policy objective for companies to incur uncompensated disproportionate costs in providing copies of this information.
38. There is, however, a risk of regulatory failure coupled with a lack of competition if we do not include set rates for fees. This is because without regulations stipulating the fee rate for copies, companies could charge a total price which is significantly greater than the cost of providing the data. This would adversely impact the accessibility and utility of PSC information. This could be the case as the median flat rate companies who responded to the survey would charge was £30 for companies and £45 for TCSPs. Only the company will be able to provide a searcher of the register with the full date of birth and the most up to date information. Thus the holder of that information has a monopoly position, enabling the company to capture the rents. This could deter people from requesting access to the registers, thereby leading to a position where the economy does not fully realise the benefits of increased transparency of PSCs.

D. Policy objective

39. The register forms part of the Transparency and Trust package of reforms. The overarching objective of which, is to reduce crime and improve the business environment so as to facilitate economic growth, and meet international standards on tackling the misuse of companies.
40. The PSC register will do this by enhancing transparency around the ultimate owners and controllers of UK companies. It will implement the UK's 2013 G8 commitment to ensure that UK companies obtain and hold adequate, accurate and current information on their beneficial ownership and provide it to a central registry; and the commitment to make this information publicly accessible.
41. The specific element of the policy described in this IA aims to ensure that the PSC register, when kept by companies themselves, remains truly accessible in line with the overarching objective of reform.
42. The chosen option should also strike a fair balance between ensuring that a company can recover some or all of the costs it incurs when complying with the statutory requirement to provide a copy of its PSC register, and ensuring that these costs do not pose a barrier to those wanting to access the information.

E. Description of options considered (including 'Do Nothing')

43. Under the 'Do Nothing' Option, we would not commence the sections of the primary legislation which would require a company to make its own PSC register available for public inspection and provide copies. The company would still need to keep a register,

and provide this information to Companies House. Companies House would make that information publicly available in line with the policy described above in the 'Background' section.

44. As described above, there are two primary reasons why a person may request access to the company's own PSC register. The first is to access the full date of birth of a PSC. This information will not be available via Companies House²⁰, and might be particularly important information for banks and others conducting due diligence on a company. The second is to check the latest position of a company's PSCs. As information held at Companies House must only be updated once every 12 months, the information held by the company may be more up to date.
45. The 'do nothing' option is therefore unsatisfactory because it removes the ability for users of PSC information to access current information and full dates of birth. This would reduce the overall potential benefits to be derived from reform.

Option 1 – Prescribe fees proportionate to the number of entries requested

46. The first option we are considering is prescribing, in secondary legislation, a fee that is proportionate to the number of entries in a company's PSC register that are requested. Specifically, we propose replicating the current structure for accessing copies of the register of members, prescribed by Statutory Instrument No.2612 (2007). Under this option, a company may charge £5 for the first 5 entries; £30 for the next 95 entries; £30 for the next 900 entries; £30 for the next 99,000 entries; and £30 for the remainder of the entries in the register; plus any reasonable costs incurred in delivering the copy. Therefore, no company may charge more than £125 (plus the reasonable costs incurred for delivery) for a copy of its register of members.
47. The fees were structured in this way because respondents to a survey conducted regarding the fees indicated that the cost of providing a few entries is disproportionately high compared to the cost of providing hundreds or thousands of entries.²¹ A company's PSC register will be structured in a way that is sufficiently similar to its register of members, to make this a potential option.
48. We believe the benefits of this option to be:
- legal certainty for companies and those requesting copies;
 - familiarity for companies and those requesting copies, given it will replicate an existing approach in company law;
 - companies can recover some or all of their costs;
 - the size of a company's register is taken into account; and
 - there is an upper limit on what a company may charge thereby avoiding the possible deterrent effect of high charges for information.

Option 2 – Prescribe a fixed fee for a copy of some or all entries in a company's register

49. The second option we are considering is prescribing, in secondary legislation, a fixed fee that will apply to all requests for copies, regardless of whether some or all of the company register is requested.

²⁰ Unless the company has elected to hold its PSC register solely at Companies House.

²¹ http://www.legislation.gov.uk/ukSI/2007/2612/pdfs/ukSIem_20072612_en.pdf

50. We think that it may be possible to structure the fees in this way as it is possible that many registers are likely to be held electronically, meaning there shouldn't be much difference in the costs to companies of making one or 100 entries available. We also expect companies to respond to requests electronically, in line with the majority of responses to our survey who had responded to requests for copies of their register of members by email.
51. We believe that requests are likely to be made via email, and so can be responded to electronically. As such, companies would not incur the costs associated with posting the information: such as printing a hard copy or paying for recorded delivery. This again should mean that the cost to a company is broadly similar whether one or 100 entries are requested.
52. For this reason we believe that it may no longer be necessary to include a provision allowing companies to charge any reasonable costs they incurred in delivering a copy. We think that this would make the fees easier to understand for companies and requesters, and reduce the potential for any abuse (e.g. through costs that purport to be reasonable but which are in fact inflated).
53. We believe the benefits of this option to be:
- legal certainty for companies and searchers;
 - simplicity for companies and searchers;
 - companies can recover some or all of the cost of providing a copy; and
 - there is an upper limit on what a company may charge thereby avoiding the possible deterrent effect of high charges for information.

Option 3 – A published recommended fee (non-regulatory option)

54. The non-regulatory option would be to require companies to make their PSC register available for public inspection, allow them to charge a fee for the provision of copies, but not prescribe the level of this fee in legislation. Instead we would publish guidance setting out a recommended fee, or fee structure.
55. This option is unsatisfactory because:
- There will be a lack of clarity for both companies and searchers of the register requesting a copy. It will, for example, be unclear whether a company must still comply with its obligation to provide the copy if a requestor refuses to pay a fee. Companies might also incur unnecessary costs in looking at guidance or seeking legal advice to clarify the position. It might impact their ability to comply with their statutory obligations to provide copies of information in a timely manner, which carries a criminal offence. Searchers might also be confused as to whether they would or could be charged. This might deter them from requesting access.
 - If companies *were* still expected to comply with the obligation to provide a copy – whether or not a person paid a fee - they might incur unrecoverable costs. This would particularly affect those companies with a large amount of information on their registers and those companies receiving requests to provide a copy by post.
 - If companies *were not* expected to comply with the obligation to provide a copy, this could reduce the public accessibility of the register. Those unable to travel, or deterred by the cost of travel, to inspect a company register in person would

effectively have reduced access to the PSC register. This would fail to meet, and ultimately undermine, the stated policy objectives.

- Given the potential lack of clarity, some companies might be confused as to whether they can charge a fee at all. They could then incur uncompensated disproportionate costs in making the information available, in contradiction to our stated policy objectives. This would particularly affect those companies with a large amount of information on their registers and those companies receiving requests to provide a copy by post.
- One of the primary concerns associated with this option would be the potential for companies to charge heavily inflated fees. This is possible because the company would be in a monopoly position as it would be the sole holder of particular information. Given this risk of companies overcharging (potentially, especially amongst companies who do not wish to share this information) under this option, there is a significant risk that requestors would be put off making requests. This would therefore mean that we would not realise the policy objectives and the non-monetised benefits would be substantially less than under other options. This outcome would undermine the policy objective of making the information freely and easily accessible, and reduce the overall benefits to be derived from reform.
- Finally, whilst there would likely be no sanction in company law where a company failed to follow the recommended fees, people might seek to take action against a company that did this. This could increase the burden on the court and the justice system. Furthermore, if complaints were made to Companies House, this could result in an increase in public sector costs to develop and administer a complaints' handling process.

F. Monetised and non-monetised costs and benefits of each option (including administrative burden)

56. In order to gather evidence for this impact assessment, we conducted a review of the literature of company to company fees and conducted a survey which sought views from companies, Trust and Company Service Providers (TCSPs) and NGOs on the proposals in this Impact Assessment. We developed two surveys – one for companies/TCSPs and one for NGOs. These surveys were published on the Gov.Uk website where we openly invited companies and NGOs to respond to the survey. In addition to this open request for responses, we directly contacted a random selection of 500 companies/TCSPs through Companies House.

57. However, there was a relatively low response rate, particularly from NGOs. Only two NGOs responded to the survey, alongside 24 TCSPs and 11 companies. Of the companies that responded, six were small, two were medium, three were large and one was of unknown size. Consequently, the findings of the survey are not considered fully representative. However, when combined with other evidence, the responses allow us to make some tentative early inferences around the possible impact of the proposal.

58. Due to the limited number of responses to our survey and limitations in the existing data available, we recognise that the costs presented below are likely to be an overestimate in some cases. Respondents may have been basing their replies on particularly complicated requests for inspection, for example. We also recognise that the register of members' inspection regime, on which many of our cost estimates are based, is not an

exact comparator for the PSC inspection regime²². This may again impact the analysis presented here. However, it is the best proxy available to us at this time. We will seek to gather more information on how stakeholders are affected during or alongside consultation on draft regulations.

Corporate entities in scope of reform

59. As described in detail in the T&T FIA, we will require all UK bodies corporate that currently register information on their members at Companies House to hold their beneficial ownership information and provide it to the central registry, with the exceptions described below. This will include companies and Limited Liability Partnerships as well as some lesser used corporate forms (for example, Societas Europaea).

60. In order to identify the number of companies in scope of the PSC register we have used the FAME company database (which uses, amongst other sources, Companies House data). This is because, unlike Companies House data, the FAME database allows us to identify company size by turnover, assets and employees.

61. The FAME database reports that there are 3.47m UK companies²³. This figure includes active and dormant companies, and companies in the process of being dissolved.

62. The policy exempts companies with securities listed on a UK regulated or prescribed market and those on regulated EEA markets subject to equivalent disclosure requirements. We would also intend to exempt Limited Partnerships, European Economic Interest Groupings, industrial/provident companies and foreign companies. This is described in more detail in the T&T FIA.

63. Applying these exemptions to the FAME population gives an estimated number of companies in scope of 3,429,549²⁴. Of these 3,381,941 are small or micro companies, 30,277 are medium and 17,381 are large. Overall 99% of companies in scope are small and only 1% are medium or large. Thus the population is therefore highly skewed towards small firms where we might expect the costs to be lower. Companies House register statistics show that there are almost 59,000²⁵ Limited Liability Partnerships (LLP) on the 'LLP Total Register'²⁶ (included in the 3.43 million figure above).

64. We have sought to avoid duplicative and burdensome reporting for private companies owned by other companies. The legislation therefore introduces the concept of 'relevant legal entities' or 'RLEs'. Where a company is owned by an RLE, the company may provide details of the RLE in its register rather than details of the people who own and control the RLE.

65. RLEs are entities which already make information about their ownership and control publicly available. They are:

- entities which are required to keep a PSC register; and
- entities which are exempt from keeping a PSC register.

²² The register of members is not a perfect comparator as there is not a free publicly available register of members at Companies House. Thus our estimates of the numbers of potential requests for access and copies might be overestimates as requestors have the option of going to Companies House for much of the same PSC data. Also the "proper purpose" for accessing the PSC data will be somewhat wider than that for the members' data.

²³ Company population estimates were extracted from the FAME database (Bureau Van Dijk Electronic Publishing, 2013). This figure includes Limited Liability Partnerships.

²⁴ FAME database Bureau Van Dijk Electronic Publishing, 2014 data extracted the 11/03/2015.

²⁵ Ibid.

²⁶ Companies House (November 2013): *Companies Register Statistics for November 2013*

66. This approach will still allow the beneficial owner of UK companies to be traced but should reduce the costs incurred by companies in obtaining the information.
67. Analysis using the FAME database indicates that 322,213 UK companies are wholly or partly owned by an RLE²⁷.
68. Nevertheless, the proposals, to a greater or lesser extent, will impact on all companies in scope regardless of size or complexity of ownership.

Number of PSCs

69. The number of PSCs of UK companies is currently unknown and the number of legal owners (shareholders) in UK companies is not synonymous with PSCs. However, as set out in the T&T FIA, robust data on the number of PSCs is not available.
70. In order to determine the average number of PSCs in UK companies we have therefore looked at the number of legal owners holding more than 25% of the company's shares and used this as a proxy for the number of beneficial owners. We do not hold any information regarding the number of individuals meeting the other conditions to be qualified as people with significant control (for example, ownership of voting rights or other form of significant influence or control). For this reason, in all the calculations below estimating the number of PSCs in UK; we have only considered the shareholding condition for being a PSC. Therefore our analysis of the numbers of PSCs could be an underestimate. Furthermore, we have made the simplifying assumption that individuals can be people with significant control for no more than 1 company. This is because limitations in our data on shareholdings, which we have used to identify people with significant control, do not allow us to identify whether people who own over 25% of shares in a company, also own a similar shareholding in other companies.
71. We calculated our low, best and high estimates of the number of PSCs as follows:
- We asked Companies House²⁸ to provide data on what proportion of UK companies have different numbers of shareholders (see columns A and B of Table 1).
 - We estimated low, best and high estimates of the number of PSCs for companies with different numbers of shareholders (e.g. 1, 2, 3... more than 100) – as described below.
 - We then produced low, best and high weighted average number of PSCs (last row Columns C, D and E) – where the estimated number of PSCs in companies in each of the different shareholding categories in Column A is weighted by the total proportion of total companies in the UK that category comprises (Column B).
72. We assumed the low estimate for each shareholding category (Column A) to be the minimum number of PSCs that companies could have based on their number of shareholders. For instance, we assume a company with 2 shareholders will have as minimum 1 PSC owning more than 25.01% shares.
73. Similarly, we assumed the high estimate to be the highest number of PSCs that a company could have, based on their number of shareholders. For instance, a company with 3 shareholders could only potentially have up to 3 PSCs. In order to calculate the

²⁷ Because a UK private or listed company, or a EEA listed company, owns more than 25% of their shares.

²⁸ Companies house data extracted the 30/11/2014

best estimate for each category we looked at a sample²⁹ of companies for each category to identify the number of PSCs they might have. For instance, we considered the number of companies with 2 shareholders and we calculated, among them, the number of companies that have 1 shareholder owning between 75% and 100% shares (so these companies could have only 1 PSC based on our assumptions). We found that that 22% would have only 1 PSC; whereas 78% would have 2 PSCs. Finally, we calculated the weighted average of these figures (1.78) and used it as best estimate. This approach is used to estimate the low, best and high estimates for all categories (Column A).

74. Where we could not determine the number of companies and their number of PSCs we have given the same weight for different PSCs. For instance, for companies with 3 shareholders we could only determine the percentage of companies assumed to have 1 PSC (16%). Therefore we assumed that, among the remaining companies, the same percentage had 2 PSCs (42%) and 3 PSCs (42%). We felt this approach was more valid than having the best estimate as the mid-point of low and high estimate.

Table 1 – Number of PSCs

(a)	(b)	(c)	(d)	(e)
Number of shareholders in a company	% of companies in each category of shareholders' number	LOW ESTIMATE (min. no. of PSCs for each category)	BEST ESTIMATE	HIGH ESTIMATE (max. no. of PSCs for each category)
1	56.0%	1.0	1.0	1.0
2	30.3%	1.0	1.78	2.0
3	6.0%	1.0	1.84	3.0
4	3.4%	0.0	1.61	3.0
5	1.3%	0.0	1.61	3.0
6 - 10	1.8%	0.0	1.63	3.0
11 - 100	1.3%	0.0	1.97	3.0
More than 100	0.1%	0.0	1.59	3.0
Weighted average number of PSCs in UK companies		0.9	1.3	1.6

Source: Companies House, FAME and own calculations

75. We then calculated the weighted average number of shareholders in UK companies, which is 1.3 (0.9 as low estimate and 1.6 as high estimate). This number is broadly aligned with the answers we received from the survey, where 16 respondents provided the number of PSCs in their companies, and the average was 1.1.

76. Because the number of UK companies in scope amounts to 3,429,549, we can multiply this number with the estimated number of PSCs per company and find the total number of UK PSCs.

In total we have:

- **4,592,270** = (1.3 * 3,429,549) **best estimate** of PSCs in UK;
- 3,161,809 = (0.9 * 3,429,549) low estimate of PSCs in UK; and
- 5,411,820 = (1.6 * 3,429,549) high estimate of PSCs in UK.

²⁹ We used FAME database Bureau Van Dijk Electronic Publishing and the sample of companies accounted for 99% of the whole population, so it is a representative and robust sample.

Option 0 – Do Nothing

77. Under the ‘Do Nothing’ Option, we would not commence the sections of the primary legislation which would require a company to make its own PSC register available for public inspection and provide copies. There would therefore be no costs associated with companies responding to requests for inspection or copies of their register and nor would there be any associated benefits to the requester through obtaining the information in the registers.

Option 1 - Implementation of prescribed fees proportionate to the number of entries for which a company is required to provide copies

Benefits

Benefits to companies

78. This option is expected to ensure that companies are able to recoup some or all of the financial costs they incur through imposing a charge on the requesters of copies of their registers. The fee structure in this option will be proportionate to the number of entries (which will often equate to the number of PSCs³¹) in the register that is requested and therefore should be proportionate to the time taken to provide the requested information.

79. We have estimated the benefits to companies through charging for requests of copies of the company register in accordance with the proposed proportionate fee structure as described in paragraph 15. Our best estimate of the number of PSCs a company will have is 1.3, low estimate is 0.9 and high estimate is 1.6 (See paragraphs 71 to 78 for calculations of the number of PSCs). On this basis, given that the proposed fee structure is £1 per entry in the register for the first five entries, the corresponding fees would be a best and low estimate of £1 per request and a high estimate of £2 per request.

80. For TCSPs, the median number of requests received for copies of their register was three in the last year (based on 11 responses) – this is therefore taken as the best, low and high estimate. For companies, only one company that responded to the survey had previously received a request for a copy of their register – they stated that they had received five requests for a copy of their register in the last year. However, this seemed high based on the responses from TCSPs (a median of three). Furthermore, given that we expect the majority of interest to fall on the few companies with the more complex PSC structures (see Table 1), we have estimated a conservative best estimate of all companies that receive requests receiving an average of one request per year and a high estimate of three requests per year (in line with the estimated figure for TCSPs).

³⁰ Transparency & Trust – Enhanced Transparency of Company Beneficial Ownership Final Stage IA covers: the creation, holding and updating of registers held by companies and held by Companies House; and the public availability of the Companies House register. It does not, however, cover the costs and benefits of making the registers held by companies publicly available.

³¹ Some companies will have entries which relate to the fact that, for example, they do not have any PSCs or have been unable to identify them.

81. In identifying the number of TCSPs we have kept our assumptions in line with the Company Filing Requirements Red Tape Challenge IA and the Micro Exemptions IA³² that stated there were 312,104 accountants (2013) that could be used as a proxy for the number of TCSPs. We recognise this is not a true reflection of the number of organisations that may hold PSC registers on behalf of companies. This is because it is likely that some accountants will not provide these services to companies. It is equally likely that some lawyers will provide these services, and there will also be organisations which only provide company services (rather than accountancy services). However, in the absence of more robust data we take this as the best proxy available.

We used responses to our survey to calculate the number of affected TCSPs. Our survey asked respondents whether they had ever received a request for a copy of their register of members – 12 out of 17 TCSPs (71%) confirmed that they had received a request for a copy of their register in the last year.

82. We have therefore estimated the number of TCSPs affected by multiplying the proportion that received a request for a copy of their register (71%) by our estimated number of TCSPs to give 221,594 TCSPs affected.

Number of companies

83. In calculating the number of companies affected, we started by taking the overall number of companies in scope (3,429,549 companies). We subsequently used research from Companies House, quoted in the T&T FIA, that found that 41% of all companies use accountants/service providers to file their annual return. We have used this figure to assume that the same proportion will also use an accountant/Service Provider to keep their PSC register. Accountants/Service Providers will therefore be responsible for providing a copy of the registers for 41% of companies, and charging as appropriate, to the requester. This is our low and best estimate (as this is the most robust evidence we have).

84. However, we do have further - albeit less robust - evidence to suggest that our estimate of the number of companies holding their own register (59%³³) is high. Given that private companies will be able to elect to hold their registers at Companies House, we believe this will lower the number of companies holding their own register because under the new simplified company filing measures, it will reduce duplication of information as well as the costs for companies which keep the registers themselves instead of using an agent. For those companies using an accountant/service provider, it may also involve a reduction in the costs it pays to that agent. Companies House have commenced consultation on awareness of the measures in the SBEE Act and have indicative responses from a small number of companies that between 20 and 30 per cent of companies will elect to hold their register at Companies House. However, we have not used this estimation in our cost calculations given Companies House are not confident in the figure³⁴.

³² June 2014, <http://www.parliament.uk/documents/impact-assessments/IA14-14F.pdf>

³³ Based on the Companies House research that found that 41% of companies hold their register with a TCSP

³⁴ Note that the costs to Companies House of this policy are covered by those set out in the Transparency and Trust – Enhanced Transparency of Company Beneficial Ownership' Final IA

85. As with TCSPs, we used the proportion of companies that responded to our survey to state that they had received a request for a copy of their register of members to form our best estimate of the likely proportion of companies that will receive a request for a copy of their PSC register. Our survey found that one in twelve companies (8%) had received a request for a copy of their register of members – we have therefore used this as our best estimate for the likely proportion of companies affected by requests for copies of their register.
86. Given that we assume that 41% of companies will use accountants/TCSPs to hold their register and that, of those that hold their own register, 8% of companies will receive a request in one year, we would estimate that 147,143 companies will be affected by requests for copies of their register (excluding the 312,104 TCSPs from the total number of companies to avoid double counting) in any one year (based on there being 3,429,549 companies in scope).

Number of requests

87. We have estimated the number of requests using the survey responses for number of requests for a copy of the register – this is due to figures being higher for companies and for TCSPs for copies than for requests to inspect a register.
88. The median number of requests for a copy of the register was calculated based on survey responses. The median number of requests received by TCSPs in one year was three (based on 11 responses). We only received one response from a company that stated that they had received five requests for a copy of their register. However, as this seemed high relative to the number of requests made of TCSPs (3 per year) which hold a number of companies' registers, we have revised this to a lower best and low estimate of one request per year and a high estimate of three requests per year based on the median number of requests made to TCSPs.
89. Table 2 estimates the best and low estimate for companies and TCSPs to be £811,925 for benefits through charging fees for copies of the register in one year. This is compared to a high estimate of £2,212,423.

Table 2: Benefits to companies/TCSPs through charging for requests of copies of the company register

	Fee charge (per request)	Number of companies/ TCSPs receiving requests in one year	Number of requests in one year	Total estimated benefit per year
TCSP/Accountant: High	£2	221,594	3	£1,329,563
TCSP/Accountant: Best/ Low	£1	221,594	3	£664,782
Company: High	£2	147,143	3	£882,860
Company: Best/Low	£1	147,143	1	£147,143
TOTAL HIGH				£2,212,423
TOTAL BEST				£811,925
TOTAL LOW				£811,925

90. Companies will also be able to charge other reasonable costs, most notably for postage, which will mean they are not put at a financial disadvantage through the introduction of this element of the legislation. However, for the purpose of this Impact Assessment we conservatively assume that all requests for copies will be received and delivered via email. This is based on the vast majority (80%) of companies and TCSPs that responded to the survey and had previously received a request for a copy of their register stating they responded to the requests by email (13% said they provided the copies of the register by both post and email; 7% stated that they did so by post only). Going forward, with increased moves towards greater use of IT, we expect the use of post to fall even further. We have not therefore monetised this in the cost calculations.

91. The survey also highlighted some indicative findings that companies may be more inclined to charge a higher rate as their number of PSCs increases. Although only five respondents who responded to the question about the amount they would charge per entry in the register also responded to the question about the number of PSCs they have in their register, Table 3 provides some very indicative evidence that companies with more PSCs in their register may seek to charge higher fees per entry than those with fewer PSCs. This evidence could therefore potentially support the proposal of proportionate fees that are in line with the number of entries in the register requested (that is, incremental increases by the number of PSCs in the register requested). This is further supported by the fact it is potentially these companies in which NGOs are most interested (i.e. more complex companies).

Table 3: Amount companies would charge per entry in the register if no regulatory restrictions by number of PSCs

	0 PSCs	1 PSC	2 PSCs
£0		1	
£1	1		
£10			1
£30		1	
£500			1
AVERAGE FEE	£1	£15	£255

Benefits to searchers of the register

92. As there is no requirement on anyone/a company/an organisation to search the register, we have assumed that they would only do so if the benefits at least outweighed the costs. Thus we have conservatively assumed no net benefit here.
93. The survey also highlighted benefits to the requesters of information for companies/TCSPs – for NGOs and for companies/TCSPs. Companies and TCSPs were asked if they had ever accessed another company's register of members and, if so, how this information was used. Three companies and five TCSPs had accessed another company's register of members in the last year. They had used these findings for monitoring of another company's activity (2 companies and 2 TCSPs), inform their own company activity (1 company and 2 TCSPs), client due diligence (3 companies), checking up to date information about shareholders (1 TCSP) and recording the information as part of the TCSP anti-money laundering checks in obtaining details of all shareholders and their respective shareholdings to confirm the ultimate controlling party of a company.
94. We can therefore assume that the benefits to accessing a company's PSC register will not only be of benefit to NGOs (see below) but also to companies and TCSPs to inform their business strategies, and comply with their statutory obligations to conduct client due diligence under anti-money laundering requirements.
95. There will also be a benefit to the requester of the information as introducing legislation on the fee structure removes the risk that companies could charge unreasonable fees that would limit the requests made for copies of the register. Both NGOs that responded to the survey stated that they would make more requests if the costs were lower and one stated that they would make fewer requests if the costs were higher, expanding on this by stating 'If the costs were prohibitively expensive, it would be harder to justify each request'.
96. This is supported by company and TCSP responses to the survey which indicated a range of fees that they would seek to charge in the absence of legislation, either as a flat rate or as a cost per entry in the register. We received 21 responses from companies and TCSPs combined to this question: responses to the preferred fee per entry cost suggested a range of fees from £1 per entry to £500 per entry with an average of £82.25 per entry and a median of £10 per entry; responses to the flat rate fee suggested a range from £0 to £200 with an average flat fee of £54 per request and a median of £35.
97. We can therefore expect that setting in legislation a standard fee structure would reduce the possibility that requests for copies of the register are not submitted to companies due

to the prohibitive costs from companies free to charge as they chose. This would therefore better enable us to meet the stated policy objectives.

98. The survey also highlighted additional benefits to the requesters of information from the register for NGOs. Of the two NGO respondents to the survey, both stated that they would use the findings from the register for monitoring of company activity and for informing investigations. In addition one NGO respondent stated that they would use the register to inform their campaigns. The evidence gathered from the survey is supported by anecdotal evidence from NGOs, who have previously highlighted the utility of having access to up to date information, and information on an individual's full date of birth – which can only be obtained from the company's own PSC register.

99. This supports the wider objectives of the PSC register to enhance corporate transparency and promote good corporate behaviour.

Costs

100. There will be some costs as those companies in scope familiarise themselves with their obligations under the new reporting requirements.

One-off costs to companies – Familiarisation

101. The T&T FIA estimates the costs of familiarisation with the guidance for the overall policy and includes it in its EANCB calculation, including what must information must be held on the register, and the need for companies to hold a PSC register and make it publicly accessible – an estimated £55.90 per company (based on wage of person responsible for familiarisation in the company x their median wage) plus £35.60 in professional advice and guidance (e.g. lawyer, accountant). We have therefore not included these costs in our calculation of costs and benefits in this IA to avoid double counting.

102. In addition to this general guidance, in line with views of stakeholders we anticipate that only a proportion of companies in scope would be required to familiarise themselves with the separate more detailed guidance on allowing access to, and providing copies of, their PSC register and the provision for charging a fee – ie only those asked for access to the information. Based on existing guidance prepared by the Institute of Chartered Secretaries and Administrators³⁵ in relation to inspection of the register of members, we assume there would be two pages of guidance on the general access ('general access guidance'), and an additional four pages of guidance on the process to be followed where inspection was refused ('specific access guidance').

103. For TCSPs, a greater proportion received a request for a copy of their register than to inspect their register (71% compared to 56%) – we have therefore used the higher estimate for our familiarisation and benefit calculations. We have assumed that TCSPs that receive a request for a copy of a register will need to familiarise themselves with the general access guidance in their responsibilities for managing PSC registers on behalf of their clients – we have therefore assumed this will be 71% of TCSPs in line with the proportion of TCSPs that received a request from our survey responses.

104. To calculate the amount of time required to read the guidance, we have used figures from the research conducted to inform the T&T FIA in 2013. The final IA estimated a cost

³⁵ ICSA Guidance on Access to the Register of Members: Proper Purpose Test

of £55.90 per company to read 13 pages of guidance, based on the familiarisation falling to an accountant.

105. We have therefore estimated the familiarisation costs to TCSPs as $((£55.90/13)*2)*1.022$ – whereby the 1.022 is the wage uplift between 2013 and 2014. This gives us a familiarisation cost of £8.79 per TCSP. This therefore gives a total familiarisation cost for TCSPs of £1,947,633 ($£8.79*(312,104*0.71)$ where 0.71 is the 71% of TCSPs that we assume will receive a request for a copy of the register).

106. Given that we are only aware of two cases brought to the court to refuse a request for a copy of a register of members, our best estimate is that there will similarly be no, or very few, cases brought for refusal of access to or copy of the PSC register. We believe that this appropriate given the differences between the register of members and the register of people with significant control:

- The register of people with significant control will be publicly accessible, free of charge, via Companies House website, whereas the register of members is not;
- There is limited additional information available on the Company's own register compared to the Companies House central register. Where there have been no changes in a company's PSCs since its last confirmation statement (annual return) the only additional information will be the 'day' of the PSCs date of birth;
- Companies will also have the option of electing to hold their register with Companies House, alongside the implementation of this policy. Therefore these proposals will only affect those companies that do not elect to hold their register with Companies House.
- The PSC register also has a wider interpretation of 'proper purpose', which will mean that fewer requests fall outside the proper purpose test.

107. We have therefore not costed familiarisation with the specific access guidance on the basis that we assume companies and service providers would only read it should they wish to refuse a request. We believe this is appropriate, as the guidance will only detail a company's responsibilities when they receive a request to see their register.

108. For companies, our best estimate is that companies will also only read the 2-page guidance on access if they receive a request and if they, and not a TCSP, are holding their register. One out of twelve companies that responded to the survey had received a request for a copy of their register of members in the last year and no companies had received a request to inspect their register. We are therefore assuming that a similar proportion of companies (8%) will receive a request in any given year. Our best estimate for the number of companies that will need to familiarise themselves with the guidance is therefore 147,143 $((0.59*(3,429,549-312,104))*0.08)$.

109. Our survey did not ask respondents who in their company would be responsible for familiarising themselves with the guidance. However, we have assumed that middle managers will be responsible for familiarisation in companies to keep in line with our survey response from companies that it would be middle managers who would be responsible for dealing with requests for copies of the register (Table 5). We will consult on this to inform our final impact assessment.

110. In calculating the familiarisation costs, we have therefore adjusted the median wage used in the calculation from an accountant (£19.42 in 2013) to the median wage for a

middle manager (£19.27) – 99.2% of the wage of an accountant³⁶. As with the calculation for the TCSPs and service providers, we have estimated the familiarisation costs on the basis of two pages of familiarisation as $((£55.90/13)*2)*1.022*0.992$ – whereby the 1.022 is the wage uplift between 2013 and 2014 and 0.992 is the difference between the accountant and middle manager wages. This gives us a familiarisation cost of £8.72 per company. This therefore gives a best estimate total familiarisation cost for companies of £1,283,284 (£8.72*147,143).

111. The total one-off costs to business are therefore £3,230,916: cost to TCSPs (£1,947,633) + cost to companies (£1,283,284)³⁷.

One-Off costs to companies – New Payment Mechanism

112. We have assumed that companies and TCSPs/accountants will already have payment mechanisms in place for charging requesters for copies of the register – this is on the basis that all companies will have had to charge customers for their goods or services and that this process can similarly be used for requesters of the register. The exception to this could be for dormant companies who will still have to keep a register but who may not actively trade. However, we assume they would still need a payment mechanism for, for example, administration or professional advisory fees. Our survey did ask respondents if they had had to develop a new payment mechanism in order to charge requesters of the register of members – one TCSP stated that they had had to do so at a cost of £100 to the company and one stated that they had to do so at an unknown cost. We are assuming this is not typical (given that companies should already have systems in place to charge customers).

Ongoing costs to companies: companies and TCSPs receiving requests

113. We have assumed there will be ongoing costs to companies through a) handling requests to inspect the register, b) handling requests for copies of the register and c) time taken by third parties to analyse the register – we will only include in the NPV figures time to deal with requests to inspect and for copies of the register as, for time taken to analyse the register, NGOs and other companies would only request to inspect or for a copy of the register if the benefits of doing so at least outweighed the costs – these costs are therefore for indicative purposes only. Similarly, we have costed the impact of submitting a request on the company but have excluded this from the NPV analysis given that we would also expect that a request would only be submitted if the benefits outweighed the costs.
114. We have also assumed that not all companies will receive a request to inspect or for a copy of their register. As per the familiarisation costs, we have assumed that 41% of companies will use accountants/TCSPs to hold their register and that, of those that hold their own register, 8% of companies will receive a request in one year. This therefore equates to an estimated 147,143 companies that will receive a request for a copy of their register in any one year.
115. We have used survey responses to estimate the proportion of accountants/TCSPs that will receive a request to inspect or a request for a copy of a register in any given

³⁶ We have used the 2013 ASHE data to inform the median salaries for this IA and calculated an uplift of 1.022 to 2014 wages (given that the survey responses were provided in 2015 for the last year): <http://www.ons.gov.uk/ons/rel/ashe/annual-survey-of-hours-and-earnings/2013-revised-results/index.html>

³⁷ Note there is a difference of £1 here due to rounding

year. 56% of accountants/TCSPs had received a request to inspect a register of members in the last year and 71% had received a request for a copy of a register. The survey also asked respondents the question as to whether respondents thought there would be a difference in demand for the PSC register compared to the register of members – the majority (59%) thought the demand would be the same with 22% thinking there would be a little more demand and 15% thinking there would be a lot more demand. On this basis, we have kept the estimated proportion the same given that the majority of respondents thought there would be no change.

116. These assumptions around the number of companies and TCSPs impacted by this element of the policy have been used to inform our cost estimates, below.

Ongoing costs – Responding to a request to inspect a register

117. We have split the ongoing costs for responding to a request to inspect a register by those requests submitted to a TCSP/accountant and those submitted direct to a company. Based on survey responses, we have assumed that 56% of the TCSPs (174,778) will receive a request to inspect a register in any given year. The median number of requests TCSPs received in the last year (based on survey responses) was 6.5 (the high estimate) – however, it is assumed that this is high given that the TCSPs that responded were larger than the average population of TCSPs, and would therefore be more likely to be responsible for a higher number of registers than some other TCSPs – and therefore likely to receive more requests for inspection or copies. Our conservative best estimate is therefore three requests per year per TCSP on the assumption that some will receive a higher number of requests and some will likely receive only one or zero. This also accords with the number of requests TCSPs indicate that they get for copies of the register.
118. The survey also suggested that there was a relatively even split across the types of employees who were responsible in TCSPs for responding to a request and we have therefore assumed that this responsibility will typically fall to a middle manager within the company (as opposed to administrative staff or senior managers). The median time to respond to a request by TCSPs was one hour (from survey responses). However, given that larger TCSPs responded to the survey and that these are more likely to be responsible for the more complex registers, and that the company who responded estimated the time taken to respond to a request for a copy of a register as 0.25 hours (See Table 5), we have revised this estimate downwards to an estimate of 0.5 hours to reflect the overall population of TCSPs and the much lower estimate of time to complete by the company that responded.
119. As no companies received a request to inspect their register from the survey, we have estimated this as zero requests per year in the absence of other information.
120. Table 4 summarises the expected costs to TCSPs to respond to requests to inspect a register in one year based on the above assumptions from the survey responses. We have therefore assumed a high ongoing cost to TCSPs at £14,115,641 and a low and best estimate at £6,514,911 per year.

Table 4: Costs of TCSPs to respond to requests to inspect a register in one year

	Number of requests	Number of TCSPs receiving requests	Who in organisation responsible	Time taken to respond (hours)	Median wage (per hour)	Estimated cost per year per company	Total estimated cost per year
TCSP/Accountant: High	6.5	174,778	Middle manager	0.5	£24.85	£80.76	£14,115,641
TCSP/Accountant: Low/Best	3	174,778	Middle manager	0.5	£24.85	£37.28	£6,514,911

Ongoing costs – Responding to a request for a copy of a register

121. The number of eligible companies and TCSPs was calculated as per the calculations for the number assumed to be required to respond to a request to inspect a register.

122. The median number of requests for a copy of the register was calculated based on survey responses. We only received one response from a company that stated that they had received five requests for a copy of their register. However, as this seemed high relative to the number of requests made of TCSPs (3 per year) which hold a number of companies' registers, we have revised this to a lower best and low estimate of one request per year and a high estimate of three requests per year based on the median number of requests made to TCSPs.

123. For companies, the one respondent stated that the responsibility fell to a middle manager and that the amount of time taken to respond to a request for a copy took 0.25 hours. However, this seemed low given the estimates provided for TCSPs (median of 1 hour) and we have therefore assumed our best estimate will be 0.5 hours for TCSPs and for companies. We have used the figure of 0.25 hours as our low estimate of the time taken to respond to a request for a copy.

124. Table 5 presents the costing overall for companies and TCSPs to respond to requests for a copy of their register in one year. Our best estimate of the costs for companies and TCSPs to respond to a request for a copy of their register is therefore £10,088,248 per year, our low estimate is £9,174,113 and our high estimate is £13,744,791 per year.

Table 5: Costs of TCSPs and companies to respond to requests for copies of their register in one year

	Number of requests per year	Number of companies/ TCSPs receiving requests	Who in organisation responsible	Time taken to respond	Median wage (per hour)	Cost per request	Estimated cost per year per company per year	Total estimated cost per year
TCSP/Accountant: High/Best/Low	3	221,594	Middle manager	0.5	£24.85	£12.43	£37.28	£8,259,977
Company: Low	1	147,143	Middle manager	0.25	£24.85	£6.21	£6.21	£914,136
Company: Best	1	147,143	Middle manager	0.5	£24.85	£12.43	£12.43	£1,828,272
Company: High	3	147,143	Middle manager	0.5	£24.85	£12.43	£37.28	£5,484,815
							Total Cost: Low	£9,174,113
							Total Cost: Best	£10,088,248
							Total Cost: High	£13,744,791

Ongoing costs – Time to submit a request (Excluded from NPV)

125. We would not expect companies or NGOs to submit a request to inspect or for a copy of a register if the costs outweighed the benefits – we have therefore excluded these costs from the NPV calculation but have included in the impact assessment as indicative and for information purposes only.

126. Survey respondents from companies, TCSPs and NGOs reported that they had submitted a request to inspect or obtain a copy of another company register. Only two companies said they had done so in the last year – this responsibility had fallen to senior managers within the two companies and the task had taken between a quarter of an hour and one hour to submit the request. For the median wage for these companies, one company was a large company and one company was a small company – we used ASHE data to calculate the median wage for large companies and small companies at the senior manager grade to give a more realistic calculation (£56.81 and £37.24 respectively per hour).

127. Five TCSPs had submitted a request in the last year – two were submitted by a senior manager, one by a middle manager, one by an administrator and one respondent stated that the requester varied. The requests took between half an hour and one hour to submit.

128. Finally, one NGO had previously submitted requests in the last year: this responsibility fell to a senior manager and took 0.5 hours. These are summarised in Table 6 below.

Table 6: Costs of submitting a request to inspect or for a copy of a register

	Person responsible for submitting request	Number of requests submitted in last year	Time taken to submit request (hrs)	Median wage per hour	Cost to business per request	Total cost to business per year
Company	Senior manager	5	0.25	£ 56.81	£ 14.20	£ 71.02
	Senior manager	1	1	£ 37.24	£ 37.24	£ 37.24
TCSP/Accountant	Senior manager	1	0.5	£ 45.90	£ 22.95	£ 22.95
	Middle manager	6	Depends on company	Unkown	Unknown	Unknown
	Senior manager	20	1	£ 45.90	£ 45.90	£ 918.08
	Administrative	270	0.75	£ 12.17	£ 9.13	£ 2,463.94
	It depends	25	0.5	Unkown	Unknown	Unknown
NGO	Senior manager	3	0.5	£ 45.90	£ 22.95	£ 68.86

Source: Survey responses (each row represents one response)

129. Given the variety of responses, our best estimate, based on the median responses, is that the request to inspect or obtain a copy of a register will therefore fall to a senior manager and take 0.5 hours to complete. The median number of requests submitted by NGOS, companies and TCSPs was 5.5 requests in the last year. This would therefore equate to an estimated cost of £126.24 per company/TCSP/NGO per year to make 5.5 requests ($5.5 \times (0.5 \times £45.90)$) using the median hourly wage plus uplift for staff of this grade from ASHE data.

Ongoing costs – Analysing the PSC register (Excluded from NPV)

130. As with the time to submit a request, we would not expect companies to request and analyse a copy of a register if the costs outweighed the benefits – we have therefore excluded these costs from the NPV calculation but have included in the impact assessment as indicative and for information purposes only.

131. Table 7 summarises the costs of analysing a company register in the last year based on responses from companies (three), TCSPs/Accountants (five) and NGOs (one).

Table 7: Costs of analysing a company register

	Number of requests submitted in last year	Person responsible for inspecting register	Time taken to inspect register (hrs)	Median wage per hour	Cost to business per request	Total cost to business per year
Company	5	Senior manager	1	£ 56.81	£ 56.81	£ 284.07
	1	Senior manager	1	£ 37.24	£ 37.24	£ 37.24
	1	Senior manager	1	£ 45.90	£ 45.90	£ 45.90
TCSP/Accountant	6	Middle manager	Depends on number of members	£ 24.85	Unknown	Unknown
	20	Senior manager	1	£ 45.90	£ 45.90	£ 918.08
	270	Senior manager	Unknown	Unknown	Unknown	Unknown
	25	It depends - please see note	Unknown	Unknown	Unknown	Unknown
NGO	3	Senior manager	3	£ 45.90	£ 137.71	£ 413.14

Source: Survey responses (each row represents one response)

132. Based on the survey responses, we have assumed that the analysis would take one hour to complete per request and would fall to a senior manager to complete. This would therefore equate to an estimated cost of £252.47 per company per year on the basis that they submit an estimated 5.5 requests per year ($5.5 \times (1 \times £45.90)$).

Ongoing costs – applying to the court to refuse access

133. As noted above, given that we are only aware of two cases brought to the court to refuse a request for a copy of a register of members, our best estimate is that there will similarly be no, or very few, cases brought for refusal of access to, or copy of, the PSC register for the reasons noted above in para 106. Given the very low likelihood of this happening we have not estimated the cost to companies of taking this action.

Ongoing costs – Reductions in transparency

134. We have considered whether the existence of a fee for obtaining a copy of the register will impact on the transparency benefits of the register of people with significant control. We do not believe that fees will have any impact on the transparency of the register of people with significant for the following reasons:

- The vast majority of PSC information will be available online from Companies House free of charge.
- The only additional information on the company's own register, compared to the public register is the 'day' of the PSC's date of birth. The month and year of birth will be available on the central register from Companies House.

- An individual will be able to view the company's PSC register free of charge at the Company's Registered Office. A fee will only be chargeable, if an individual requests a copy of the register.
- Companies will not be required to charge a fee, but are given the option of charging a fee to recover reasonable costs if they so choose.
- The level of the fee is set to allow reasonable cost recovery, without being prohibitively expensive to reduce transparency.

Option 2 – Implementation of a prescribed fixed fee for some, or all, entries in a company's PSC register.

135. The second option we are considering is prescribing, in secondary legislation, a fixed fee that will apply to all requests for copies, regardless of whether some or all of the company register is requested. This option will exclude the provision for the company to charge additionally other reasonable costs (such as postage) as it is assumed that these will be covered in the fixed fee and that the majority of requests will in any case be responded to via email (rather than by post).

Option 2 – Benefits

136. We have assumed that the flat fee for companies to charge for a copy of their register will be £12 – this is on the basis of our best estimate of the cost per request for companies is £12 (see Table 5). Furthermore, our best estimate for the number of PSCs is that there will be 1.3 PSCs per company (£1 per entry) and the majority of companies will provide the copy of their register electronically (thus avoiding postage costs) plus an additional £10/£11 to compensate for the time to respond to the request (in line with our best estimate of the cost per request of £12 based on time spent handling the request). We will seek views on this proposed figure as part of our consultation as we do not want the fee to prohibit people from requesting copies of the register in order to ensure we meet our policy objectives. Nor do we want companies to incur disproportionate costs.

137. Table 8 presents the projected benefits to companies through charging a flat fee of £12. The number of companies/TCSPs receiving requests and the estimated number of requests per year are calculated as per Option 1. This would therefore give a projected best estimate of benefits to business of £9,743,099.

Table 8: Benefits to companies/TCSPs through charging for requests of copies of the company register using a prescribed fee (Option 2)

	Fee charge per request	Number of companies/TCSPs receiving requests per year	Number of requests per year	Total estimated benefit per year
TCSP/Accountant: High/Best/Low	£12	221,594	3	£7,977,378
Company: High	£12	147,143	3	£5,297,163
Company: Best/Low	£12	147,143	1	£1,765,721
			TOTAL HIGH	£13,274,541
			TOTAL BEST	£9,743,099
			TOTAL LOW	£9,743,099

138. As with Option 1 we have assumed that the benefits for those requesting the information would at least outweigh the costs of doing so, thus we have not monetised their net benefits. Other non-monetised benefits under Option 2 are:

- legal certainty for companies and searchers;
- simplicity for companies and searchers;
- companies can recover some or all of the cost of providing a copy;
- there is an upper limit on what a company may charge.

This option will therefore ensure that requesters and companies are aware of the total final cost of the request (and are not faced with uncertainties over what to charge/what additional costs there will be through any additional charges from the 'other reasonable costs' provision under option 1).

Option 2 – Costs

139. The one-off and ongoing costs to companies will be the same as under Option 1 for responding to requests to inspect and for copies of the company register. Our best estimate for one-off costs is therefore £3,230,916 and for ongoing costs is £16,603,160 per year.

Option 3 – A published recommended fee (non-regulatory option)

140. The non-regulatory option would be to publish a recommended fee, or fee structure.

141. Under Option 3, companies would still be required by measures in primary legislation to keep a register of company beneficial ownership information available for inspection. However, the fees a company may charge for a copy of all, or part, of its register would not be prescribed in legislation.

142. Under this option the costs would be as are presented in Option 1 for familiarisation and for ongoing costs. However there would be limited benefits to requesters of the information (other than the benefit of obtaining the information obtained in the register) given that the costs charged could be disproportionate to the information provided which could decrease the number of copies of the register requested – thereby reducing the benefit of the gained from the increased transparency. We would also expect the number of requests submitted to companies and TCSPs for copies of their register to be lower under this option but as it would be unclear the extent to which the number of requests would be affected by not prescribing the fees to be charged, we have kept the expected number of requests in line with other options to provide a more conservative estimate of costs.

143. It is also difficult to estimate the fees that companies would charge for copies of the register in the absence of robust evidence. However, based on survey responses and given the wide range of responses to the question on the amount companies would charge (between £0 and £500 for the cost per entry for companies; between £5 and £10 per entry for TCSPs; between £10 and £50 as a flat rate for companies and between £10 and £200 as a flat rate for TCSPs), it is therefore preferable to take the median fees to avoid the averages being skewed by outliers. For companies the median cost per entry was £30 and the median flat rate was also £30; for TCSPs the median cost per entry

was £8 and the median flat rate was £45. Table 9 presents an estimate of the costed benefits to companies and to TCSPs under this option, based on a flat rate fee.

144. We have used the flat rates only to calculate the benefits under this option as have assumed this would be the more likely fee structure that companies and TCSPs would choose to adopt: for TCSPs, the mean flat rate (£66 per request) was used as the high estimate – this was also used in the company high estimate in the absence of more reliable data (only three companies responded to this question); the best and low estimate for TCSPs was the median flat rate TCSPs stated they would charge (£45); and the best and low estimate for companies was the median rate they stated they would charge (£30).

Table 9: Benefits estimation for TCSPs and companies under Option 3

	Fee charge	Number of companies/ TCSPs receiving requests	Number of requests	Total estimated benefit per year
TCSP/Accountant: High	£66	221,594	3	£43,875,580
TCSP/Accountant: Best	£45	221,594	3	£29,915,168
TCSP/Accountant: Low	£45	221,594	3	£29,915,168
Company: High	£66	147,143	3	£29,134,394
Company: Best	£30	147,143	1	£4,414,302
Company: Low	£30	147,143	1	£4,414,302
			TOTAL HIGH	£73,009,974
			TOTAL BEST	£34,329,471
			TOTAL LOW	£34,329,471

145. The above Table 9 suggests that the estimated benefit to companies would be a low and best estimate of £4,414,302 (based on estimated fee charge of £30 to an estimated 147,143 companies who receive a request and an estimated one request per year – see Option 1 for more detailed explanation of these final two figures). The estimated benefit to TCSPs would be a low and best estimate of £34,329,471 (based on a median estimated charge of £45 flat rate). This is therefore a total low and best estimate of £34,329,471 and a total high estimate of £73,009,974 in benefits to companies and TCSPs combined.

146. Given that the high estimate of costs for companies and TCSPs is £25,118,025 (high cost estimate for time to respond to requests to inspect and requests for copies of the register combined: £14,115,641+£11,002,384) and the best estimate is £15,689,024 (£6,514,911+£9,174,113), this suggests that the benefits would outweigh the costs under the high, best and low options. This would therefore provide disproportionate benefits to the companies and would contravene the policy objective which states the benefits should be proportionate to the costs experienced by the company.

147. Furthermore, should we choose not to legislate and the associated fees are left to be determined by companies, we would not derive all the expected benefits of the reform as the system would be less transparent. This is because people might be deterred from accessing the information due to unknown or uncertain costs. This would also contravene the policy objective, which is to ensure that the information is publicly and easily accessible.
148. We have not costed for any potential sanctions if a company failed to follow the recommended fees as it is not yet clear if there would be sanctions imposed and, if so, what these sanctions would be. In the same respect, we have also not costed for any potential increase in the burden on the court and the justice system through people seeking to take action against a company that charged heavily inflated fees. This is due to insufficient evidence to hypothesise as to the likely costs incurred or the frequency of such occurrences.

Risks and Assumptions

Assumptions

149. We have assumed the following:

- legal certainty for companies and those requesting copies;
- familiarity for companies and those requesting copies, given it will replicate an existing approach in company law;
- companies can recover some or all of their reasonable costs;
- the size of a company's register is taken into account;
- there is an upper limit on what a company may charge;
- that we will be able to exempt companies listed on prescribed markets from the requirement to maintain a PSC register³⁸;
- an average number of PSCs per company based on the number of shareholders in a company;
- that there are 312,104 accountants in line with the Company Filing Requirements Red Tape Challenge IA and the Micro Exemptions IA³⁹. This is used as the best proxy available for the number of TCSPs;
- that 41% of companies will hold their register with a TCSP (based on research from Companies House);
- that the current register of members inspection regime is the best comparison for potential costs under the PSC register inspection regime. We have assumed comparable demand for access to the registers based on survey responses;
- that in the absence of reliable data on the price sensitivity of requesters, our modelling of monetised costs and benefits assumes the same number of requests are made under each fee regime. In practice we would expect the number of requests to fall under higher charges;
- that there will be no or very few cases brought for refusal of access to a copy of the register;
- that companies and TCSPs will only familiarise themselves with the guidance should they receive a request to inspect or for a copy of their register. In addition, we have

³⁸ This assumption is subject to the outcome on the EU's Fourth Money Laundering Directive, which may require companies listed on prescribed markets to report beneficial ownership information to a central register.

³⁹ June 2014, <http://www.parliament.uk/documents/impact-assessments/IA14-14F.pdf>

assumed that the time for companies to familiarise themselves with the guidance will be in line with time to familiarise with overall policy (as costed in the T&T FIA) and that the role of the person familiarising themselves with the guidance will be in line with our survey responses;

- an estimated number of requests per year (based on survey responses) to inspect and for copies of the register. In addition, we have assumed that companies will not receive requests to inspect their register (based on survey responses) but will receive requests for copies of their register;
- the time companies will take to respond to requests to inspect or for a copy of their register and the job function (i.e. administrator/middle manager or senior manager) of the person responsible for handling the request (based on survey responses);
- that all or the vast majority of requests will be requested and responded to via email (and not by post) – we will consult on this to inform whether this is an appropriate assumption;
- that companies and TCSPs will not need to develop a new payment mechanism to charge requesters for copies of their registers; and
- 2013 ASHE wage data, uplifted for non-wage costs using Eurostat data (19.76%)⁴⁰ (See Annex C for calculation of median salaries).
- under Option 2, that the flat rate charged as a fee will be £12 – we will need to consult on this figure before the final amount is determined.
- under Option 3, we have assumed what companies would charge in the absence of legislation to prescribe the fee (based on survey responses);
- as is usual with IAs 100% compliance is assumed and we have no evidence to indicate otherwise, thus we have not costed out a public sector monitoring/appeals process.

150. As stated, there is a paucity of evidence to give a reliable set of data regarding the likely volume of requests, costs, how these differ by company, and how sensitive requesters might be to different fees. We have consulted to provide evidence to give us the assumptions presented in this impact assessment but recognise that we will need to gather further evidence during the consultation period to test whether the assumptions hold. We have assumed that time taken to respond to requests regarding the PSC register will be comparable with the register of members and propose asking directly about companies' anticipated time to respond to requests regarding the PSC register in this round of questions. The key questions we will consult again on during the consultation are as follows:

Companies

- (Describe procedure for handling requests to inspect and for a copy of the register) – How long do you expect it will take you to respond to a request a) to inspect your register and b) for a copy of your register? Who in your organisation will be responsible for handling the requests (Senior Manager/ Middle Manager/ Administrator)?
- How will you respond to requests for copies of your register? By post, email or both? (If both, please estimate the proportion of requests you expect to answer by post and the proportion of requests you expect to answer by email).

⁴⁰ Uplift of 19.76% to consider non-wage costs taken from: http://ec.europa.eu/eurostat/statistics-explained/index.php/File:Labour_costs_per_hour_in_EUR,_2004-2014_whole_economy_excluding_agriculture_and_public_administration.png

NGOs/Other requesters (including companies)

- How many requests do you plan to submit to companies in the next year? Please specify whether you expect to make requests to a) inspect or b) for a copy of the register.
- What is the maximum amount you would be prepared to pay a company for a copy of their register?
- If the fee for a copy of the register was £6/£12/£25/£50, how many requests would you make in one year?

I. Direct costs and benefits to business calculations (following OITO methodology)

151. Table 10 presents a summary of the estimated costs and benefits under this policy. The costs remain the same under the three options, whereby our best estimate of the costs is £19,834,076 (comprised of £3,230,916 in familiarisation/one-off costs and £16,603,160 in ongoing costs on an annual basis). Our best estimate of the benefits under Option 2 is £9,743,099 on an ongoing basis per annum – this is our preferred option. Our best estimate for the benefits for Option 3 is higher at £34,329,471 per annum but this option would not be in line with our policy objectives of greater transparency (because of the deterrent effect of uncertainty over fee levels and the potential high cost) and contradicts our policy objective that the costs incurred by the requestor should be proportionate to the costs incurred by the company in providing the information.

Table 10: Summary of costs and benefits

	LOW	BEST	HIGH
COSTS			
Familiarisation TCSP	£ 1,947,633	£ 1,947,633	£ 1,947,633
Familiarisation company	£ 1,283,284	£ 1,283,284	£ 1,283,284
TOTAL ONE OFF COSTS	£ 3,230,916	£ 3,230,916	£ 3,230,916
Response to request to inspect	£6,514,911	£6,514,911	£14,115,641
Response to request for copy	£9,174,113	£10,088,248	£13,744,791
TOTAL ONGOING COSTS	£15,689,024	£16,603,160	£27,860,433
TOTAL COSTS	£ 18,919,940	£ 19,834,076	£ 31,091,349
BENEFITS			
Option 0	£0	£0	£0
Option 1	£811,925	£811,925	£2,212,423
Option 2	£9,743,099	£9,743,099	£13,274,541
Option 3	£34,329,471	£34,329,471	£73,009,974

152. The measures in this IA implement international commitments the UK made at the 2013 G8 Summit. The Better Regulation Framework Manual states measures to implement such international commitments and obligations are out of scope of One In Two Out (OITO). This Impact Assessment considers the costs and benefits of requiring the company to make its own register available for public inspection and allowing companies to charge a fee in order to recover the costs of providing a copy of the register to on request. This is consistent with the G8 commitment⁴¹, which is to ensure

⁴¹ UK National Action Plan wording: 3. Amend the Companies Act 2006 to require that this information is accurate and readily available to the authorities through a central registry of information on companies' beneficial ownership, maintained by Companies House. Consult on whether information in the registry should be publicly accessible.

that data on the central register held by Companies House is available to all and free of charge. The preferred option in the impact assessment is almost identical to the existing approach of allowing companies to charge fees to recover costs for providing a copy of their register of members and other company registers. The international commitment is described in detail in the T&T FIA.

J. Wider impacts

Statutory equality duties

153. This policy will primarily impact UK companies (understood here as the individuals responsible for ensuring a company's compliance with the new requirements) and the beneficial owners of those companies. A wider population may derive benefits from the policy as a result of reduced crime or an improved business environment.

154. We have considered whether any of the following groups might be adversely or positively impacted by this policy in different ways:

- Race Equality;
- Gender;
- Disability;
- Age;
- Marriage and civil partnership;
- Religion and Belief;
- Sexual Orientation;
- Gender Reassignment; and
- Pregnancy and Maternity.

155. We do not anticipate that this would be the case and therefore do not anticipate any equalities impact. A separate Equalities Impact Screening Exercise was conducted and published in relation to the overall policy, which indicated that the conduct of a full Equalities Impact Assessment was not required⁴². This has been reviewed and updated in light of changes made following Parliamentary passage of the Bill. See Annex B – Equalities Impact Assessment.

Economic impacts

Competition impact test

156. We have considered the potential competition impact of the proposed reforms but given the substantial coverage of companies this did not identify any particular issues with this policy change.

157. With regard to the impact on smaller entrants relative to large existing companies, the estimated mean costs will not disproportionately fall on small companies.

Small and micro business assessment

⁴² BIS (April 2014): *Transparency and Trust: enhancing the transparency of UK company ownership and increasing trust in UK business: equality impact assessments* <https://www.gov.uk/government/publications/company-ownership-transparency-and-trust-impact-assessments>

158. According to the responses we received from companies we are not expecting small companies to be disproportionately affected by this policy. However, we only received cost information from one large company – we are therefore unable to determine the relative costs for small companies but would not expect this to be disproportionately higher for small businesses.
159. The annual turnover and balance sheet thresholds, which along with number of employees determine whether a company is small for accounting purposes, are in the process of increasing. A company is currently classed as small if it satisfies two out of three criteria respectively covering turnover, balance sheet total and number of employees. The maximum turnover figure is increasing from £6.5m to £10.2m. The total balance sheet threshold is increasing from £3.26m to £5.1m. Note, however, that the threshold for the number of employees (of less than or equal to 50 employees) will not change (this is the key criterion for the SaMBA). The thresholds change occasionally over time. This IA uses the earlier thresholds to estimate the impact on the number of small and micro companies to maintain consistency with the T&T IA and because the new thresholds are not yet fully in force; the employee threshold stays the same; and the turnover, asset and employee numbers available relate to 2014 or earlier. Due to the old data, we cannot accurately determine the impact of the new thresholds on the number of small and micro companies but we estimate a percentage increase in the number of small companies of only 0.03% due to the small number of current medium sized companies that are likely to be reclassified. In this respect the total estimates for costs in this IA - which cover small, medium and large companies - could be slight overestimates.
160. As set out above, the two main objectives of the *Transparency and Trust* package are to reduce crime, and improve the business environment so as to facilitate economic growth. The assessment is that excluding small and micro businesses from the policy package could risk a significant impact on the ability of the package to reduce crime, and exclude small and micro businesses from the benefits that can be derived from increased transparency.
161. This policy will apply to UK incorporated companies and LLPs, and will require these entities to disclose beneficial ownership information to a central registry. There is a default assumption that small and micro businesses⁴³ should be exempted from new regulatory measures. However, assessment reveals that such an exemption is not viable in this policy context, and not compatible with achieving a large part of the intended benefits of this measure.
162. It has been widely identified that ‘shell’ companies are often the vehicle of choice for money-laundering and other crimes⁴⁴. A 2012 study defines a shell company thus: *“In contrast to operating or trading companies that have employees who make a product or provide a service [...] shell companies are little more than this legal identity, and hence the “shell” moniker”*⁴⁵. By this very definition, we believe that the majority of shell companies would be classified as small or micro businesses. Law enforcement have strongly confirmed to us that this is the case, and that excluding small and micro businesses from scope would be a significant risk and ultimately counterproductive.

43 For the purposes of this assessment, the parameter used to define small businesses is up to 49 full-time employees, and for micro businesses up to 10 employees.

44 Findley, Nielson and Sharman (2012): *Global Shell Games: Testing Money Launderers’ and Terrorist Financiers’ Access to Shell Companies* <http://www.griffith.edu.au/business-government/centre-governance-public-policy/research-publications/?a=454625>

45 *ibid*

Internationally, the US G8 Action Plan considers targeting small and micro business for selective **inclusion** in scope of company beneficial ownership transparency, and considering larger businesses for exemption where they meet “*certain employee or revenue requirements.*”

163. Allowing any exemptions targeted at small and micro business could therefore have a negative impact on the primary derived benefit from this policy, in terms of a failure to tackle or deter any illicit activity undertaken through companies currently on the register. Exempting small and micro businesses from the requirement would create a significant loophole for those seeking to exploit the company structure for illicit activity in future. In turn, this could damage the reputation of UK small and micro businesses relative to their larger and/or international competitors.

164. Moreover, any exemption for small companies would limit the positive impact on the wider building of trust in the business environment - and therefore economic growth. Were they to be exempted from these transparency requirements, information asymmetries could persist and law-abiding businesses might find themselves, for instance, less able to attract private investment or debt finance.

Wider environmental and social impacts

Factor	Consideration
Environmental impacts	Our analysis suggests that this policy will not have any adverse impact on the environment – the changes relate purely to making data available and providing copies of it, and we anticipate this will be done digitally in the majority of cases.
Rural proofing	Our analysis suggests that this policy will not have any adverse impact on rural areas – the changes relate purely to making data available and providing copies of it, and we anticipate this will be done digitally in the majority of cases.
Sustainable development	Our analysis suggests that this policy will not have any adverse impact on sustainable development – the changes relate purely to making data available and providing copies of it, and we anticipate this will be done digitally in the majority of cases.
Health and well-being:	<p>The overall PSC register policy should prevent or deter crime which will have a positive impact on individuals' well-being. We sought to mitigate any potential adverse impact on health or well-being as a result of enhanced transparency (e.g. to individuals investing in companies carrying out controversial activities) through the provision of an exemptions framework for individuals that might otherwise be at risk of harm (see separate Impact Assessment on the protection regime). Beneficial ownership information in these cases will not be placed in the public domain and only specified enforcement authorities will have access.</p> <p>There will be no adverse or positive impacts to health and well being as a result of this policy element specifically.</p>

Human rights

165. As described in the T&T FIA, we do not believe that our proposal to implement a central registry of company beneficial ownership information and make the information publicly available contravenes our commitments to the European Convention of Human Rights (ECHR).

166. Article eight, section one of the ECHR states that:

“Everyone has the right to respect for his private and family life, his home and his correspondence. There shall be no interference by a public authority with the exercise of this right except such as is in accordance with the law and is necessary in a democratic society in the interests of [...] the prevention of disorder or crime [...]”.

167. Implementation of a publicly accessible central registry of company beneficial ownership information means that we are exposing personal data on individuals with a significant interest in a UK company to anyone who chooses to search for it. However, we believe that this interference with article 8 rights is justifiable.

168. The policy is necessary in order to meet the policy objectives to reduce crime through tackling the potential for misuse of companies; and there is international agreement (for example, at G8 and through the FATF standards) around the importance of enhanced corporate transparency.

169. With respect to proportionality, it is important to note that:

- similar information is already being held on the public record - for example, on company shareholders and directors; and some of the required beneficial ownership information will already be in the public domain (e.g. where the company director is the company's beneficial owner);
- only information on individuals with a significant beneficial interest in a UK company will be held (i.e. individuals with an interest in more than 25% of the company's shares or voting rights; or who otherwise control the way the company is run); and
- we intend that there will be a framework of exemptions from public disclosure for individuals at risk.

170. We therefore consider that the central register is both proportionate and necessary, and any interference with article 8 rights is justified.

171. The Memorandum addressing issues arising under the ECHR in relation to the Small Business, Enterprise and Employment Act states the Government's view that the measures in the Act – which include the central registry - are compatible with the Convention rights. In relation to the PSC register, we have also conducted and published a full Privacy Impact Assessment:

<https://www.gov.uk/government/publications/company-ownership-transparency-and-trust-impact-assessments>

172. There are no additional considerations or factors in relation to the policy element described in this IA specifically.

Justice System

173. Following standard IA methodology this IA assumes 100% compliance with the policy, and that no appeals to court will be made by companies to refuse inspection. This is based on the fact that we are only aware of two appeals having been made to court in respect of the register of members' inspection regime, and anticipate similarly low appeals rates in the context of the PSC register.

174. As a result we do not anticipate any impact on the criminal justice system.

175. A Justice Impact Assessment Test has also been completed for the PSC register primary measures and has been cleared by the Ministry of Justice.

Devolved Administrations

176. We do not anticipate any difference in impact on UK companies as a result of their registered office location. The requirements will apply in the same manner to all companies. Similarly, the requirements will apply in the same manner to all beneficial owners, irrespective of their country of residence.

K. Summary and preferred option with description of implementation plan

Summary

The preferred option is Option 2, a prescribed fee.

Implementation plan

177. We intend to require companies to start keeping their registers from January 2016. They will be required to start filing this information at Companies House, and making it publicly available via their own registers, from April 2016. This provides companies with a period of at least three months to obtain the required information. Compliance and enforcement action will commence from January 2016. Statutory and non-statutory guidance will be published in advance of January 2016 to enable companies to start familiarising themselves with the new requirements.

178. The legislation will be statutorily reviewed within three years of the requirement to file beneficial ownership information at Companies House coming into force, likely to be in or before 2019.

Annex A: Fee Structures and Rates Researched

Fees for Inspection and Copying of Company Records under the Companies Act (2006)

<http://www.legislation.gov.uk/ukxi/2007/2612/contents/made>

The Public Record Office Fees under the Public Records Act (1958)

<http://www.legislation.gov.uk/ukxi/2013/3267/contents/made>

The National Archives Records Copying Service

<http://www.nationalarchives.gov.uk/legal/our-fees.htm>

HM Treasury Guidance on Managing Public Money

<https://www.gov.uk/government/publications/managing-public-money>

Companies House Fees

<https://www.gov.uk/government/organisations/companies-house/about/about-our-services#about-fees>

SECTION A

Policy/Service

The policy intends to ensure that UK companies obtain and hold adequate, accurate and current information on their beneficial ownership; and make this information publicly accessible onshore in a central registry. A beneficial owner, or person with significant control, is defined as any individual who ultimately owns or controls more than 25% of the company's shares or voting rights; or who otherwise exercises control over the company or its management

The registry should provide a single source of information to support national and overseas law enforcement and tax authorities' investigations; support financial institutions and other regulated professional bodies as they carry out anti-money laundering due diligence checks on companies; and allow all those who engage with a company (e.g. investors, suppliers, customers) to identify with whom they are really doing business. The overarching policy objectives are to reduce crime and improve the business environment so as to facilitate economic growth. The UK has determined that these policy objectives can be best served through greater transparency (i.e. by making information publicly accessible).

The policy should also:

- stimulate global, collective action to tackle the misuse of companies. Investigations into abuses of company structures will often cross borders and so coordinated international action is vital. In leading by example, UK and G7 action should encourage other jurisdictions, including the UK's Overseas Territories and Crown Dependencies, to follow suit. This should deliver better outcomes in terms of reducing crime in the UK as well as elsewhere;
- deliver benefits for developing countries who suffer as a result of tax evasion, corruption and fraud. By allowing them access to information on UK companies, they should be more easily able to identify the individuals really responsible where a UK corporate entity has been used to facilitate the crime; and
- ensure full UK compliance with relevant international standards in advance of the UK's next Financial Action Task Force (FATF) peer review in 2018 to maintain and enhance the UK's reputation as a clean and trusted place to do business and invest.

Relevance of the policy/service to equalities

[Guidance notes: for further information please see section 4 of 'Compliance with the Equality Duty: Equality Analysis, Guidance for BIS staff']

Does the 'policy' affect service users, employees or the wider community and therefore potentially be significant in terms of equality?	Yes
Does the policy relate to an area with known inequalities?	No
Does or could the 'activity' affect different protected groups differently?	No
Is it a major policy, significantly affecting how functions are delivered?	No
If your answer to any of these questions is <u>YES</u>, then please go to Section B.	
If you have answered <u>NO</u> to the above questions then please capture here why you think the policy has no relevance to equalities (including any evidence considered), and share this with the Central E&D Team (DN: insert CEDT team email address here)	

SECTION B

Aspects of the policy/service most relevant to equality

This policy will primarily impact UK companies and the beneficial owners of those companies. A wider population may derive benefits from the policy as a result of reduced crime or an improved business environment.

We do not consider here any potential impact on the perpetrators of crime who may be deterred or sanctioned as a result of the new requirements. There should be no differential impact on such individuals, based on the protected groups, as a result of this policy – the requirements will apply in the same way to all.

In considering the equality impact of this policy we have considered data gathered from an IFF Survey⁴ conducted to gather information on this policy. We have also obtained information from the FAME database⁵ and Companies House, and looked at publicly available information.

SECTION C

Equality Analysis

Impact on UK companies

The persons impacted will be those responsible for ensuring compliance with the new requirements. This might be the company director, company secretary, compliance officer or another employee or individual.

Analysis of an IFF Survey conducted to gather information on this policy indicates that companies expected senior managers to be involved in approximately 79% of the total time required to comply with the new requirements. The remainder of compliance time required is expected to fall on middle managers (9% of the total) and administrative staff (12% of the total). We have no further information on the types of people that might be involved in this compliance activity.

In summary, we might therefore expect the new requirements to impact on staff at all levels within companies, but primarily on senior managers. Within each level of management, we would expect that individuals within the following categories may be represented to a greater or lesser degree:

- Race Equality;
- Gender;
- Disability;
- Age;
- Marriage and Civil Partnership;
- Religion and Belief;
- Sexual Orientation;
- Gender Reassignment; and
- Pregnancy and Maternity.

There is some data available on company directors. This is presented below, and may be used as a proxy for the impact of the policy on UK companies.

Race Equality

Company directors are required to provide information on their nationality to Companies House. This data is made available publicly. However, information on race is not collected. We have however no reason to anticipate any positive or adverse direct impact on company directors by virtue of race as a result of this policy specifically.

Some people may infer information about a person's race from nationality data. Irrespective

of that fact we have no reason to anticipate any positive or adverse indirect impact on company directors by virtue of race as a result of this policy specifically.

Gender

Company directors are not required to provide information on gender to Companies House. As a result, gender data collected by Companies House in the context of the annual return is not accurate. However, we might expect there to be more male company directors than female company directors. This is certainly the case in relation to FTSE companies⁶, although we note that those companies are exempt from this policy⁷. Furthermore, of the 5,026,282 directorships recorded on the FAME database 64% are recorded as male and 36% as female. However, there is no reason to anticipate any positive or adverse direct or indirect impact by virtue of gender as a result of this policy specifically.

Age

It is a statutory requirement for company directors to provide Companies House with their date of birth. Directors must be at least 16 years old. Table 1 provides figures on the age demographic for company directors and members of Limited Liability Partnerships (LLPs).

Table 1: Company Directors and LLP Members – breakdown by age

This data shows that 73% of company directors are aged between 31-60. 41-50 year olds represent the highest proportion with 29%, 51-60 year olds 25% and 31-40 year olds 19%.

Whilst these age groups may be said to be disproportionately affected by any policy impacting company directors generally, we have no reason to suspect that they will be impacted by this particular policy specifically (whether directly or indirectly, adversely or positively). We have no evidence to suggest any impact on equality for any company directors as a direct result of their age being in the public domain.

Table 1: Company Directors and LLP Members – breakdown by age

Age	Director Appointments	LLP Member Appointments
16- 20	15,552	666
21- 30	373,809	8,074
31- 40	1,049,424	32,394
41- 50	1,657,717	64,916
51- 60	1,433,934	50,316
61- 70	827,538	20,275
71- 80	238,141	4,250
81- 90	55,861	995

91- 100	5,583	173
100+	671	18
TOTAL	5,658,230	182,077

Company Beneficial Ownership: Equality Impact Assessment
Disability; Marriage and Civil Partnership; Religion and Belief; Sexual Orientation; Gender Reassignment; and Pregnancy and Maternity

We do not have any information related to company directors and these protected groups. We have however no reason to anticipate any direct or indirect impact, whether positive or negative, by virtue of these groups as a result of this policy specifically.

Impact on UK companies - summary

In light of the data above, we have no reason to suspect that any person or group would be differently affected (whether adversely or positively) by the policy itself. The processes and requirements would be the same in all cases. We therefore do not anticipate any direct equalities impact.

We have also considered whether some companies (understood here as the directors and employees of the company) could be adversely or positively impacted indirectly, i.e. as a result of the protected groups into which their beneficial owners fall. However, the information made available publicly will not in most cases allow people to be identified as falling into one of the protected groups (see below). Where the contrary is true, we do not anticipate any routine adverse or positive impact as a result of, for example, the age profile or (assumed) gender or race of the beneficial owners. We therefore do not anticipate any indirect equalities impact as a result.

Impact on beneficial owners of UK companies

The register will hold information on the individuals who ultimately own and control UK companies, whether by owning or controlling more than 25% of the company's shares or voting rights, or by exercising control over the company or its management through other means.

The following information will need to be obtained on beneficial owners and provided to Companies House:

- full name;
- date of birth;
- nationality;
- country or state of usual residence;
- residential address;
- a service address;
- the date on which the beneficial owner acquired the beneficial interest (and ceased to hold it, where applicable);
- the nature of the individual's control over the company; and
- whether they have applied for their information to be protected

With the exception of residential addresses, this information will be kept available for public inspection by the company. With the exception of residential addresses and full dates of birth, this information will also be publicly accessible via Companies House.

As set out in the T&T FIA (published separately), there is currently no concrete evidence

available on the total number of beneficial owners of UK companies (i.e. the total number of beneficial owners or the protected categories into which they might fall).

Some beneficial owners will however be company directors or shareholders. The potential equalities impact on company directors is considered above. More limited personal information is held on company shareholders (i.e. their name and address). We do not therefore have any additional information that can be used as a proxy in assessing the potential equalities impact on beneficial owners.

However, as above, we might anticipate that individuals within the following categories may be beneficial owners to a greater or lesser degree:

- Race Equality;
- Gender;
- Disability;
- Age;
- Marriage and Civil Partnership;
- Religion and Belief;
- Sexual Orientation;
- Gender Reassignment; and
- Pregnancy and Maternity.

For example, it may be that individuals of a certain age are more likely to be beneficial owners of a company (whether as a shareholder, director or otherwise) than others. We have no further information on this.

However, as above, the policy will apply in the same way to all persons and groups. From this perspective, we do not anticipate any direct equalities impact, positive or negative.

Some respondents to our discussion paper expressed concern around beneficial ownership information being made publicly accessible. This was not from the perspective of any adverse equalities impact; rather a general concern about the use to which this information might be put and the justification for making such personal information public. For example, a PSC of a life science company may feel vulnerable to unwanted attention from animal rights activists and could seek the protection of an exemption from making their details publically available. The protection regime will address this concern by protecting the personal information of PSCs at serious risk of harm.

As a result, even if there were the potential for an adverse indirect impact on individuals in certain protected groups as a result of making information publicly available, the policy should mitigate this.

It is also of note that with the exception of age, the register will not hold information which allows an individual to be conclusively identified as belonging to a particular protected group. This should further avoid any potential for an adverse or positive impact on a particular group resulting from implementation of this policy.

We do not anticipate people being differently affected by the policy as a result of their age being recorded on a public register, and note that date of birth information is already being collected in respect of company directors. We have considered, for example, whether older or younger people might be more at risk as a result of this information being placed in the public domain. However, we have designed the policy in such a way as to minimise the risk of identity theft and fraud generally (we intend to place only the month and year of birth on the public record at Companies House). Furthermore, research by the National Fraud Authority did not find older or younger people to be routinely more vulnerable to fraud⁹.

We have considered whether there might be a particular adverse impact on young people, i.e. children. The general measures in place to protect individuals' personal information will apply also to children and we are therefore satisfied that there will be no adverse impact on

children as a result of this policy specifically.

Impact on beneficial owners of UK companies - summary

We have no reason to suspect that any person or group would be differently affected (whether adversely or positively) by the policy. We do not anticipate any direct or indirect equalities impact.

Impact on the wider population

We do not anticipate any positive or adverse direct or indirect impact on any particular group as a result of reduced crime or an improved business environment. Beneficial impacts should be felt by business and society as a whole.

Summary of the Analysis

We are satisfied that we have looked at all relevant and available data on the potential equality impact of this policy, as outlined above.

We have no reason to suspect that the following groups will be adversely or positively impacted by this policy in different ways:

- Race Equality;
- Gender;
- Disability;
- Age;
- Marriage and Civil Partnership;
- Religion and Belief;
- Sexual Orientation;
- Gender Reassignment; and
- Pregnancy and Maternity.

We therefore do not anticipate any direct or indirect equalities impact.

Annex C: Salary details from ASHE 2013 data

We have used confirmed 2013 ASHE data⁴⁶ and applied a non-wage uplift of 19.76% to give median gross hourly pay.

We have conducted additional analysis of the ASHE data to give gross hourly pay for micro/small companies and medium/large companies – this will give more robust calculations for the costs to business from the responses provided to the survey. However, only one company responded to state that they had received a request for a copy of their register (a large company) – we have therefore only used the equivalent hourly pay for a senior member of staff in this calculation; all the other calculations use the average wage for all companies (first column in Table 1).

Table 1: Gross hourly pay: Median wages plus uplift

	Average for all companies	micro & small	medium and large
Chief execs & senior officials	45.90	37.24	56.81
Corporate managers and directors excluding chief execs & senior officials	24.85	18.99	26.89
Administrative & Secretarial Occupations	12.17	11.22	12.23
other		11.04	10.37

⁴⁶ <http://www.ons.gov.uk/ons/rel/ashe/annual-survey-of-hours-and-earnings/2013-revised-results/index.html>