

Title: A Register of People with Significant Control over a Company – Protection Regime Consultation Impact Assessment IA No: RPC15-BIS-2366 Lead department or agency: Department for Business, Innovation and Skills Other departments or agencies: Companies House	Impact Assessment (IA)		
	Date: 29 April 2015		
	Stage: Consultation		
	Source of intervention: International		
	Type of measure: Secondary legislation		
	Contact for enquiries: Lai-Sze Lai; Corporate Law Reform team; Tel: 020 7215 6417; Email: laisze.lai@bis.gsi.gov.uk		
Summary: Intervention and Options	RPC Opinion: Awaiting Scrutiny		

Cost of Preferred (or more likely) Option				
Total Net Present Value	Business Net Present Value	Net cost to business per year	In scope of One-In, Two-Out?	Measure qualifies as
£ - 26.0 m	£ - 26.9 m	(EANCB on 2009 prices) £2.3m	No	N/A

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

The ‘Transparency and Trust – Enhanced Transparency of Company Beneficial Ownership’ IA (T&T IA) ¹ describes the problem of corporate opacity; and the need for government intervention to address it through the creation of a publicly accessible central register of the individuals who ultimately own and control UK companies as part of UK’s international commitments. However, that IA recognises that some information should be protected from public disclosure.

The problem under consideration here is, therefore, how to implement a protection regime in an effective and cost efficient manner, which addresses any regulatory failure within the company law framework, without undermining the overarching policy objectives of enhancing corporate transparency and tackling the criminal misuse of companies.

This Government intervention is necessary because we recognise that there are legitimate reasons for individuals at serious risk of violence or intimidation wishing to avoid public disclosure of their “People with Significant Control” (PSC) information in order to protect the personal safety and well-being of themselves and of those with whom they live.

We believe that the costs to business are outweighed by the potential non monetised benefits to business and individuals.

What are the policy objectives and the intended effects?

The principal objective of the protection regime is to protect the PSC information of individuals at serious risk from physical harm on the public PSC register held by Companies House and the company’s own PSC register, without compromising the integrity of the overall PSC register.

The wider objectives of the protection regime are to ensure that:

- UK and overseas investors are not deterred from investing in, or continuing to invest in, UK companies where public disclosure of the required information could put them at serious risk of harm. This should support UK business and economic growth.
- In particular, investors are not deterred from investing in sensitive sectors of UK economic activity (see paragraph 6.24 for details), which should support continued economic growth in these areas.

¹ “Transparency & Trust – Enhanced Transparency of Company Beneficial Ownership” IA https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/303555/bis-14-670-part-a-of-transparency-and-trust-proposals-impact.pdf An Enactment Impact Assessment version of this IA is being prepared.

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

Option 0: Given the seriousness of the issue of physical harm; and the public commitment made by the Prime Minister David Cameron at the 2013 G8 Summit doing nothing was not deemed realistic.²

Option 1: (preferred option) The establishment of a protection regime which allows³ PSCs who are at risk of physical harm as a result of their association with a company (whether as a result of the company's activities or other factors specific to the individual) to apply to the registrar of companies for their PSC information to be protected from public disclosure on the company and public PSC register. This includes an application for their usual residential address not to be shared with credit reference agencies.

Applications can be made by: the individual; their legal representative; the company; or the subscriber of a memorandum of association. The applicant can apply in advance of becoming a PSC, at the same time as becoming a PSC, or afterwards. The registrar will assess applications with input from a relevant authority, such as the police. If granted, the individual's PSC information will not be placed in the public domain. All PSC data including protected information will, however, be available to law enforcement and specified public authorities on request.

If the application is not granted, the individual's information will be placed on the public register, except during an initial transitional phase from January to April 2016 where the information would remain subject to protection if the individual ceased to be a PSC of the company within a certain time frame. The applicant may appeal against the registrar's decision through the courts.

This option implements 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 is described in detail in the T&T IA.

Option 2: The protection regime primary legislative measures will not be commenced. The Government, through guidance on the PSC register, would set out the procedure for companies to protect the PSC information of those who are at risk from physical harm. There would not be any separate procedure for individuals themselves to apply to protect their PSC information held by Companies House or the company.

The company would follow this guidance to protect the information of those it judged to be at serious risk of harm. They would need to mark this information as such in filing it at Companies House. The intention would be that neither the company nor Companies House would make the information publicly available.

This option would fulfil the UK's international commitment. However, this option is not our preferred option, as we do not believe it would work from a legal point of view, not least because Companies House and companies would have no statutory basis on which to protect information from public disclosure. It would also be less effective; whilst the guidance may encourage some companies to protect PSC information, individuals would not be able to apply for protection themselves and this could result in a disproportionate number of individuals being exposed to the risk of physical harm. This would likely dis-incentivise investment in UK companies by individuals at serious risk of harm. Furthermore, there would be inconsistency in the way UK companies were applying the protection regime; and consequently this could compromise the overall integrity of a publicly accessible PSC register – particularly if companies were not rigorous in assessing the actual level of risk of harm to the individual.

Will the policy be reviewed? The protection regime will be reviewed, together with other measures implementing the PSC register, within three years of the legislation coming into force i.e. anticipated to be 2019.

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	

² More detail about the public commitment can be found in the T & T IA, and the Trust and Transparency Discussion Paper from July 2013 https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/212079/bis-13-959-transparency-and-trust-enhancing-the-transparency-of-uk-company-ownership-and-increasing-trust-in-uk-business.pdf

³ Note that the protection regime measures are permissive and that there is no obligation on the company to make an application on behalf of its PSCs.

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: Regulatory option (Preferred option)

FULL ECONOMIC ASSESSMENT

Price Base Year 2014	PV Base Year 2016	Time Period Years 10	Net Benefit (Present Value (PV)) (£m)		
			Low: - 72.1	High: - 10.0	Best Estimate: - 26.0

COSTS (£m)	Total (Constant Price)	Transition Years	Average (excl. (Constant Price)	Annual Transition)	Total (Present Value)	Cost
Low	21.4	10	0.2		22.7	
High	69.7		0.3		72.4	
Best Estimate	25.2		0.2		27.3	

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

We expect all companies in sensitive sectors to familiarise themselves with, and understand the protection regime in year zero (there are 76,615 companies); these costs are estimated to amount to £21,155,000 – based on evidence gathered in a survey of companies.

Companies that will apply on behalf of their PSCs will bear some costs. We are expecting 7,062 applications to come from companies in year zero and 474 in each year after year zero (best estimates). Companies will bear the following one-off costs:

- Costs of application (we assumed a cost of £78 per application as a best estimate).
- Costs in terms of time taken to fill in the application, including the time taken to gather evidence that proves the individual is at risk. (This estimate is based on survey evidence.)
- Costs in terms of time taken to implement new administrative systems and/or processes (This estimate is based on survey evidence).

Overall we expect these costs to be £3,782,000 in year zero and £273,000 per annum after year zero.

There will also be one-off costs to individuals applying for protection in terms of the application fee. We expect these costs to be £284,000 in year zero (based on 3,638 individual applications) and £19,000 per annum after year zero (204 applications).

Companies House costs are covered in the T&T IA.

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

PSCs, who apply for protection themselves, will bear other costs such as familiarisation and evidence gathering to support the application. We were unable to monetise these costs but we expect 3,638 applications to be made by the PSCs themselves in year zero and 204 applications for years after year zero (best estimates). Because Companies House can seek an assessment from a relevant authority in assessing applications we expect police forces to scrutinise the applications which Companies House send them, leading to resource costs for the police to complete this task. We were not able to monetise these police costs as no information was available at this stage. Additionally, the protection regime will result in some forgone benefits related to corporate transparency, as some PSC information will be unavailable to the public.

BENEFITS (£m)	Total (Constant Price)	Transition Years	Average (excl. (Constant Price)	Annual Transition)	Total (Present Value)	Benefit
Low	0.0	10	0.0		0.2	
High	0.0		1.3		12.7	
Best Estimate	0.0		0.1		1.3	

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

The fees paid by companies and individuals (included as monetised costs above) are revenue accruing to Companies House (i.e. a financial transfer from companies and individuals to government) so are also counted as monetised benefits of Option 1 for the purposes of the net present value calculation. This fee revenue amounts to £835,000 in year zero and £56,000 every year after year zero (best estimates). We were unable to monetise any other benefits, such as investment into the UK economy, at this stage.

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

Individuals at risk of harm will have their information protected from public disclosure and this might result in a reduction of crimes and attacks that would have occurred without the protection regime. As a consequence, we might expect a reduction in crime compared to doing nothing (and avoidance of the associated costs to individuals, society, and the criminal justice system). We expect that without the protection regime, people with significant control would not continue to invest in companies if they felt the register placed them at risk of serious harm. The protection regime should mitigate this outcome, and prevent any negative effects on the optimal allocation of resources within the UK economy, and the UK's economic growth.

Key assumptions/sensitivities/risks**Discount rate (3.5%)****Assumptions**

- We have assumed FAME figures to be accurate. However, in order to mitigate the impact of possible inaccuracy we have done sensitivity analysis wherever possible.
- We have assumed the company directors' regime to be the best proxy of the PSC protection regime in terms of cost and number of applications. As similar to the directors' regime we expect those at risk of serious harm to be a small subset of the total number of PSCs).
- We have assumed ASHE data to be a proxy for wages of employees at companies in scope.
- In order to determine the number of PSCs in the UK we have looked at the number of shareholders holding more than 25% of a company's shares. This is because we do not hold any information regarding the number of individuals meeting the conditions to be qualified as people with significant control.
- We quantified the costs for all companies affected by using replies to a survey (see Annex D): 1) time filling out applications; 2) familiarisation costs; and 3) time to implement new administrative systems and processes. However, the response rate was low, thereby limiting its representativeness (see Annex B for details).
- 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.
- In assessing the impact on the Justice System, we have assumed 100% compliance and that there will be no appeals against the registrar's decision on protection applications. We have again used the directors' regime as a proxy, where there has been only one appeals case since its establishment in 2009.

BUSINESS ASSESSMENT (Option 1)

Direct impact on business (Equivalent Annual) £m:			In scope of OITO?	Measure qualifies as
Costs: 2.3	Benefits: 0.0	Net: - 2.3	No (it is an international commitment)	N/A

Policy Option 2

Description: 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: - 21.2	High: - 21.2	Best Estimate: - 21.2

COSTS (£m)	Total (Constant Price)	Transition Years	Average (excl. Transition) (Constant Price)	Annual (Constant Price)	Total (Present Value) Cost
Low	21.2	10	0.0		21.2
High	21.2		0.0		21.2
Best Estimate	21.2		0.0		21.2

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

Costs for companies in sensitive sectors making themselves familiar with, and understanding, the protection regime will be the same order of magnitude (£21,155,000) as Option 1, and are calculated in the same way. Companies House costs are included in the T&T IA. The police will not bear any costs as they will not be asked to provide advice to Companies House on applications for protection.

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

Under this option there is no application process and information will be protected through the standard filing processes made by the company to Companies House. Under this option individuals will not be able to 'apply' for protection. Thus, although the process will be simpler and cheaper, there is unlikely to be as full a degree of coverage as only the company can indicate to Companies House what information needs to be protected on the public PSC register; and there is likely to be greater uncertainty as to the requirements. For these reasons, we expect there to be a potential for some companies and individuals to incur costs as a result of possible harm to PSCs. This option will also result in some forgone benefits related to corporate transparency, as some PSC information will be unavailable to the public.

BENEFITS (£m)	Total (Constant Price)	Transition Years	Average (excl. Transition) (Constant Price)	Annual (Constant Price)	Total (Present Value) Benefit
Low	0.0	10	0.0		0.0
High	0.0		0.0		0.0
Best Estimate	0.0		0.0		0.0

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

We were unable to monetise these benefits.

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

Where individuals are protected by this option the non-monetised benefits will be of the same nature as the regulatory option (e.g. protection from physical harm). However, we expect very low benefits as a result of this option. This is because we expect fewer companies to apply for protection on behalf of their PSCs without legislative underpinnings and because individuals will not themselves be able to apply; hence the benefits will be limited compared to the regulatory option. In addition this option may also undermine benefits to the entire policy through allowing potentially unscrupulous companies to protect PSCs where this is not appropriate.

Key assumptions/sensitivities/risks

Discount rate (3.5%)

We have not been able to quantify the costs and benefits of this option – apart from familiarisation costs - so have not made any analytical assumptions.

BUSINESS ASSESSMENT (Option 2)

Direct impact on business (Equivalent Annual) £m:			In scope of OITO?	Measure qualifies as
Costs: 1.8	Benefits: 0.0	Net: -1.8	No (it is international commitment)	N/A

Evidence Base (for summary sheets)

Executive summary

Problem under consideration and rationale for intervention

The problem under consideration is how to implement the protection regime in an effective and cost efficient way which addresses any regulatory failure within the company law framework without undermining the overarching policy objectives of enhancing corporate transparency and tackling the criminal misuse of companies – which are part of the international commitments the UK made at the 2013 G8 Summit.

Options

Option 0: Do nothing. The protection regime primary legislative measures will not be commenced. This means that the information of all PSCs would be placed on the public register.

Option 1: (preferred option) The establishment of a protection regime which allows PSCs, who are at risk of physical harm as a result of their association with the company, the company's activities or other factors specific to the individual, to apply to the registrar for their PSC information held on the company and public PSC register to be protected from public disclosure. This includes applications to protect PSCs' usual residential address (URA) from disclosure to credit reference agencies. This option implements international commitments the UK made at the 2013 G8 Summit.

Option 2: (non-regulatory option) The protection regime primary legislative measures will not be commenced. The Government, through guidance on the PSC register, would set out the procedure for companies through the filing process to protect the PSC information of those who are at risk from physical harm.

Policy objectives

The principal objective of the protection regime is to protect the PSC information of individuals at serious risk from physical harm on the public PSC register held by Companies House and the company's own PSC register, without compromising the integrity of the overall PSC register. This includes the objective of not sharing URA data of PSCs at serious risk with credit reference agencies.

Costs and Benefits

The options have the following costs and benefits:

	Option 1 (preferred option)	Option 2 (non-regulatory option)
Total monetised costs	<p>We expect all companies in sensitive sectors to familiarise themselves with, and understand the protection regime in year zero (there are 76,615 companies); these costs are estimated to amount to £21,155,000 – based on evidence gathered in a survey of companies</p> <p>Companies that will apply on behalf of their PSCs will bear some costs. We are expecting 7,062 applications to come from companies in year zero and 474 in each year after year zero</p>	<p>We are unable to monetise many of the costs as we do not know how many companies would decide to apply without legislative underpinning. We expect there to be familiarising themselves with, and understanding the protection regime costs of the same order of</p>

	<p>(best estimates). Companies will bear the following one-off costs:</p> <ul style="list-style-type: none"> - Costs of application (we assumed a cost of £78 per application as a best estimate) - Costs in terms of time taken to fill in the application, including the time taken to gather evidence that proves the individual is at risk. (This estimate is based on survey evidence) - Costs in terms of time taken to implement new administrative systems and/or processes (This estimate is based on survey evidence). <p>Overall we expect these costs to be £3,782,000 in year zero and £273,000 per annum after year zero.</p> <p>There will also be one-off costs to individuals applying for protection in terms of the application fee. We expect these costs to be £284,000 in year zero (based on 3,638 individual applications) and £19,000 per annum after year zero (244 applications).</p> <p>Companies House costs are covered in the T&T IA.</p>	<p>magnitude (£21,155,000) as Option 1.</p>	
Total Non-monetised costs	<p>Costs to individuals applying for protection including familiarisation and gathering evidence. It is not possible to use the data gathered from companies as a proxy for individual costs of applying and familiarisation. This is because the level of detail of the evidence gathered from companies (i.e. time taken, number of staff involved, and seniority of staff) does not robustly generalise to individuals. It was not possible to gather evidence directly from individuals at risk of harm, as they are not easily identifiable.</p> <p>Costs to the police to advise Companies House.</p> <p>This option will result in some forgone benefits related to corporate transparency, as some PSC information will be unavailable to the public.</p>	<p>We believe it is possible that there could be a potential for some companies and individuals to incur costs as a result of possible harm to PSCs.</p> <p>This option will result in some forgone benefits related to corporate transparency, as some PSC information will be unavailable to the public.</p>	
Total Monetised benefits	<p>The fees paid by companies and individuals (included as monetised costs above) are revenue accruing to Companies House (i.e. a financial</p>	<p>Unable to monetise them.</p>	

	transfer from companies and individuals to Government). These are therefore also counted as monetised benefits of Option 1 for the purposes of the net present value calculation. This fee revenue amounts to £835,000 in year zero and £56,000 every year after year zero (best estimates).	
Total Non-monetised benefits	Possible reduction of crime costs and criminal justice system costs. Ensure stability in sensitive sectors as PSCs at risk of harm should keep investing in companies if their information can be protected from the public.	There will be lower benefits to individuals than Option 1, if fewer PSCs at risk are offered some form of protection.

Conclusion

Option 1 is our preferred option. It has an EANCB of £2.3m, and a total net present value of £ - 26.0 m. Option 1, we believe, will give rise to the most benefits (although we have not been able to monetise these benefits in this IA) as a result of protecting individual PSCs from serious harm and reducing impacts on investments in important sectors of the UK economy

1. Background

- 1.1 At the UK-chaired G8 Summit in 2013, the G8 Leaders⁴ recognised the problem of corporate opacity. They agreed common Principles⁵ 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 to specified public authorities. The UK has committed to do this by creating a publicly accessible central registry of company beneficial ownership information, maintained by Companies House⁶.
- 1.2 Part 7 of the Small Business, Enterprise and Employment (SBEE) Act 2015 (“the Act”) inserts a new Part 21A into the Companies Act 2006. Part 21A requires UK companies to hold and keep available for inspection – with limited exceptions described below - a register of people with significant control over the company (a “PSC register”). A person with significant control (PSC) is an individual who ultimately owns or controls more than 25% of a company’s shares or voting rights, or who otherwise exercises control over a company or its management.
- 1.3 The PSC register comprises the following information on the individual:
- Name of the PSC
 - Service address; for example, the business address
 - Country, state or part of the UK in which the PSC is usually resident
 - Nationality
 - Date of birth
 - Usual residential address (URA)
 - Date the individual became a PSC
 - Nature of the PSC’s control over that company
 - Whether the individual has applied for their information to be protected from public disclosure
- 1.4 Part 21A places statutory obligations on companies and individuals to ensure this information is obtained and kept up to date. PSC information must be provided to the registrar of companies (“Companies House”) before a company can be incorporated. Thereafter information must be checked and, if necessary, updated at least annually as part of the new confirmation statement requirements which will replace the annual return. Criminal penalties will apply to companies and individuals who fail to provide information or provide false information.
- 1.5 The PSC information held by Companies House will be publicly and freely accessible online in machine readable format (with exceptions as detailed below). This means UK and overseas citizens and authorities will be able quickly and easily to access this information. This will help tackle the problem of a lack of corporate transparency, identified in the Impact Assessment on ‘Enhanced Transparency of Company Beneficial Ownership’ (T&T IA⁷).
- 1.6 There are, however, circumstances in which it is recognised that information should not be publicly available, as outlined in the T&T IA.
- 1.7 Section 790ZF of Part 21A prohibits companies and Companies House from making URA information publicly available, other than to specified public authorities and credit

⁴ Now G7.

⁵ 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>

⁶ 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>

⁷ “Transparency & Trust – Enhanced Transparency of Company Beneficial Ownership” IA https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/303555/bis-14-670-part-a-of-transparency-and-trust-proposals-impact.pdf An Enactment Impact Assessment version of this IA is being prepared.

reference agencies (CRAs) (as will be set out in secondary legislation). Regulations made under section 790ZF will also allow individuals at serious risk of harm to apply to the registrar to prevent their URA information being shared with CRAs.

- 1.8 The policy builds on the approach taken in respect of company directors, where there is the same need for public disclosure of information but limited circumstances in which this may not be desirable. For that reason directors' URA information is not publicly disclosed, but may be accessed by specified public authorities and CRAs on request. The Companies (Disclosure of Address) Regulations 2009 (the "directors' regime") allows company directors to apply to the registrar to prevent their URA being disclosed to CRAs, where they consider themselves at serious risk of harm. Successful applications result in the CRA receiving a service address instead of a residential address for that person.
- 1.9 The Companies House cost impact of the automatic suppression of URA information from the public was included in the T&T IA and, therefore, is not addressed by this Impact Assessment. This Consultation Impact Assessment does however consider the non-public sector costs and benefits of the protection of PSCs' URAs from CRAs, where those PSCs are at serious risk of harm.
- 1.10 Further protection is required in respect of some PSCs. Section 790ZG therefore allows the Secretary of State to make regulations to protect PSC information of a prescribed kind from being used or disclosed on application to the registrar. This policy element and non-public sector costs were not included in the T&T IA, and are considered in this Impact Assessment.
- 1.11 Information protected under sections 790ZF and 790ZG will not be made available for public inspection by companies or Companies House.
- 1.12 Additional reforms in the SBEE Act 2015 (section 96) will also protect the day of a PSC's date of birth from public disclosure via Companies House, unless the company has elected to hold its PSC register solely at Companies House. This policy element was discussed in the T&T IA and is therefore not included in this assessment of costs and benefits.
- 1.13 We believe that specified UK and overseas authorities, including law enforcement, should have access to this protected information on request to carry out their statutory and other anti-money laundering functions. This will again help address the problem of the misuse of companies described in the T&T IA.

2. Problem under consideration

- 2.1 A publicly accessible PSC register is consistent with the UK's international and domestic commitments to openness and transparency; and builds on the established good corporate governance practice of making UK companies' information publicly available. The benefits of such an approach are described in detail in the T&T IA.
- 2.2 We, however, recognise that there are legitimate reasons for individuals at serious risk of violence or intimidation ("physical harm") wishing to avoid public disclosure of their PSC information in order to protect the personal safety and well-being of themselves and that of those with whom they live. We therefore intend to allow such individuals to apply to Companies House for their information to be protected on the company and public PSC register.
- 2.3 We intend also to allow individuals at risk to apply for the protection of their URA from credit reference agencies if they do not want to apply for 'full' protection. (Application for 'full' protection includes the protection of their URA.)
- 2.4 A similar problem occurs in respect of company directors, where in very limited circumstances directors may not want their URA to be disclosed to CRAs. We consider that given individuals may be at risk of physical harm if their personal information was

made public, it is prudent to provide the same facility to people with significant control. The Companies (Disclosure of Address) Regulations 2009 (the “directors’ regime”) therefore allows company directors to apply to the registrar to prevent their URA being disclosed to CRAs, where they consider themselves at serious risk of harm⁸. Successful applications result in the CRA receiving a service address instead of a residential address for that person.

- 2.5 The problem under consideration is, therefore, how to implement the protection regime in an effective and cost efficient method which addresses any regulatory failure within the company law framework without undermining the overarching policy objectives of enhancing corporate transparency and tackling the criminal misuse of companies.

3. Rationale for intervention

Rationale for the PSC register

- 3.1 There is an information asymmetry between those that control companies and those that trade with them, lend to them, or invest in them. This could inhibit economic activity as investors, lenders, creditors or other companies may decide not to enter into otherwise beneficial economic transactions if they do not know with whom they are dealing (e.g. to mitigate reputational risk that may result from transacting with the company subsequently found to be linked to terrorist groups or money launderers).
- 3.2 Transparency is fundamental to having an open and trusted business environment in the UK. For this reason, the Government is implementing a publicly accessible central register of the individuals who ultimately own and control UK companies - the company’s beneficial owners or ‘people with significant control’ (PSCs).
- 3.3 Corporate opacity is in part possible because companies and other corporate entities have separate legal personality, meaning they can enter into contracts and business relationships in their own name. Although companies are required to put more information into the public domain (e.g. accounts, information on their shareholders and directors etc.) compared to other corporate forms (e.g. sole traders), there remains scope for a lack of transparency around who owns and controls companies. This potential for anonymity means the individuals who ‘stand behind’ the company can then use the company as a front, for example, to launder the proceeds of crime and to finance organised crime and terrorism⁹. A Home Office evidence review concluded that corporate entities can be used to enable or assist criminality, to launder money or to provide prestige or perceived legitimacy. Other illegal activities, such as Missing Trader Intra Community (MTIC) fraud¹⁰; hiding stolen assets and the proceeds of crime; fraud; and drug and people trafficking, can also be facilitated using opaque corporate structures.
- 3.4 The PSC register is designed to tackle the regulatory failure associated with the current corporate governance and company law frameworks, which enable those that control companies to remain anonymous and hence allow or even facilitate illicit financial flows.
- 3.5 The PSC register will increase transparency of company ownership and control, and address the existing information asymmetry: companies will obtain and make publicly available information about their people with significant control; and provide this to Companies House, who will then make the information available to members of the public, investors, lenders, creditors, and other companies who trade with the company in question as well as law enforcement.

⁸ Overall, an average of 1,001 directors per year have applied for the directors’ protection regime (s243 applications), either themselves or their company on their behalf. See paragraph 9.2 for more details.

⁹ That is to say the money passing through the company can be of criminal origin, and / or can be used to support further crimes, and through the relative anonymity of the company structure the individuals involved can be concealed.

¹⁰ Missing Trader Intra Community (MTIC) fraud contains two elements: a missing trader and an intra-community supply. There are two types of MTIC fraud - acquisition and carousel - as well as one variant - contra trading. For more information go to: <http://www.hmrc.gov.uk/manuals/vatfmanual/vatf23300.htm>

Rationale for the PSC protection regime

- 3.6 However, in some cases this greater transparency around company ownership and control could pose an unacceptable level of risk to some individuals entered in the PSC register in terms of the potential for risk of harm to them or a person who lives with them were their information made publicly available¹¹. This might be as a result of the activity of the company; the individual's association with that company; or some other factor¹².
- 3.7 Thus, the aim of this intervention is to allow individuals at serious risk of harm to apply to have all their PSC information protected from disclosure on the PSC register; and where PSCs are at risk but do not wish to apply for 'full' protection, should be able to apply to Companies House to suppress their usual residential addresses from credit reference agencies. The economic rationale for Government intervention through this regime is to correct the negative externalities that could arise when the public accesses information about certain PSCs from the register. This is because the release of information about those people would impose external costs on them in the form of physical harm. These negative implications for the individuals whose information would be released would be a by-product of the public PSC register. A protection regime is therefore required to address these potential unintended consequences of the PSC register.
- 3.8 The problem identified above, if unaddressed, would represent a regulatory failure, because the regulatory framework of the PSC register would pose an unacceptable level of risk to some individuals. The aim of the protection regime is to reduce this risk. This policy will enable individuals – or companies on their behalf – to apply for protection of their information. This should reduce the likelihood of PSCs being the victims of crime or attack as a result of PSC information disclosed. Moreover, this protection regime will ensure stability of investment in sensitive sectors¹³ that have been historically targeted by extremist groups, such as the life sciences sector, where PSCs could be at risk if their information were disclosed¹⁴. Without a protection regime investors may decide not to invest in such sectors. This would negatively affect the optimality of the allocation of resources in the UK economy, as investors may choose to forgo otherwise profitable investments because of the risk of harm, and allocate their capital to less profitable investments that don't carry such a risk.
- 3.9 Sensitive sectors, where PSC may be particularly at risk of harm, are important to the UK's economic growth. For example the life sciences sector is growing faster than the economy as a whole and is a key source of high-skill, high-tech jobs¹⁵. Moreover, there are around 380 pharmaceutical companies based in the UK, employing nearly 70,000 people, with an annual turnover of £30 billion. In addition, the medical technology and medical biotechnology sectors together employ over 96,000 people with a combined annual turnover of around £20 billion¹⁶.
- 3.10 The PSC protection regime will allow PSCs to apply to protect their residential address information from credit reference agencies. This proposal, as previously stated, mirrors existing protection measures that apply to information held by Companies House for company directors. This protection is provided because credit reference agencies are commercial organisations whose commercial activities include providing data to third parties. It is therefore prudent to restrict the distribution of information where there is a proven risk of harm to that individual if the information were to be made publicly available.

¹¹ Understanding the new requirements, recording control on the PSC register and protecting people at serious risk of harm, BIS October 2014

¹² Understanding the new requirements, recording control on the PSC register and protecting people at serious risk of harm, BIS October 2014

¹³ For our definition of sensitive sectors please see paragraph 6.24

¹⁴ More information about this can be found in the section on 'benefits' of the preferred option. Please see paragraphs 9.9 to 9.24

¹⁵ Strategy for UK Life Sciences, Office for Life Sciences, BIS

¹⁶ HM Government, Industry Strategy: government and industry in partnership, Strategy for UK Life Sciences, One Year On

4. Policy objective

4.1 The principal objectives of the protection regime¹⁷ are: to protect individuals at serious risk of harm by enabling them to apply to have all their PSC information protected from disclosure on the PSC register; and, where PSCs are at risk but do not wish to apply for 'full' protection, to apply for suppression of their usual residential addresses from credit reference agencies; and doing this without compromising the integrity of the overall PSC register. In particular:

- Individuals who are at serious risk from physical harm should be able to apply to Companies House to suppress all their PSC information from public disclosure. The risk of physical harm could be due to the nature of the company, the company's activities or factors unrelated to the company and its activities.
- Individuals can be assured their PSC information is protected from day one of being a PSC.
- Individuals can apply to protect their PSC information if their circumstances change and they become at risk.
- An application can be made either by the PSC, the legal representative of the PSC, the company, or a subscriber to a memorandum of association, or.
- The registrar will assess protection regime applications, with advice from another public authority such as the police, on a case by case basis as required.
- The applicant will have to provide evidence to demonstrate that the PSC is at risk of physical harm as a result of the company, the company's activities, or any other factors.
- No information should be disclosed on the company or public register where information has been protected, other than the fact information has been protected.
- If an application is declined, that PSC's information should then be placed on the public register except during an initial transitional phase. In both cases an appeals process should apply.
- Law enforcement and other specific public bodies should still be able to access protected information on request.
- PSCs who are at serious risk of harm, but do not wish to apply for 'full' protection, should be able to apply to Companies House to suppress their usual residential addresses from credit reference agencies. If their application is successful, the credit reference agency will get a service address instead.

4.2 The wider objectives of the protection regime are to ensure that:

- UK and overseas investors are not deterred from investing in, or continuing to invest in, UK companies where public disclosure of the required information could put them at serious risk of harm. This should support UK business and economic growth.
- In particular, investors are not deterred from investing in sensitive sectors of UK economic activity, which should support continued economic growth in these areas.

5. Description of options considered (including do nothing)

5.1 **Option 0: Do nothing.** The protection regime primary legislative measures will not be commenced. This means that all the information of all PSCs would be placed on the public register.

¹⁷ Note that the protection regime measures are permissive and that there is no obligation on the company to make an application on behalf of its PSCs.

- 5.2 This does not meet the stated policy objectives as no mechanism will be in place to protect the personal information of the PSCs at risk of physical harm. This will have adverse health and well-being impact as individuals will be exposed to a disproportionate level of risk of harm. This could also create negative economic impact as investors might be deterred from investing in certain UK sectors, or in UK companies at all.
- 5.3 **Option 1: (preferred option)** The establishment of a protection regime which allows PSCs, who are at risk of physical harm as a result of their association with the company, the company's activities or other factors specific to the individual, to apply to the registrar for their PSC information held on the company and public PSC register to be protected from public disclosure.
- 5.4 Applications can be made by the individual, or their legal representative; or the company or the subscriber of a memorandum of association. The applicant can apply in advance of becoming a PSC, at the same time as becoming a PSC, or afterwards. The registrar will assess applications with input from a relevant authority, such as the police, as required. If granted, the individual's PSC information will be protected indefinitely from public inspection, both on the public PSC register and the company's own register. All PSC data including protected information will, however, be available to law enforcement and specified public authorities in all cases on request.
- 5.5 If not granted, the individual's information would be placed on the public register. Except during an initial transitional phase from January to April 2016 where the information would remain subject to protection if the individual ceased to be a PSC of the company within a certain time frame. The applicant may appeal against the registrar's decision through the courts.
- 5.6 PSCs who do not wish to apply for 'full' protection can apply to protect their URAs from credit reference agencies. If their application is successful, the credit reference agency will get a service address instead of a residential for that individual.
- 5.7 **Option 2: (non-regulatory option)** the protection regime primary legislative measures will not be commenced. The Government, through guidance on the PSC register, would set out the procedure for companies to protect the PSC information of those who are at risk from physical harm.
- 5.8 The company would follow this guidance to protect the information of those it judged to be at serious risk of harm. They would need to mark this information as such in filing it at Companies House. The intention would be that neither the company nor Companies House would make the information publicly available.
- 5.9 This option is not our preferred option, as we do not believe it would work from a legal perspective, not least as Companies House and companies would have no statutory basis on which to protect information from public disclosure. It would also be less effective. Whilst the publicly available guidance may encourage some companies to protect PSC information, this option would not enable PSCs to apply themselves and therefore could result in a disproportionate number of individuals being exposed to the risk of physical harm. This would likely dis-incentivise investment in UK companies by individuals at serious risk of harm. Furthermore, the absence of verification of the risk of harm would result in an inconsistency in the way UK companies would be applying the protection regime; and consequently this could compromise the overall integrity of a publicly accessible PSC register – particularly if companies were not rigorous in assessing the actual level of risk of harm to the individual. In turn, this would undermine the register's aim of combatting criminal abuse of companies.

6. Scope of the proposal

- 6.1 We have used the methodology below to identify, in respect of the options considered in this Impact Assessment:
- (a) the numbers of companies in scope of reform

(b) the number of PSCs.

The scope of the registry

6.2 As described in detail in the T&T IA, 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).

6.3 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.

6.4 The FAME database reports that there are 3,47m UK companies¹⁸. This figure includes active and dormant companies, and companies in the process of being dissolved.

6.5 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.¹⁹ 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 IA.

6.6 Applying these exemptions to the FAME population gives an estimated number of companies in scope of 3,429,549²⁰. 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. Companies House register statistics show that there are almost 59,000²¹ Limited Liability Partnerships (LLP) on the 'LLP Total Register'²² (included in the 3.43 million figure above).

6.7 As indicated in the T&T IA, 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.

6.8 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.

¹⁸ Company population estimates were extracted from the FAME database (Bureau Van Dijk Electronic Publishing, 2013). This figure includes Limited Liability Partnerships.

¹⁹ We assume that we will be able to exempt companies listed on prescribed markets from the requirement to maintain a PSC register. 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.

²⁰ FAME database Bureau Van Dijk Electronic Publishing, 2014 data extracted the 11/03/2015.

²¹ See footnote 12

²² Companies House (November 2013): *Companies Register Statistics for November 2013*

- 6.9 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.
- 6.10 Analysis using the FAME database indicates that 322,213 UK companies are wholly or partly owned by an RLE²³.
- 6.11 Nevertheless, the proposals, to a greater or lesser extent, will potentially impact on all companies in scope regardless of size or complexity of ownership.

The scope of the protection regime

The definition of a person with significant control (PSC)

- 6.12 As set out in the T&T IA, we have maintained consistency with the principles in the beneficial ownership definition currently used in anti-money laundering (AML) legislation²⁴. The register will hold information on the individuals who ultimately own and control UK companies. The legislation sets out five conditions for being a 'person with significant control' or beneficial owner – any individual meeting one or more of those conditions must be entered in the PSC register. These conditions are:
- 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;
 - otherwise exercising significant influence or control over the company; or
 - exercising significant influence or control over a firm or trust which would itself meet one of the above conditions were it an individual.
- 6.13 Further detail on the interpretation of these conditions is included in the legislation. Statutory guidance will be prepared on the meaning of "significant influence or control". Companies and others must have regard to that guidance in deciding whether someone exercises significant influence or control.
- 6.14 For the purpose of the people with significant control register policy, corporation soles, governments and certain other organisations are treated as individuals. This means that where they meet one of the above conditions, they will be recorded as the company's beneficial owner (PSC).
- 6.15 In certain circumstances a legal entity must be recorded in the register instead of an individual (described above).

Number of PSCs

- 6.16 The number of PSCs of UK companies is currently unknown and the number of legal owners (shareholders) in UK companies is not identical with the number of PSCs. However, as set out in the T&T IA, robust data on the number of PSCs is not available.
- 6.17 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 when estimating the number of PSCs in UK we have only considered the shareholding condition for being a PSC. Therefore our estimate 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

²³ Because a UK private or listed company, or a EEA listed company, owns more than 25% of their shares

²⁴ The Money Laundering Regulations 2007 (No. 2157)

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.

6.18 We calculated our low, best and high estimates of the number of PSCs as follows:

- We asked Companies House²⁵ 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).

6.19 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 a minimum 1 PSC owning more than 25.01% shares. As stated above, this is because in our calculations and assumptions we are using shareholders only – and not other forms of significant control. This is true throughout the calculations in paragraph 6.20.

6.20 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 best estimate for each category we looked at a sample²⁶ of companies for each category to identify the number of PSCs they might have. For instance, using this proxy, we considered the number of companies with 2 shareholders and we calculated, among them, the number of companies that have 1 shareholder owning between 75.00% 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).

6.21 Where we could not determine the number of PSCs per company we have given the same weight for different numbers of PSCs. For instance, for companies with 3 shareholders we could only determine the percentage of companies with 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 estimates.

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

²⁵ Companies house data extracted the 30/11/2014

²⁶ 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.

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

6.22 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 survey²⁷, where 16 respondents provided the number of PSCs in their companies, and the average was 1.1.

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

In total we have:

- **4,458,414** = (1.3 * 3,429,549) **best estimate** of PSCs in UK;
- 3,086,594 = (0.9 * 3,429,549) low estimate of PSCs in UK; and
- 5,487,278 = (1.6 * 3,429,549) high estimate of PSCs in UK.

Number of PSCs at serious risk of harm

6.24 We do not expect all these PSCs to be at serious risk of physical harm if their information were to be disclosed. Indeed, the purpose of this policy is to protect individuals only in exceptional circumstances, in order to preserve the transparency that the PSC register is creating. To get an indication on how many PSCs may be at risk of serious harm we gathered evidence directly from companies (See survey; Annex D). The expectation that PSCs would only be at risk in exceptional circumstances was confirmed from the survey we conducted, where we asked if companies expected any of their PSCs to be at serious risk of physical harm if their PSC information were disclosed on the PSC register. Among the 25 companies who responded, 11 did not anticipate their PSCs to be at risk of physical harm if their PSC information were disclosed on the PSC register, 4 anticipated their PSCs to be at risk and 1 did not know. 7 out of 9 respondents from non-sensitive sectors²⁸ were not expecting their PSCs to be at risk of serious physical harm; this evidence reinforces the assumption that PSCs of companies in certain sectors are most likely to apply for protection.

6.25 We were unable to determine precisely from which sectors we will receive the highest number of applications. Based on discussion with the National Domestic Extremism & Disorder Intelligence Unit (NDEDIU), the Metropolitan Police (Met), National Crime Agency (NCA) and the Office of Life Sciences (OLS), we have identified a list of sensitive sectors that could attract higher numbers of applications. The sectors are the following:

- Energy sectors (fracking, nuclear etc.);
- Banks and other financial institutions;
- Life sciences industry (this covers pharmaceutical, medical technology and biotechnology and industrial biotechnology²⁹);
- Defence industry;

²⁸ Sensitive sectors defined later in paragraph 6.24

²⁹ HM Government, Strength and Opportunities 2013, Annual update 2013

- Research institutions;
- Justice and judicial activities; and
- Foreign affairs.

6.26 This list illustrates the sectors that stakeholders believe at this stage could need to make an application under the PSC protection regime. According to the FAME database there are 76,615³⁰ companies in these 'sensitive' sectors in scope of the proposals, which represents 2.2³¹% of all companies in scope.

The following PSCs for these sectors:

- o **102,590** = (1.3 * 76,615) **best estimate** of PSCs in UK;
- o 70,634 = (0.9 * 76,615) low estimate of PSCs in UK; and
- o 120,898 = (1.6 * 76,615) high estimate of PSCs in UK.

6.27 In the 'options' section below we have calculated the number of PSCs that we expect will apply for the protection regime.

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

7.1 In order to gather views on this proposal, we surveyed a number of companies affected by the legislation. We have directly approached roughly 300 companies³² and we have published the survey on www.gov.uk website. Overall, we have received 66 responses; we could analyse only 25 responses as 41 were not valid, either because the respondent was out of scope of the policy (either non-UK incorporated or listed on a regulated/prescribed market) or because the respondent did not answer any questions. Consequently, the findings of the survey are not considered fully representative.

7.2 However, in the absence of other evidence, the responses allow us to make some tentative early inferences around the possible impact of the proposal. We will seek to gather more information on how these stakeholders are affected in preparation for the Final Assessment.

7.3 We published a discussion paper in October 2014³³, which asked questions about the impact of the protection regime. However, the received responses did not give us any information with which to refine our analysis of the impact of the protection regime policy on affected companies. Finally, we have engaged with the MET, NCA and the OLS in order to gain a better understanding of the costs and benefits that this protection regime could have. For the final stage IA we intend to attempt to gather further evidence on how the law enforcement agencies will be impacted by the introduction of a PSC protection regime (see Paragraph 9.54-9.56).

7.4 Among the respondents to our survey 11 companies were small, 4 medium, 7 large and 3 did not provide enough information to determine their size. 17 respondents were companies from sensitive sectors³⁴, and the remaining 8 respondents were from 'non-sensitive' sectors.

7.5 For the Final Stage IA, we will also seek to gather evidence and analysis on the value of the wider benefits.

³⁰ FAME database Bureau Van Dijk Electronic Publishing, 2014 data extracted the 11/03/2015.

³¹ Rounded to the closest decimal but in the calculations we have used the actual number (2.2340%)

³² We randomly chose 100 companies in 'sensitive sectors' from FAME, approached 50 companies in Life Sciences industry and 150 companies in various sectors based on Companies House contacts.

³³ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/395478/bis-14-1145-the-register-of-people-with-significant-control-psc-register-register-final-1.pdf

³⁴ See above for our definition of 'sensitive sectors'

8. Option 0: Do nothing

Benefits

8.1 The 'do nothing' option is used as a counterfactual to assess the impact of the other options. We expect no benefits to arise from doing nothing (aside from forgoing the costs of pursuing other options in this IA).

Costs

8.2 Any serious harm / crime that occurs in the absence of the protection regime will impose costs on individual PSCs, their families, the criminal justice system and society. Furthermore, arguably, capital allocation will be inefficient because sensitive sectors will be less likely to attract investors due to concerns around personal safety and there will be an impact on growth in the UK, including growth in certain key sectors. We were not able to monetise these costs due to lack of robust evidence on how many PSCs would be at serious risk of harm; and what type of harm they may face, if there is a PSC register but no protection regime. However, in our analysis of the potential benefits of Option 1 we have outlined the evidence on the cost of violent crimes (to individuals, criminal justice system and society).

9. Option 1: Preferred Option

9.1 The regime for protecting personal data from the company directors' register³⁵ may be used as a basis for the proposed protection regime for PSCs. It is likely that applications for the PSC protection regime will come from individuals that own or control the same type of companies as those who apply for the company directors' protection regime (i.e. who apply to prevent their URA information being shared with CRAs).

9.2 In order to determine the number of applications made under the PSC protection regime, we have assumed that the proportion of PSCs who apply for protection will be the same as the proportion of company directors that apply for protection under the company directors' protection regime. Overall, an average³⁶ of 1,001 directors per year have applied for the directors' protection regime (s243 applications), either themselves or their company on their behalf. At this stage we have analysed the number of directors that applied for the suppression of their URAs for the last three years only; this means that we do not know how many applications were received during the first year that the policy was implemented.

9.3 Our estimates of the number of PSCs, and the number of PSCs who may apply for protection, are set out in the tables below. Table 2 refers to year zero, while Table 3 refers to years after year zero.

³⁵ Explanatory memorandum and Impact Assessment to the companies (disclosure of address) regulations 2009 no. 214 http://www.legislation.gov.uk/uksi/2009/214/pdfs/uksem_20090214_en.pdf

³⁶ Average of 2012, 2013 and 2014. Companies House data. We requested data for the previous year; this will be included in the final IA.

Table 2 Number of PSCs who will apply for protection in year zero

(a)	(b)	(c)	(d)
Estimate	Number of PSCs	Percentage of protection applications	Number of PCSs who apply in year zero (b)*(c)
Best	4,458,414	0.24%	10,700
Low	3,086,594	0.02%	617
High	5,487,278	2.2%	120,720

Table 3 Number of PSCs who will apply for protection after year zero

(a)	(b)	(c)	(d)	(e)
Estimate	Number of PSCs	Estimated new PSC as a percentage of the total	Percentage of protection applications	Number of PCSs who apply per annum in years after year zero (b)*(c)*(d)
Best	4,458,414	6.7%	0.24%	718
Low	3,086,594	6.7%	0.24%	497
High	5,487,278	6.7%	0.24%	884

9.4 In order to estimate the cost for all PSCs (in the pages below) we have considered a range of values as the number of PSCs, and the take up rate of protection amongst PSCs, are uncertain at this stage.

9.5 For year zero we have considered the following:

- As the **best estimate** we have used the annual take-up rate of the company directors' register³⁷ protection regime by newly appointed directors, as a proportion of the total number of new director appointments per annum – 0.24%. This is because, in the first year of the PSC protection regime, we expect existing PSC will act in the same way as new directors, and actively consider whether or not to apply for protection. The protection regime for company directors we believe is the best available proxy for the proposed protection regime for PSC. It is very likely that applications for the PSC protection regime will come from those individuals that have a stake in the same type of companies as those who apply for the company directors' protection regime. We expect protection will be applied for in exceptional circumstances, and only a small subset of individuals will seek protection. To arrive at the number of PSCs who apply for protection in year zero, we multiply our best estimate of PSCs in the UK (4,458,414) by 0.24%.
- As the **low estimate** we used 0.02%. This take-up rate was calculated by dividing the average number of applications received per year by the company directors' regime with the total number of company directors (approximately 6.1 million).³⁸ We

³⁷ Explanatory memorandum and Impact Assessment to the companies (disclosure of address) regulations 2009 no. 214 http://www.legislation.gov.uk/ukxi/2009/214/pdfs/ukxiem_20090214_en.pdf

³⁸ Companies House data extracted from the register on 31st January 2015

then have multiplied this by the low estimate of the existing number of PSCs in the UK (3,086,594).

- As the **high estimate** we have considered; 1) that all PSCs in sensitive sectors (2.2% of companies in scope) will apply for protection; and 2) have used our high estimate of the number of PSCs in UK companies (5,487,278). This is likely to be an overestimation as the protection regime will apply in exceptional circumstances, i.e. only when individuals are at serious risk of harm if their information is to be released in the public. That fact, and that the individual will have to pay to apply for protection, should deter spurious applications. This estimate should therefore be viewed as a maximum potential cost.

9.6 For the years after year zero we estimate fewer PSC will apply for protection, and that these applications will come mainly from new PSCs. :

- **Best estimate:** we calculate the numbers taking up protection using data on the company directors' regime, because we believe it to be the closest proxy for the PSC protection regime. We firstly calculate the percentage of all UK directors that are new directors (6.7%), to approximate the annual flow of new PSCs. We then multiplied this figure by our best estimate of the total number of PSCs in the UK (4,458,414)³⁹. We then multiplied this figure by the annual proportion of new company director appointments who apply for protection under the company directors' regime (0.24%).
- As the **low estimate** we have also used the percentage of new directors as a proportion of the total directors (6.7%) and the proportion of new directors who take-up protection (0.24%), but we have multiplied the low estimate of the number of PSCs in the UK (3,086,594).
- As a **high estimate** we have also used the percentage of new directors as a proportion of the total directors (6.7%) and the proportion of new directors who take-up protection (0.24%), but have used our high estimate of the number of PSCs in UK (5,487,278).

9.7 We will seek to refine the year zero and post year zero estimates for the final IA to understand if we have identified the appropriate sensitive sectors. Moreover, we will further analyse the number of applications made under the company directors' regime for 2009-2011 to get a better feel for the likely year zero application levels.

Benefits

a) Monetised Benefits

9.8 There will be monetised benefits will be to Companies House as a result of fees for applications from individuals and companies. These benefits are transfers from companies and individuals. Therefore in the monetised cost section we have included the fees as monetised costs to individuals and companies to offset the benefits calculated below. The best estimate of the fee per application is £78, with a high of £100 and a low of £55 (see below). The numbers of applicants are those set out in the final columns of Tables 2 and 3. These benefits will amount to the sum of fees for applications coming from companies and individuals.

In year zero we expect the following return to Companies House:

³⁹ We take this approach as we lack forecasts of the annual number of new PSC.

- Best estimate £835,000⁴⁰
- Low estimate £34,000
- High estimate £12,072,000

In years following year zero we expect the following annual return to Companies House:

- Best estimate £56,000
- Low estimate £27,000
- High estimate £88,000

b) Non-Monetised Benefits

Reduction in the economic and social costs of crime

9.9 This proposal will protect an individual's personal information from disclosure on both the public and company PSC register where it is assessed this disclosure would pose an unacceptable level of risks to these individuals; or just prevent the person's URA being disclosed to CRAs for the same reason.

9.10 This could potentially reduce harm to individuals and those with whom they live (e.g. through physical violence), resulting in benefits to these PSCs whose information will be protected, as well as the reduction of costs of crimes that could have happened without the protection regime. We were unable to identify the number of possible attacks on PSCs that could be prevented as a result of this proposal. This is because we cannot know how many PSCs will be attacked were their information to be disclosed. In order to give a sense of the potential benefits of reduced crime that could result from the protection regime we therefore looked at evidence on the cost of crime.

9.11 According to a Home Office paper⁴¹, crime results in a range of costs: costs incurred as a result of a crime, which includes costs incurred in anticipation of crime such as defensive expenditure; costs as a consequence of crime such as physical and emotional costs; and costs incurred in the response to crime, such as costs to the criminal justice system⁴².

Reduction in the intangible costs of crime

9.12 Research commissioned⁴³ by the Home Office developed a methodology for valuing 'intangible' costs by analysing the various health state outcomes associated with different violent crimes. These health outcomes were then translated into estimated losses of quality-adjusted life years (QALYs). Reductions in QALYs as a result of being the victim of a violent crime can then be valued in monetary terms using a monetary estimate of a QALY derived from research undertaken for the Department for Transport⁴⁴.

9.13 Table 4 shows the average costs for physical and emotional impact, lost output and health services for different crimes. The approach mentioned above, with QALY-based methodology, is reflected in the figures in the columns 2003/04, whereas 2000 figures use the approach from in the Home Office research⁴⁵ that took values estimated by the Department for Transport for the prevention of serious non-fatal injuries in road traffic accidents to value the intangible costs of violent crime⁴⁶. However, the newer approach

⁴⁰ All financial figures in this Impact Assessment's cost benefit analysis, which are of the order of magnitude of tens of thousands, hundreds of thousands and millions, have been rounded to the nearest thousand. Financial figures of the order of magnitude of the thousands are rounded to the nearest hundred.

⁴¹ The economic and social costs of crime against individuals and Households 2003/04, Home Office Online Report 30/05. Supplementary guidance to the Green Book on the full range on impacts on society of different types of crime

⁴² <https://www.gov.uk/government/publications/green-book-supplementary-guidance-crime>

⁴³ ⁴³ Dolan, P., Loomes, G., Peasgood, T. and Tscuchiya, A. (2003) Estimating the intangible victim costs of crime, report for the Home Office, University of Sheffield and University of East Anglia.

⁴⁴ Carthy, T., Chilton, S., Covey, J., Hopkins, L., Jones-Lee, M., Loomes, G., Pidgeon, N. and Spencer, A. (1999), The Contingent Valuation of Safety and the Safety of Contingent Valuation, Part 2: The CV/SG 'Chained' Approach, Journal of Risk and Uncertainty, 17:187-213

⁴⁵ <http://webarchive.nationalarchives.gov.uk/20110218135832/rds.homeoffice.gov.uk/rds/pdfs/hors217.pdf>

⁴⁶ See Highways Economics Note 1 (1998) London: Department for Transport.

is considered more accurate as physical injuries and psychological effects resulting from crimes could be very different from those involved in road traffic accidents.

Table 4 Average costs for physical and emotional impact, lost output and health services per crime

Comparison of the consequential costs of violent crime, 2000 and 2003/04 (£, 2003 prices)						
	Physical and emotional impact		Lost output		Health services	
	2000	2003/04	2000	2003/04	2000	2003/04
Homicide	771,511	860,380	407,799	451,110	694	770
Wounding	13,219	4,554	2,204	1,166	1,323	1,348
Sexual Offences	13,219	23,015	2,204	4,430	1,323	916
Common Assault	264	797	22	269	-	123
Robbery	2,644	3,083	463	1,011	209	483

This evidence (as well as other Home Office evidence⁴⁷) shows that the negative emotional and physical impacts for victims of violent crime can be considerable.

Reduction in criminal justice system (CJS) costs

9.14 Evidence suggests that lower costs to the criminal justice system can be expected, thanks to a reduction of crime resulting from the protection regime, compared to the counterfactual of doing nothing. In order to give a sense of the costs resulting on average by crime we have included Table 5, that is taken from the same Home Office report⁴⁸ mentioned above.

9.15 The table presents three sets of CJS unit costs of crime from different studies. The first gives the original Home Office Research Study (HORS) 217 estimates updated to 2003 prices. The second set of costs reflects new police costs and CJS cost allocation for violence, but does not include the new methodology for calculating the costs of sentences. The third set uses revised police costs and CJS cost allocation, and the newer CJS methodology based on the net present value of sentence costs. The newer methodology is more accurate as it uses sentencing data. The old methodology neglects the fact that some offences result in costs which can be incurred over more than one year⁴⁹.

⁴⁷ Home Office Research Study 217, the economic and social costs of crime

⁴⁸ <https://www.gov.uk/government/publications/green-book-supplementary-guidance-crime>

⁴⁹ Home Office (2003) *Op. cit.*

Table 5
Average CJS costs of crimes against individuals and households (£, 2003 prices)

	Average total CJS cost, old methodology		Average total CJS cost, new methodology
	2000	2003/04	2003/04
Violence against the person	2,976	1,793	1,928
Homicide	24,248	35,383	144,239
Wounding	2,976	1,757	1,775
Serious Wounding	14,328	14,041	14,345
Other Wounding	1,433	978	978
Sexual Offences	4,298	3,143	3,298
Common Assault	298	281	255
Robbery	1,543	2,447	2,601
Burglary in a Dwelling	540	1,044	1,137
Theft	66	237	217
Theft - Not Vehicle	99	337	301
Theft of Vehicle	77	144	199
Theft From Vehicle	33	54	50
Attempted Vehicle Theft	11	31	65
Criminal Damage	66	129	126

9.16 The table shows that crimes that involve serious harm to individuals are the crimes that are most costly to the criminal justice system.

Reduction in total cost of crime

9.17 Table 6 presents the average total unit costs of crime, which includes:

- expenditure on security equipment, for instance, burglar alarms;
- costs of insurance administration, including extension to the insurance of crime-related personal injury;
- the value of stolen and damaged property;
- the cost of victim support services, including the Criminal Injuries Compensation Scheme; and
- criminal justice system expenditure⁵⁰.

9.18 Table 6 shows the original HORS 217 estimates, up-rated for inflation to 2003 prices, and compares them with them with the following: HORS 217 estimates revised according to the newer methodologies; and, the 2003/04 estimates generated using both the old and the newer CJS methodologies. The revised methodology uses injury profiles based primarily on survey responses from victims of crime. Since this is based on information from the BCS (2003/04), one injury profile is used as the best estimate of the average emotional and physical impact of all wounding.

⁵⁰https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/191498/Green_Book_supplementary_guidance_economic_social_costs_crime_individuals_households.pdf

Table 6

Average total unit costs of crimes against individuals and households (£, 2003 prices)

	Average total unit cost, old CJS methodology		Average total unit cost, new CJS methodology	
	2000	2003/04	2000	2003/04
Violence against the person	21,520	10,272	9,254	10,100
Homicide	1,209,432	1,350,119	1,364,628	1,458,982
Wounding	20,009	8,834	8,128	8,852
Serious Wounding	146,054	21,118	17,299	21,422
Other Wounding	2,233	8,056	7,374	8,056
Sexual Offences	21,075	31,283	27,654	31,438
Common Assault	591	1,467	1,398	1,440
Robbery	5,710	7,128	6,002	7,282
Burglary in a Dwelling	2,583	3,175	2,626	3,268
Theft	701	864	857	844
Theft - Not Vehicle	376	671	510	634
Theft of Vehicle	5,257	4,083	5,556	4,138
Theft from Vehicle	639	862	694	858
Attempted Vehicle Theft	315	476	369	510
Criminal Damage	562	869	623	866

9.19 Overall, although we do not quantify the likely number and types of crime that could be prevented by the protection regime, the evidence suggests that avoiding a single instance of harm to a PSC would result in substantial benefit to the individual, government and society.

Stability of 'sensitive' industries

9.20 Some sectors have been a target of activists and the disclosure of information of their shareholders could put them at risk of harm. For example, the risks posed to the life sciences and fracking industries are well documented. As mentioned in the Strategy for UK Life Sciences⁵¹ the government and the police are committed to working closely and collaboratively with the life sciences community and their supply chain to manage any risk, and any perceived risk, from the activities of animal right campaigners.

9.21 Thanks to the protection regime, PSCs in these sectors will be able to apply for protection of their information. This should prevent PSCs from leaving these sensitive companies and investing somewhere else where they would not be at risk of serious physical harm. Overall, it will help ensure continued investment in these sensitive sectors so that the innovation and research and development can continue.

9.22 This is particularly important as life sciences are an important area for the UK economy. Indeed, it is an industry growing faster than the economy as a whole and is a key source of high-skill, high-tech jobs⁵². Moreover, there are around 380 pharmaceutical companies based in the UK, employing nearly 70,000 people, with an annual turnover of £30 billion. In addition, the medical technology and medical biotechnology sectors together employ over 96,000 people with a combined annual turnover of around £20 billion⁵³.

⁵¹ HM Government, Industry Strategy: government and industry in partnership, Strategy for UK Life Sciences, One Year On

⁵² Strategy for UK Life Sciences, Office for Life Sciences, BIS

⁵³ HM Government, Industry Strategy: government and industry in partnership, Strategy for UK Life Sciences, One Year On

Responses from the survey

9.23 In our survey we asked companies if they envisage benefits from the PSC protection regime. The majority of the 10 respondents who provided an answer to this question had no PSC believed to be at risk of serious harm, and therefore the majority of respondents did not expect the protection regime to give rise to any benefits for their PSCs. Three respondents are expecting increased stability of the business environment (e.g. because companies in sensitive sectors will not incur risks that investors could disinvest as a result of their information being disclosed) and 2 respondents commented that there could be benefits in security for the individuals involved.

Costs

a) Monetised costs

9.24 In the survey we asked companies to provide information to allow the estimation of their potential costs: e.g. the amount of time taken to complete a particular administrative task arising from the introduction of this policy; the position of the person or people involved in this task; and the number of people working in each position that would likely be involved in the task. We then calculated the average costs per company by multiplying, for each position, the number of people involved with the task with the time taken by each person with the hourly wage for that position.

We used ASHE⁵⁴ data for hourly wages excluding overtime, with an uplift of 19.76%⁵⁵ in order to include non-wage costs (see Table 7 below)

Table 7 ASHE data

	ASHE wage data	Micro and small companies	Medium and large companies
Senior management	Chief execs & senior officials	£37.24	£56.81
Middle management	Corporate managers and directors excluding chief execs & senior officials	£18.99	£26.89
Administrative staff	Administrative & Secretarial Occupations	£11.22	£12.23

One-off costs

9.25 There are costs to business around the applications themselves and familiarisation with/understanding the legislation/guidance. Under this proposal individuals, or a third party acting on an individual's behalf, could apply for protection rather than the company that they control. In this second situation, the burden will not be on companies; hence would not be included in the EANCB figure. However, we have considered this cost below under the costs to individuals.

⁵⁴ ASHE data 2014. Median number for gross hourly wages excluding overtime as we assume regulatory tasks will occur in 'normal working hours' displacing existing activities and this wage rate acts as the best proxy for this. Moreover, not all firms will pay overtime to complete regulatory tasks.

⁵⁵ 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

- **Cost to private businesses:**

Application fee

9.26 As Companies House is a Trading Fund, applicants for protection will need to pay a fee to recover the costs incurred by Companies House in processing the application. At this stage we do not know how much the cost of an application for the PSC protection regime will be. However, in the regime for preventing directors' URA data from being shared with CRAs, the current cost of an application to Companies House by a company/individual to protect information from disclosure is either £55 or £100⁵⁶. We might expect costs for an application for PSC information to be protected to fall within a similar range and for this reason we have assumed the cost of an application for the protection regime to be £78 as best estimate (mid-point between £55 and £100), £55 as low estimate and £100 as high estimate.

9.27 Because we will only consider in our EANCB figures costs to companies, we have estimated the percentage of applications made by companies on behalf of the people with significant control. At this stage we do not know the proportion of applications that will come from companies and the best proxy we had is to use the percentage of applications for company directors that come from private companies. This percentage is 66%. This percentage is aligned to the responses we received from companies, where 64% expect to fill in the application on behalf of their PSCs, 23% expect the individuals to fill in the application and 14% their lawyers. We will consider the cost of applications for individuals in the section below 'cost to individuals'. Overall, the costs of all applications will be a benefit for Companies House so it will cancel out the cost to businesses and individuals in the NPV calculations.

9.28 In the table below we estimate the number of applications for protection made by businesses, both in year zero and in years after that.

Table 8 Applications in year zero

(a)	(b)	(c)	(d)	(e)	(f)
Estimate	Number of PSCs	Percentage of protection applications	Number of PCSs who applied (b)*(c)	Percentage of applications coming from private business	Number of applications made by private business (d)*(e)
Best	4,458,414	0.24%	10,700	66%	7,062
Low	3,086,594	0.02%	617	66%	407
High	5,487,278	2.2%	120,720	66%	79,675

Table 9 Applications after year zero

⁵⁶ Companies House - Restricting the disclosure of your address
<http://www.companieshouse.gov.uk/about/gbhtml/gp7.shtml#ch5>

(a)	(b)	(c)	(d)	(e)	(f)	(g)
Estimate	Number of PSCs	Estimated new PSC as a percentage of the total	Percentage of protection applications	Number of PCSs who applied (b)*(c)*(d)	Percentage of applications coming from private business	Number of applications made by private business (e)*(f)
Best	4,458,414	6.7%	0.24%	718	66%	474
Low	3,086,594	6.7%	0.24%	497	66%	328
High	5,487,278	6.7%	0.24%	884	66%	585

9.29 So overall, we calculated the total cost of applications to UK businesses by multiplying the total number of companies in scope with the take-up rate with the percentage of applications made by companies (using the company directors' regime as a proxy). As stated above these fees represent transfers between companies and Companies House, so costs are also included as monetised benefits to Companies House.

9.30 And the total cost of applications for companies in scope in year zero will be:

- Best estimate: $7,062 * £78 = £551,000$
- Low estimate: $407 * £55 = £22,000$
- High estimate: $79,675 * £100 = £7,968,000$

For companies after year zero the total cost will be:

- Best estimate: $474 * £78 = £37,000$
- Low estimate: $328 * £55 = £18,000$
- High estimate: $585 * £100 = £58,000$

Costs to business informed by survey evidence

9.31 Our estimates of the other costs to business related to the protection regime are informed by information provided by companies, which is provided in full in Annex B. The survey is available in Annex D. We estimate the following costs: 1) time taken by companies to fill out protection applications; 2) time taken to familiarize and understand the new the protection regime; and 3) time taken to implement new systems and processes as a consequence of the introduction of a PSC protection regime. In a few cases we have removed outliers from the survey responses when using them to do our cost calculations. Otherwise we have treated the survey responses as a reasonable and accurate estimate of the costs that will arise to businesses as a result of the protection regime.

9.32 Over the next few pages we present estimates of these costs to business. The total cost to business is comprised of the sum of the estimated total costs to small/micro companies and estimated total costs to medium/large companies.⁵⁷ For each of the three types of cost described in paragraph 9.31, our survey results allowed us to separately calculate the average cost per company for small/micro companies and medium/large companies. We also estimated how many PSC will apply in small/micro companies and medium and large companies by multiplying the total number of PSCs

⁵⁷ We use the current definition of small companies. In 2016 the threshold will increase. We estimate that this will potentially increase the number of small companies by 0.3%, thus the cost estimate used here might be a slight overestimate.

that will apply through their companies by the percentage of companies that are micro/small (99%) and medium/large (1%) medium/large. These estimates are shown in Tables 10 and 11. Our cost estimates were arrived at by multiplying the number of PSC applications that come from the different size businesses, by the average costs for the businesses of different sizes from our survey evidence.

Table 10 Applications divided by company size (year zero)

Estimate	Number of protection applications made by companies	Number of protection applications made by micro/small companies	Number of protection applications made by medium/large companies
Best	7,065	6,963	102
Low	407	401	6
High	79,675	78,560	1,115

Table 11 Applications divided by company size (after year zero)

Estimate	Number of protection applications made by companies	Number Of protection applications made by micro/small companies	Number of protection applications made by medium/large companies
Best	474	467	7
Low	328	323	5
High	7585	577	8

Cost of time taken to fill out an application, including the time taken to gather evidence that proves the individual is at risk

Table 12: Costs for micro and small companies, based on responses to questions about how they would approach a protection regime application

Estimated total cost for each company surveyed (£)	37	130	236	19	1,043	37	456
Average cost per company (£) for one application	280						

9.33 The average cost for this task is £280. Multiplying this by the number of PSCs that will ask their companies to apply on their behalf for the protection regime and whose companies are micro/small we found an annual cost to these businesses of £1,950,000 in year zero and £163,000 after year zero. The total cost for year zero is:

- Best estimate: £280*6,963=£1,950,000
- Low estimate: £280*401=£112,000
- High estimate: £280*78,560=£21,997,000

The annual cost for years after year zero is:

- Best estimate: £280*467=£131,000
- Low estimate: £280*323=£90,000
- High estimate: £280*577=£162,000

Table 13: Costs for medium and large companies, based on responses to questions about how they would approach a protection regime application

Estimated total cost for each company surveyed (£)	1,882	336	163	84	414	242
Average cost per company (£) for one application	520					

9.34 The average cost for this task is £520. Multiplying this by the number of PSCs we found an annual cost to business of £53,000 for year zero and £4,200 for years after year zero.

9.35 The total cost for year zero is:

- Best estimate: $£520 \times 102 = £53,000$
- Low estimate: $£520 \times 6 = £3,100$
- High estimate: $£520 \times 1,115 = £580,000$

The annual cost for years after year zero is:

- Best estimate: $£520 \times 7 = £3,600$
- Low estimate: $£520 \times 5 = £2,600$
- High estimate: $£520 \times 8 = £4,200$

Cost of time taken to familiarise and understand the protection regime

9.36 For this familiarisation cost we assume that in year zero all companies in sensitive sectors will read the guidance as they will want to understand in more depth what this protection regime is, even if they might decide not to apply on behalf of their PSCs. These companies amount to 76,615 of which we assume 99⁵⁸% are micro or small companies and 1% medium and large companies (see in the 'Scope of the Proposal' section for more details). Therefore, we assume 75,542 micro or small companies and 1,073 medium or large companies in sensitive sectors. These companies will bear this cost only in year zero.

Table 14: Familiarisation costs for micro and small companies

Estimated total cost for each company surveyed (£)	130	130	500	66	540	37	456
Average cost per company (£)	266						

9.37 The average cost for this task is £266. The total cost to these businesses is £20,094,000 ($75,542 \times £266$).

Table 15: Familiarisation costs for medium and large companies

Estimated total cost for each company surveyed	*29,447	552	57	457	151	414	4,032
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⁵⁸ This is rounded to the closest whole number, but we kept the actual figure for all calculations.

(£)							
Average cost (£)	989						

9.38 We omit from our calculations one survey response (£29,447), as we have classified it as an outlier given the values of the other responses received. The average cost for this task is £989. The total cost to these businesses is £1,061,000 ($1,073 \times £989$). Overall, total familiarisation costs for all businesses will amount to £21,155,000.

Cost of time taken to implement new administrative systems and/or processes

Table 16: Costs to implement new administrative systems and/or processes for micro and small companies

Estimated total cost for each company surveyed (£)	130	500	66	130	37
Average cost per company (£) for one application	173				

9.39 It is likely that introducing and operating a PSC protection regime will mean that businesses have to create new administrative systems and systems, or adapt existing ones. Note that this assumes each company only sets up the process when asked to apply on behalf of the PSC and that each application comes from a different company (this latter simplifying assumption might lead to this cost being an overestimate)

9.40 The average cost for this task is £173. The annual cost to business is £1,205,000 in year zero and £101,000 after year zero.

9.41 The annual cost for year zero is:

- Best estimate: $£173 \times 6,963 = £1,205,000$
- Low estimate: $£173 \times 401 = £69,000$
- High estimate: $£173 \times 78,560 = £13,591,000$

The annual cost for years after zero is:

- Best estimate: $£173 \times 467 = £81,000$
- Low estimate: $£173 \times 323 = £56,000$
- High estimate: $£173 \times 577 = £100,000$

Table 17: Costs to implement new administrative systems and/or processes for medium and large companies

Estimated total cost for each company surveyed (£)	137	98	414	15,303*	98	414
Average cost per company (£) for one application	232					

9.42 We have omitted one value (£15,303) as given the other responses received it has been identified as an outlier. The average cost for one task is £232. The annual cost to business is £24,000 for year zero and £1,900 for years after zero.

9.43 The annual cost for year zero is:

- Best estimate: $£232 \times 102 = £24,000$
- Low estimate: $£232 \times 6 = £1,4000$
- High estimate: $£232 \times 1,1115 = £259,000$

9.44 The annual cost for years after zero is:

- Best estimate: $£232 \times 7 = £1,600$
- Low estimate: $£232 \times 5 = £1,200$
- High estimate: $£232 \times 8 = £1,900$

- **Cost to Government:**

9.45 This option will involve increased costs to Companies House in setting up and administering the PSC register, including the cost of setting up systems for protecting certain information from public disclosure. All the costs incurred by Companies House as a result of the protection regime are included in the T&T IA; hence they are not presented separately in this IA to avoid double counting. This is because Companies House has estimated one range of one-off costs comprising both the PSC register and the protection regime.

- **Cost to individuals:**

9.46 As mentioned above, individuals can apply to have their information protected. Similarly to companies, we are expecting the fee for the application to be £78 (£55 low estimate, £100 high estimate). Also in this case, we have used as a proxy the proportion of applications that comes from individuals under the company directors' protection regime. We estimate this percentage to be 34%. Applying this percentage to the number of PSCs that we think will apply for protection we are expecting 3,638 applications in year zero and 204 in years after year zero.

9.47 Therefore the total cost to individuals for application fees in year zero will be:

Best estimate: $3,638 \times £78 = £284,000$

Low estimate: $210 \times £55 = £12,000$

High estimate: $41,045 \times £100 = £4,105,000$

The annual cost for years after year zero will be:

Best estimate: $244 \times £78 = £19,000$

Low estimate: $169 \times £55 = £9,300$

High estimate: $301 \times £100 = £30,000$

9.48 As previously stated these fees are a transfer between individuals and Companies House, so are also included as a monetised benefit to Companies House. We were not able to monetise other costs for this group. This is because it has not been possible to date to identify and gather evidence from people with significant control who may apply for the protection regime. These other costs are as follows:

- Familiarisation costs to understand the protection regime;

9.49 The time and effort taken to apply for protection (in situations where individuals rather than companies do this) and gather evidence that proves that the individual is at risk of harm, including approaching the police where necessary.

9.50 We will look to seek further evidence via the consultation on the costs arising to individuals from the protection regime and, where possible, include in the Final Impact Assessment. This, however, will be challenging given the evident sensitivities for such individuals

9.51 Although we have not been able to fully monetise the costs (and benefits) to individuals of applying for the PSC protection regime, we assume that individual PSC will only apply when they perceive the benefits of doing so outweigh the costs.

On-going costs

- Cost to private businesses:

9.52 We do not expect any on-going costs for business related to protection applications as the protection will be indefinite once granted, and companies will not need to do anything more or different once the application has been made and they have protected the application.

9.53 The information to be included on the PSC register is outlined in paragraph 1.3. PSCs who are at serious risk of physical harm can apply to have their information protected from disclosure through the public register, in order to protect themselves and those with whom they live from harm. The rationale for not disclosing this information, by means of a protection regime, is outlined in Section 3 of this Impact Assessment. However, the non-disclosure of the PSC information may lead to a reduction in transparency of individuals who own or exercise significant control over companies in the UK, compared to a scenario where a PSC register was introduced without an accompanying protection regime.

9.54 Increased transparency about PSCs can assist people and businesses that interact with companies (e.g. individual customers, businesses who trade with them etc.) to identify with whom they are actually dealing. Increased transparency also helps reduce asymmetric information between parties and increase trust in business. This could therefore lead to an increase economic activity including trade and investment into the UK. A full discussion of these benefits and the strength of the evidence supporting them were outlined in the Trust and Transparency Impact Assessment.⁵⁹

9.55 The PSC protection regime will mean that information about PSCs at serious risk of physical harm will not be made available to the public⁶⁰, and therefore some of the unmonetised benefits of increased corporate transparency described above will be forgone⁶¹. However, the intention is that non-disclosure of PSC information is to be in exceptional circumstances only, where it can be evidenced that disclosure of their information could lead to serious harm to PSCs and those with whom they live. Therefore we estimate that only a small proportion of the overall number of PSCs will have their information protected from disclosure. For the vast majority of PSCs their information will be disclosed, and thus give rise to the described benefits arising from increased transparency. The benefits of harm to PSCs are unmonetised in this Impact Assessment. However the evidence summarised earlier (in the unmonetised benefits of Option 1) suggests that avoiding a single instance of harm to a PSC would result in substantial benefit to the individual, government and society. The unmonetised benefits of avoiding harm to PSCs; and the unmonetised benefits arising from UK and overseas investors not being deterred from investing in, or continuing to invest in, UK companies,

⁵⁹ "Transparency & Trust – Enhanced Transparency of Company Beneficial Ownership" IA https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/303555/bis-14-670-part-a-of-transparency-and-trust-proposals-impact.pdf An Enactment Impact Assessment version of this IA is being prepared.

⁶⁰ There will be no loss of transparency for UK enforcement agencies, as they will continue to have access to the data protected by the protection regime, for the purposes of their investigations.

⁶¹ The Trust and Transparency Impact Assessment did not quantify and monetise the benefits of increased corporate transparency because the evidence did not allow a precise and robust quantification and monetisation of these benefits. For the same reason this Impact Assessment does not seek to quantify and monetise the forgone benefits related to transparency that result because of the introduction of a PSC protection regime.

are expected to outweigh the unmonetised costs associated with reduced PSC information available to the public.

9.56 Where PSCs are at risk but do not wish to apply for 'full' protection, they will be able to apply for suppression of their usual residential addresses from credit reference agencies. Not disclosing this information will mean that credit reference agencies have less information at their disposal in order to compile credit information on PSCs. This reduces the usefulness of the credit reference agencies outputs for the people who use them (e.g. people who invest in, lend to and trade with companies). However, again the intention is for non-disclosure of PSC information to be allowed in exceptional circumstances only, where it can be evidenced that disclosure of PSC information could lead to serious harm to PSCs and those with whom they live. In this situation the unmonetised benefits of avoiding harm to PSCs; and the unmonetised benefits that arise from UK and overseas investors not being deterred from investing in, or continuing to invest in, UK companies; are expected to outweigh the unmonetised costs associated with reduced information available to credit reference agencies (and their customers).

- Cost to Government:

9.57 These costs will involve increased costs to Companies House to support the closed system for the protection regime. All these costs are included in the T&T IA⁶²; hence they are not present in this IA to avoid double counting.

- Cost to individuals:

9.58 Similarly to companies, individuals are not expected to face ongoing costs.

- Cost to police:

9.59 As mentioned in the discussion paper⁶³, the registrar will decide if the application is granted and notify the applicant within five working days of that decision. The registrar can seek an assessment from a relevant authority in making that decision. This, in the current directors' regime, tends to be a police force. Discussion with law enforcement stakeholders suggests that at this stage it is still to be decided which agency in law enforcement will be responsible for assessing the applications and how long this may take.

9.60 BIS officials have held discussions with the police, including the NCA, Met police and the NDEDIU. These stakeholders suggest it is difficult to predict the time taken for each application beforehand, as this will vary on a case by case basis. However, the NCA helped us to develop a risk assessment model to understand the steps the police may undertake when scrutinising an application. This includes risk management, risk assessment and a risk scoring. This is presented in Annex C.

9.61 At this stage we have not been able to establish the costs to the police arising from the PSC protection regime. We will work with stakeholders to improve our understanding of costs.

⁶² Trust and Transparency - Enhanced Transparency of Company Beneficial Ownership Stage Impact Assessment

⁶³ Understanding the new requirements, recording control on the PSC register and protecting people at serious risk of harm, BIS October 2014

10. Option 2: Non-Regulatory Option

Benefits

10.1 Although a simpler and cheaper option, we would expect the benefits to be substantially lower than the benefits resulting from Option 1. This is because individuals will not be able to apply for protection. There might be situations where companies could refuse to apply on behalf of their PSCs and there could be PSCs at serious risk of physical harm that will not be able to be protected.

Costs

10.2 Companies would bear costs similar to Option 1 (see paragraphs 9.37-9.38) in terms of familiarising themselves with the protection regime, gathering evidence to support the application and the costs of the application fees. Therefore familiarisation costs will be around £21,155,000 in total – mainly accruing to small and micro business (£20,094,000) rather than medium and large business (£1,061,000).

10.3 However, at this stage we were not able to determine how many applications companies would be willing to put forward without the statutory underpinning.

10.4 This option may lead to a non-monetised cost of reduced transparency, as described for Option 1. We are not able to determine how many PSCs will be protected without the statutory underpinning of Option 1, and therefore are unable to state how the transparency impact of this option differs from Option 1. We believe it is possible Option 2 could lead to fewer PSCs being protected from harm, as individuals themselves will not be able to apply for protection. To the extent this occurs (and is undesirable in terms of protecting PSCs from harm), it would reduce the loss of transparency that comes from not disclosing PSC information.

10.5 This option would result in reduced costs to government as Companies House would not have to scrutinise and approve applications. As we said before, costs to Companies House sit in the T&T IA and therefore we have not identified the reduction of these costs here.

10.6 Finally, Companies House would not seek an assessment from the police force in making this decision hence there will be no costs for the police.

Summary of costs and benefits (preferred option)

Costs in year zero (£)			
Nature of Costs	Low estimate	Best estimate	High estimate
Costs for businesses			
Cost of application	22,000	551,000	7,968,000
Time taken to fill in the application, including the time taken to gather evidence that proves the individual is at risk	115,000	2,003,000	25,577,000

Time taken to familiarise and understand the protection regime	21,155,000	21,155,000	21,155,000
Time taken to implement new administrative systems and/or processes	71,000	1,229,000	13,850,000
Total costs for businesses in year zero	21,364,000	24,937,000	65,549,000
Costs to individuals			
Total costs for individuals in year zero	12,000	284,000	4,105,000

Annual costs after year zero (£)			
Nature of Costs	Low estimate	Best estimate	High estimate
Costs for businesses			
Cost of application	18,000	37,000	58,000
Time taken to fill in the application, including the time taken to gather evidence that proves the individual is at risk	93,000	134,000	166,000
Time taken to implement new administrative systems and/or processes	57,000	82,000	102,000
Total annual costs for businesses after year zero	168,000	254,000	326,000
Costs to individuals			
Total annual costs for years after year zero	9,300	19,000	30,000

Benefits in year zero (£)			
	Low estimate	Best estimate	High estimate
Fee revenue for Companies House	34,000	835,000	12,072,000

Annual benefits after year zero (£)			
	Low estimate	Best estimate	High Estimate
Fee revenue for Companies House	27,000	56,000	88,000

11. Rationale and evidence that justify the level of analysis used in the IA (proportionality approach)

11.1 At this stage we felt that surveying a sample of affected companies was a proportionate approach in order to understand the impact that this policy will have on companies. It was not always possible to monetise costs and benefits but this was in large part due to the sensitivity of the subject and the difficulty therefore in obtaining information. We will try and gather further evidence for the final impact assessment where there are evidence/data gaps.

12. Risks and assumptions

Risks

12.1 There may be a risk of loss of UK investment by individuals at risk of harm if it is perceived that the protection regime will not be adequate.

Assumptions

12.2 We have assumed FAME figures to be accurate. However, in order to mitigate the impact of possible inaccuracy we have done sensitivity analysis wherever possible.

12.3 We have assumed the company directors' regime to be the best proxy of the PSC protection regime in terms of cost and number of applications.

12.4 We have assumed ASHE data to be a proxy for wages of employees at companies in scope.

12.5 We assume we will be able to exempt companies listed on prescribed markets from the requirement to maintain a PSC register⁶⁴.

12.6 In order to determine the average number of PSCs in UK companies we have looked at the number of shareholders holding more than 25% of a company's shares. This is because, as described in this IA, we do not hold any information regarding the number of individuals meeting the other conditions to be qualified as people with significant control.

12.8 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

⁶⁴ 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.

to identify whether people who own over 25% of shares in a company, also own a similar shareholding in other companies.

We quantified costs for all companies affected by using replies to a survey of companies, although its respondents may not be fully representative of all potentially affected companies (see Annex B for details).

12.9 In assessing the impact on the Justice System, we have assumed 100% compliance and that there will be no appeals against the registrar's decision on protection applications. We have again used the directors regime as a proxy, where there has been only one appeals case since its establishment in 2009.

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

13.1 The options 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 is described in detail in the T&T IA.

13.2 Whilst the protection regime will protect certain information from being disclosed to the general public in limited circumstances, law enforcement agencies will continue to have access to this information for use in investigations. A limited protection regime was always envisaged for the PSC register in order to safeguard vulnerable individuals, and this was strongly supported by in Parliament during the passage of the Small Business, Enterprise and Employment Act 2015. We therefore consider that the measures in this IA are consistent with the commitments made at the 2013 G8 Summit.

14. Wider impacts

Competition Impact Test:

14.1 We have considered the potential competition impact of the proposed reforms but given the substantial coverage of companies and low costs, we do not expect any competition issues to arise from this policy change.

14.2 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:

14.3 This policy allows all companies potentially to apply for protection of their PSCs' information. In order to reduce the risk of harm for those PSCs, we have not excluded small or micro companies from this assessment. Note that companies need not take up the opportunity presented here if they do not consider that the benefits outweigh the costs. According to the responses we received from companies we are not expecting small companies to be disproportionately affected by this policy; indeed the unit costs identified for small companies are significantly lower.

14.4 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 annual turnover, balance sheet total and number of employees. The maximum annual 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 annual turnover, balance sheet 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.

Social Impacts

<i>Factor</i>	<i>Consideration</i>
<i>Environmental impacts</i>	Our analysis suggests that this policy will have negligible impact on the environment – the changes relate purely to gathering, disclosing and suppressing data. The negligible impact relates to the paper and hard copy format of the protection regime application form and accompanying evidence. We anticipate this will be reduced or eliminated through Companies House's digital transformation.
<i>Rural proofing</i>	Our analysis suggests that this policy will not have any adverse impact on rural areas – the changes relate purely to gathering, disclosing and suppressing data.
<i>Sustainable development</i>	Our analysis suggests that this policy will have negligible impact on sustainable development – the changes relate purely to gathering, disclosing and suppressing data. The negligible impact relates to the paper and hard copy format of the protection regime application form and accompanying evidence. We anticipate this will be reduced and eliminated through Companies House's digital transformation.
<i>Health and well-being</i>	This policy would prevent or minimise serious violence and intimidation to PSCs at serious risk of harm, which will have a positive impact on their health and well-being. Our analysis also suggests that the consequential positive impact of these individuals being assured their personal details are not in the public domain on the public PSC register will reduce or eliminate the adverse emotional impact and psychological effects associated with victims of crime.
<i>Family test</i>	Our analysis, which has been confirmed by Departmental economic analysis team, is that this policy will not have any impact in this area.

Human rights

14.5 We believe that our policy to implement a protection regime for the information on the PSC register fully meets our commitments to the European Convention of Human Rights (ECHR). Article two, section one of the ECHR states that:

“Everyone’s right to life shall be protected by law. No one shall be deprived of his life intentionally [...]”

14.6 Article 8, 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 [...]”

14.7 Article 1, protocol 1: Protection of Property

“Every natural or legal person is entitled to the peaceful enjoyment of his possessions. No one shall be deprived of his possessions except in the public interest and subject to the conditions provided for by law [...].”

14.8 The protection regime supports compliance with articles 2 and 8, and article 1 of protocol 1. In respect of article 2 and article 1 of protocol 1, the protection regime will not only contribute to protection of the lives of individuals, but also allow those individuals at risk of harm to be protected from harm, thus allowing them to enjoy their property where that property is ownership of a company. The regime also clearly supports the article 8 right to privacy.

14.9 Implementation of a publicly accessible central register of company beneficial ownership information means that we are exposing personal data on individuals with a significant beneficial interest in a UK company to anyone who chooses to search for it. However, 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); and
- 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).

14.10 Implementation of a protection regime for the PSC register means that there will not be disproportionate exposure of personal data on PSCs who are at serious risk from physical harm.

14.11 Prior to the introduction of the primary legislation, we conducted and published a full Privacy Impact Assessment: <https://www.gov.uk/government/publications/company-ownership-transparency-and-trust-impact-assessments>. This will be reviewed and updated in due course.

14.12 Furthermore, one of the policy objectives is to reduce crime through tackling the potential for misuse of companies; and there is international agreement (for example, at G7 and G20 level and through the FATF standards) around the importance of enhanced corporate transparency. This further justifies our analysis that our policy does not contravene our ECHR commitments.

14.13 The Memorandum addressing issues arising under the ECHR in relation to the Small Business, Enterprise and Employment Act 2015⁶⁵ states the Government's view that the measures in the Act – which include the central registry - are compatible with the Convention rights.

Justice System

⁶⁵ Department for Business, Innovation and Skills, November 2014: <https://www.gov.uk/government/publications/small-business-enterprise-and-employment-bill-european-convention-on-human-rights-echr-memorandum>

14.14 In assessing the policy impact on the Justice System, we have assumed 100% compliance and that there will be no appeal to the courts against the registrar's decision on protection regime applications. We have used the directors' regime as a proxy, where there has been only one decision appealed since its establishment in 2009. We do not therefore anticipate any significant additional impact on the justice system.

14.15 The current company law provision which makes it an offence for companies or individuals to deliberately provide false information to the registrar applies to the protection regime.

14.15 We anticipate however that most instances of non-compliance will be dealt with by Companies House through their usual compliance procedures. For example, Companies House estimate that in 85-90% of cases they write to the company in the first instance, before referring the matter to BIS or other enforcement agencies, or taking action themselves.

14.17 There may be a reduction of costs to the criminal justice system as a result of the protection regime. Evidence suggests there could also be expected to be lower criminal justice system costs as a result, compared to the counterfactual of doing nothing.

14.18 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

14.19 We do not anticipate any difference in impact on UK companies as a result of their registered office location as the protection regime assesses the nature and extent of the risk of harm to the individual, and not their geographical location. Similarly, the requirements will apply in the same manner to all beneficial owners, irrespective of their country of residence.

Wider impacts

Statutory equality duties

14.20 We do not anticipate any adverse equalities impact on the following groups:

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

14.21 Prior to the introduction of the primary measures, we conducted and published a separate Equalities Impact Screening Exercise which indicated that the conduct of a full Equalities Impact Assessment was not required⁶⁶. This has been reviewed and updated in light of changes made following Parliamentary scrutiny. See Annex A – Equalities Impact Assessment.

⁶⁶ 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>

15. Summary and preferred option with description of implementation plan.

15.1 The 'Transparency and Trust – Enhanced Transparency of Company Beneficial Ownership' IA describes the problem of corporate opacity and the need for government intervention to address it through the creation of a publicly accessible central register of the individuals who ultimately own and control UK companies. However, that IA recognises that some information should be protected from public disclosure.

15.2 The problem under consideration in this IA is, therefore, how to implement a protection regime in an effective and cost efficient method which addresses any regulatory failure within the company law framework without undermining the overarching policy objectives of enhancing corporate transparency and tackling the criminal misuse of companies.

Preferred option

15.3 The establishment of a protection regime which allows PSCs, who are at risk of physical harm as a result of their association with the company, whether as a result of the company's activities or other factors specific to the individual, to apply to the registrar for their PSC information to be protected from public disclosure on the company and public PSC register.

15.4 Applications can be made by the individual, their legal representative, the company or the subscriber of a memorandum of association. The applicant can apply in advance of becoming a PSC, at the same time as becoming a PSC, or afterwards. The registrar will assess applications with input from a relevant authority, such as the police. If granted, the individual's PSC information will be protected indefinitely from public inspection, both on the public PSC register and the company's own register. All PSC data including protected information will, however, be available to law enforcement and specified public authorities in all cases on request.

15.5 If not granted, the individual's information would be placed on the public register, except during an initial transitional phase from January to April 2016 where the information would remain subject to protection if the individual ceased to be a PSC of the company within a certain time frame. The applicant may appeal against the registrar's decision through the courts.

15.6 PSCs can also apply to simply protect their URAs from credit reference agencies. If their application is successful, the credit reference agency will get a service address instead of a residential for that individual.

Implementation plan

15.7 Companies will be required to keep a register of people with significant control from January 2016, and file this information with Companies House from April 2016. The protection regime will be in place for January 2016, when companies are required to start keeping a PSC register.

15.8 There will be transitional arrangements in place for the protection regime to ensure individuals who are PSCs of a company on 1 January 2016, and who have their application declined, will have their PSC information permanently suppressed from public disclosure if they cease to be a PSC within a certain time frame. This will avoid the risk of individuals withdrawing their investments from UK companies now, before the new regime comes into force.

15.9 PSCs at risk can apply for protection as early as possible. The PSC register guidance, which will be published in autumn 2015, will include extensive guidance for the individual and the company on the requirements and procedures of the protection regime.

15.10 Part 7 of the SBEE Act 2015 provides that a statutory review will be carried out within three years of the measures implementing the central register coming into effect, expected to be around 2019. We have committed that the review will include the impact and efficacy of the protection regime. This may also be an appropriate point to determine whether further changes to the regulations are required.

Annex A – Equalities Impact Assessment

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 companies, although we note that those companies are exempt from the PSC register measures. 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 the individual has applied for their information to be protected from public disclosure.

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 birth⁸, this information will also be publicly accessible via Companies House.

As set out in the T&T IA (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 fraud.

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 B - Costs to businesses calculations (Option 1)

In order to gather views on this policy, we surveyed a number of companies affected by the legislation. We have directly approached roughly 300 companies⁶⁷ and we have published the survey on www.gov.uk website. In total we have received 66 responses; although we could analyse only 25 responses as 41 were not valid, either because the respondent was out of scope of the policy (either non-UK incorporated or listed on a regulated or prescribed market) or because the respondent did not answer any questions. Consequently, the findings of the survey are not considered fully representative.

However, in the absence of other evidence, the responses allow us to make some tentative early inferences around the possible impact of the policy. We will seek to gather more information on how these stakeholders are affected in preparation for the Final Assessment.

We published a discussion paper in October 2014⁶⁸, which asked questions about the impact of the protection regime. However, the received responses did not give us sufficient economic information with which to refine our analysis of the impact of the protection regime policy on affected companies. Additionally, we have engaged with the Met, NCA and the OLS in order to gain a better understanding of the costs and benefits that this protection regime could have.

In the survey we asked companies to provide information to allow the estimation of their potential costs: e.g. the amount of time taken to complete a particular administrative task arising from the introduction of this policy; the position of the person or people involved in this task; and the number of people working in each position that would likely be involved in the task. We then calculated the average costs per company by multiplying, for each position, the number of people involved with the task with the time taken by each person with the hourly wage for that position.

We used ASHE⁶⁹ data for hourly wages excluding overtime, with an uplift of 19.76%⁷⁰ in order to include non-wage costs (see Table 7 above).

In the body of the IA we have shown the calculations we did with the average cost per company for one application in order to estimate to total costs to private businesses.

Cost of time taken to fill in the application, including the time taken to gather evidence that proves the individual is at risk (please consider the time taken for one application)

⁶⁷ We have randomly chosen 100 companies in 'sensitive sectors' from FAME, approached 50 companies in Life Sciences industry and 150 companies in various sectors based on Companies House contacts.

⁶⁸ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/395478/bis-14-1145-the-register-of-people-with-significant-control-psc-register-register-final-1.pdf

⁶⁹ ASHE data 2014. Median number for gross hourly wages excluding overtime as we assume regulatory tasks will occur in 'normal working hours' displacing existing activities and this wage rate acts as the best proxy for this. Moreover, not all firms will pay overtime to complete regulatory tasks.

⁷⁰ Uplift of 18.06% to consider non-wage costs taken from: http://epp.eurostat.ec.europa.eu/statistics_explained/index.php?title=File:Labour_costs_per_hour_in_EUR,_2008-2013_whole_economy_excluding_agriculture_and_public_administration.png&filetimestamp=20140326081119

Micro and small companies

Positions in companies	Number of people involved in each position						
	Resp. 1	Resp. 2	Resp. 3	Resp. 4	Resp. 5	Resp. 6	Resp. 7
Senior manager (chief executives & senior officials)	1	Between 2 and 5 ⁷¹	1	0	Between 2 and 5	1	Between 2 and 5
Middle manager (corporate managers and directors excluding chief executives & senior officials)	0	0	1	1			0
Administrative staff (Administrative & secretarial occupations)	0	0	1	0			0
TOTAL COST of each company (£)	37	130	236	19	1,043	37	456

Positions in companies	Estimated time to complete (in hours) for each person							Wage by position with uplift 19.76% (£)
	Resp. 1	Resp. 2	Resp. 3	Resp. 4	Resp. 5	Resp. 6	Resp. 7	
Senior manager (chief executives & senior officials)	1	1	Between 2 and 5	0	Between 6 and 10	1	Between 2 and 5	37.24
Middle manager (corporate managers and directors excluding chief executives & senior officials)	0	0	Between 2 and 5	1			0	18.99
Administrative staff (Administrative & secretarial occupations)	0		Between 2 and 5	0			0	11.22
TOTAL COST of each company (£)	37	130	236	19	1,043	37	456	

⁷¹ We have assumed 3.5 (the mid-point). This approach has been consistent in this IA

Medium and large companies

Positions in companies	Number of people involved in each position					
	Resp. 1	Resp. 2	Resp. 3	Resp. 4	Resp. 5	Resp. 6
Senior manager (chief executives & senior officials)	Between 2 and 5	1	1	1	1	Between 2 and 5
Middle manager (corporate managers and directors excluding chief executives & senior officials)	1	1	1	1	1	0
Administrative staff (Administrative & secretarial occupations)	Between 2 and 5	1	1	0	0	1
TOTAL COST of each company (£)	1,882	336	163	84	414	242

Positions in companies	Estimated time to complete (in hours) for each person						Wage by position with uplift 19.76% (£)
	Resp. 1	Resp. 2	Resp. 3	Resp. 4	Resp. 5	Resp. 6	
Senior manager (chief executives & senior officials)	Between 2 and 5	Between 2 and 5	1	1	Between 2 and 5	1	56.81
Middle manager (corporate managers and directors excluding chief executives & senior officials)	Between 2 and 5	Between 2 and 5	Between 2 and 5	1	Between 6 and 10	Between 6 and 10	26.89

Administrative staff (Administrative & secretarial occupations)	Between 21 and 30	Between 2 and 5	1	0	0	Between 2 and 5	12.23
TOTAL COST of each company (£)	1,882	336	163	84	414	242	

- Time taken to familiarise and understand the protection regime

Micro and small companies

Positions in companies	Number of people involved in each position						
	Resp. 1	Resp. 2	Resp. 3	Resp. 4	Resp. 5	Resp. 6	Resp. 7
Senior manager (chief executives & senior officials)	1	Between 2 and 5	1	0	1	1	Between 2 and 5
Middle manager (corporate managers and directors excluding chief executives & senior officials)			Between 2 and 5	1	1		
Administrative staff (Administrative & secretarial occupations)			Between 2 and 5		1		
TOTAL COST of each company (£)	130	130	500	66	540	37	456

Positions in companies	Estimated time to complete (in hours) for each person							Wage by position with uplift 19.76% (£)
	Resp. 1	Resp. 2	Resp. 3	Resp. 4	Resp. 5	Resp. 6	Resp. 7	
Senior manager (chief executives & senior officials)	Between 2 and 5	1	Between 2 and 5	0	Between 6 and 10	1	Between 2 and 5	37.24
Middle manager (corporate managers and directors excluding chief executives & senior officials)			Between 2 and 5	Between 2 and 5	Between 6 and 10			18.99
Administrative staff (Administrative & secretarial occupations)			Between 2 and 5		Between 6 and 10			11.22
TOTAL COST of each company (£)	130	130	500	66	540	37	456	

Medium and large companies

Positions in companies	Number of people involved in each position						
	Resp. 1	Resp. 2	Resp. 3	Resp. 4	Resp. 5	Resp. 6	Resp. 7
Senior manager (chief executives & senior officials)	Between 2 and 5	1	1	Between 2 and 5	1	1	Between 2 and 5
Middle manager (corporate managers and directors excluding chief executives & senior officials)	Between 16 and 20	0		Between 6 and 10	1	1	More than 30 ⁷²

⁷² We have assumed 35 for our calculations.

Administrative staff (Administrative & secretarial occupations)	Between 21 and 30	1		Between 2 and 5			1
TOTAL COST of each company (£)	29,0447 ⁷³	552	57	457	151	414	4,302

Positions in companies	Estimated time to complete (in hours) for each person							Wage by position with uplift 19.76% (£)
	Resp. 1	Resp. 2	Resp.3	Resp.4	Resp.5	Resp.6	Resp.7	
Senior manager (chief executives & senior officials)	Between 6 and 10	Between 6 and 10	1	1	1	Between 2 and 5	Between 2 and 5	56.81
Middle manager (corporate managers and directors excluding chief executives & senior officials)	More than 30			1	Between 2 and 5	Between 6 and 10	Between 2 and 5	26.89
Administrative staff (Administrative & secretarial occupations)	More than 30	Between 6 and 10		1			Between 21 and 30	12.23
TOTAL COST of each company (£)	29,0447 ⁷⁴	552	57	457	151	414	4,302	

⁷³ We have omitted this value from the calculation of the average because we believe that it is an outlier.

⁷⁴ We have omitted this value from the calculation of the average because we believe that it is an outlier.

- Cost of time taken to implement new administrative systems and/or processes

Micro and small companies

Positions in companies	Number of people involved in each position				
	Resp. 1	Resp. 2	Resp. 3	Resp. 4	Resp. 5
Senior manager (chief executives & senior officials)	Between 2 and 5	1		Between 2 and 5	1
Middle manager (corporate managers and directors excluding chief executives & senior officials)	0	Between 2 and 5	1		
Administrative staff (Administrative & secretarial occupations)	0	Between 2 and 5			
TOTAL COST of each company (£)	130	500	66	130	37

Positions in companies	Estimated time to complete (in hours) for each person					Wage by position with uplift 19.76% (£)
	Resp. 1	Resp. 2	Resp. 3	Resp. 4	Resp. 5	
Senior manager (chief executives & senior officials)	1	Between 2 and 5	0	1	1	37.24
Middle manager (corporate managers and directors excluding chief executives & senior officials)		Between 2 and 5	Between 2 and 5			18.99
Administrative staff (Administrative & secretarial occupations)		Between 2 and 5				11.22
TOTAL COST of each company (£)	130	500	66	130	37	

Medium and large companies

Positions in companies	Number of people involved in each position					
	Resp. 1	Resp. 2	Resp. 3	Resp. 4	Resp. 5	Resp. 6
Senior manager (chief executives & senior officials)			1	Between 2 and 5		1
Middle manager (corporate managers and directors excluding chief executives & senior officials)	1		1	Between 6 and 10		1
Administrative staff (Administrative & secretarial occupations)	1	1		Between 21 and 30	1	0
TOTAL COST of each company (£)	137	98	414	15,303 ⁷⁵	98	414

Positions in companies	Estimated time to complete (in hours) for each person						Wage by position with uplift 19.76% (£)
	Resp. 1	Resp. 2	Resp. 3	Resp. 4	Resp. 5	Resp. 6	
Senior manager (chief executives & senior officials)			Between 2 and 5	Between 6 and 10		Between 2 and 5	56.81
Middle manager (corporate managers and directors excluding chief executives & senior officials)	Between 2 and 5		Between 6 and 10	Between 11 and 15		Between 6 and 10	26.89
Administrative staff (Administrative & secretarial occupations)	Between 2 and 5	Between 6 and 10		More than 30	Between 6 and 10		12.23
TOTAL COST of each company (£)	137	98	414	15,303 ⁷⁶	98	414	

⁷⁵ We have omitted this value from the calculation of the average because we believe that it is an outlier.

⁷⁶ We have omitted this value from the calculation of the average because we believe that it is an outlier.

Annex C - Costs to police – Example of risk assessment

This annex outlines information from discussions with the NCA, about how the police may approach assessing whether an individual is at risk of serious harm.

Risk management covers all the processes involved in identifying, assessing and evaluating risks, assigning ownership, taking actions to mitigate or anticipate risk, and monitoring and reviewing progress. In this context, the risk management strategy is developed to utilise sound principles of risk management in order to protect the health, safety and welfare of PSCs by not disclosing his information publicly.

The term 'risk' is the chance, great or small, that harm, loss, damage or an adverse outcome will occur either from a particular threat or some other stable/acute factor within the profile of the PSC. The 'risk identification' must be based on fact and not assumption or mere supposition, however the law recognizes that a public authority may also 'ought to know' of certain risks without the need for specific intelligence⁷⁷. The 'risk assessment' is the process of identifying risk, assessing the probability or likelihood of its occurrence and quantifying the potential impact should it occur. The questions to be answered are:

- Is it likely that an adverse effect or event will occur?
- When will it occur?
- What is the likely impact?

Because the protection will apply only if an individual is at serious risk of physical harm, some questions the police could consider when assessing the applications are:

- Is there a 'real and immediate' risk of serious harm to the individual?
- What is the nature of the threat and its probable impact? Is there a timescale?
- What is known about the character, capability & capacity of the person(s) who pose the threat?
- Is there a risk of collateral damage or injury to another person due to the nature of the threat?
- Is the PSC a victim of crime associated with their status?

The officer completing the risk assessment should identify and record all the known risks and then assess the level of the threat, the potential impact and the risk rating. It is important to differentiate between issues that are genuine risks and matters that purely cause concern.

The scoring matrix may prove to be a useful model to apply to the circumstances of each case. The table below serves to calculate the risk rating that depends upon the probability of risk scores and the impact of consequences in case this risk happens. This is important as the protection will apply for exceptional circumstances when PSCs would be at increased risk of violence if their information were disclosed publicly.

<i>Probability of Risk</i>		
<i>Very Unlikely</i>	1	
<i>Unlikely</i>	2	
<i>Possible</i>	3	

⁷⁷ See for example the judgement of *OSMAN v The United Kingdom* (1998), The European Court held that this obligation arises where: 'The authorities knew or ought to have known at the time of a real and immediate risk to the life of an identified individual or individuals from the criminal acts of a third party'.

<i>Likely</i>	4	
<i>Very Likely</i>	5	

<i>Impact of Consequences</i>		
<i>Minor</i>	1	<i>Threats / Intimidation</i>
<i>Appreciable</i>	2	<i>Minor Injury</i>
<i>Major</i>	3	<i>Incapacitating Injury</i>
<i>Severe</i>	4	<i>Potentially Fatal</i>
<i>Catastrophic</i>	5	<i>Fatal</i>

0	LOW	9	10	Medium	19	20	High	25
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Probability of Risk x Impact of Consequences = Risk Rating

Annex D - Survey of businesses

Question 1 - Are you a UK incorporated company? Please answer considering the legal status of your company and not your parent or any other companies in your group structure.

Yes
No

Question 2 - Are you a publicly listed company on a regulated or prescribed market? Please answer considering your company and not your parent company or any other companies in your group structure.

- Yes
- No

Background information

Question 3 - On a global level, how many full time equivalent employees did your company have during the 2013/14 financial year?

- 49 or lower
- Between 50 and 249
- 250 higher
- I don't know

Question 4 - On a global level, what was your company full time equivalent ethe 2013/2014 financial year?

- Lower than £6,500,000
- Between £6,500,000 and £25,900,000
- £25,900,001 or higher
- I don't know

Question 5 - On a global level, what was your company full time equivalent ethe 2013/2014 financial y

- Lower than £3,260,000
- Between £3,260,000 and £12,900,000
- ££12,900,001 or higher
- I don't know

Question 6 - Which of the following sectors do you think best describes your company's business?

- Energy sector
- Banking or other financial institutions
- Life sciences (e.g. pharmaceutical sector, med tech and other bio research)
- Defence industry
- Research institutions (e.g. companies within universities)
- Other (please specify)

An individual meeting at least one of these conditions constitutes a person with significant control (PSC) over a company:

- Direct or indirect ownership of more than 25% of a company's shares;
- Direct or indirect control of more than 25% of a company's voting rights;
- Direct or indirect right to appoint or remove a majority of the board of company directors;
- Exercise or right to exercise significant influence or control over a company; and/or
- Exercise or right to exercise significant influence or control over activities of a trust or firm which itself meets one or more of the first four conditions.

Question 7 - Please provide the total number of PSCs over your company

- I don't know
- Total number of PSC (please specify)

Question 8 - Do you expect any of these PSCs to be at serious risk of physical harm if their personal details were placed on the PSC register? Please see the summary page attached to the email to see which details we are referring to.

- Yes
- No
- I don't know

Question 9 - How many PSCs do you think will apply to have their information protected from public disclosure? Please see summary page attached to the email for explanation of the protection regime.

- 0%
- Between 1% and 25%
- Between 26% and 50%
- Between 51% and 75%
- Between 76% and 99%
- All (100%)
- I don't know

We intend that an application will be made to the UK registrar of companies to have PSC information suppressed from the PSC register. This can be made by the individual, a third party (e.g. a lawyer) or the company on behalf of the individual.

Question 10 - Who do you expect would make an application for a person with significant control to have their information protected on PSC register?

- The company on behalf of the individual
- The individual himself/herself
- A third party e.g. lawyer
- I don't know
- Sometimes the individual, sometimes the company. Please explain

One-off costs

Please answer the following questions related to any one-off costs incurred as a result of the new requirements if your company applies for the suppression of information from public disclosure. Please answer the following questions thinking about the process for the current suppression of Usual Residential Address (URA) information for company directors. Please provide 1) who in your company would be responsible for completing the application form 2) and estimate of the amount of time this would take per application. If you expect it to take no time then please answer 0.

Question 11 - Time taken to fill the application, including the time taken to gather evidence that proves the individual is at risk? (Please consider the time taken for one application)

	Number of people involved	Estimated time to complete (in hours) for each person
Senior manager (chief executives & senior officials)		
Middle manager (corporate managers and directors excluding chief executives & senior officials)		
Administrative staff		
(Administrative & secretarial occupations)		
Other please specify		

Question 12 - Time taken to familiarise and understand the protection regime

	Number of people involved	Estimated time to complete (in hours) for each person
Senior manager (chief executives & senior officials)		
Middle manager (corporate managers and directors excluding chief executives & senior officials)		
Administrative staff		
(Administrative & secretarial occupations)		
Other please specify		

Question 13 - Time taken to implement new administrative systems and/or processes

	Number of people involved	Estimated time to complete (in hours) for each person
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Senior manager (chief executives & senior officials)		
Middle manager (corporate managers and directors excluding chief executives & senior officials)		
Administrative staff		
(Administrative & secretarial occupations)		
Other please specify		

Question 14 - Other costs (please use this space to state any other areas where you think you may incur costs)

Benefits

Question 15 - Do you expect any benefits to arise from the protection regime? Please tick all that apply

- No benefit
- Yes individual that could be at risk will keep investing in the company
- Yes stability of business environment (e.g. because companies in sensitive sectors will not incur risks that investors could disinvest as a result of their information being disclosed)
- Yes – other benefits

Question 16 - Please provide an estimate of the monetary value, in pounds, of those benefits per year, if applicable.

Question 17 - Do you have any comments regarding the impact the protection regime will have on your business or to the wider economy?

Question 18 - If you would be happy for us to contact you with further questions please provide your contact details below:

- Contact name
- Company
- Email address
- Telephone number

Thank you for participating in this survey.

Thank you for participating in this survey. The PSC register does not however apply to non-UK companies so we do not require you to answer any further questions.