

FACT SHEET – ECONOMIC CRIME AND CORPORATE TRANSPARENCY ACT 2023 **OVERARCHING**

Why has the Government acted?

The UK has one of the world's largest and most open economies, making it an attractive place for global business. However, this same openness exposes the UK to the risk of bad actors taking advantage, including to perpetrate fraud and money laundering, which, in turn, funds serious and organised crime here in the UK, and facilitates corruption overseas. The threat of illicit finance undermines legitimate business and impacts on everyday society and all citizens' lives.

The Government moved quickly in light of Russia's invasion of Ukraine to crack down on dirty Russian money in the UK, and other foreign elites abusing our open economy, through the Economic Crime (Transparency and Enforcement) 2022 Act (the "ECTE Act"). The ECTE Act:

- Allowed the Government to move faster and harder when imposing sanctions.
- Created a Register of Overseas Entities to help crack down on foreign criminals using UK property to launder money.
- Reformed and strengthened the UK's Unexplained Wealth Order regime to better support law enforcement investigations.

The Government has now brought forward further legislation to deliver a suite of wider-ranging reforms to tackle economic crime and improve transparency over corporate entities.

The Economic Crime and Corporate Transparency Act 2023 will deliver:

- Reforms to Companies House.
- Reforms to prevent the abuse of limited partnerships.
- Additional powers to seize and recover suspected criminal cryptoassets.
- Reforms to give businesses more confidence to share information in order to tackle money laundering and other economic crime.
- New intelligence gathering powers for law enforcement and removal of nugatory burdens on business.

These provisions will bear down further on kleptocrats, criminals and terrorists who abuse our financial system, strengthening the UK's reputation as a place where legitimate business can thrive, whilst driving dirty money out of the UK.

How will the Act achieve this?

Companies House Reform

The Act will reform the role of Companies House and improve transparency over UK companies and other legal entities in order to strengthen our business environment, support our national security and combat economic crime, whilst delivering a more reliable companies register to underpin business activity.

The reforms include:

- Introducing identity verification for all new and existing registered company directors, People with Significant Control, and those delivering documents to the Registrar. This will improve the accuracy of Companies House data, to support business decisions and law enforcement investigations.
- Broadening the Registrar of Companies House's powers so that the Registrar can become a more active gatekeeper over company creation and custodian of more reliable data, including new powers to check, remove or decline information submitted to, or already on, the companies register.
- Improving the financial information on the register so that the register is more reliable, complete and accurate, reflects the latest advancements in digital technology, and enables better business decisions.
- Providing Companies House with more effective investigation and enforcement powers and introducing better cross-checking of data with other public and private sector bodies. Companies House will be able to proactively share information with law enforcement bodies where they have evidence of anomalous filings or suspicious behaviour.
- Enhancing the protection of personal information provided to Companies House to protect individuals from fraud and other harms.
- Broader reforms to clamp down on misuse of corporate entities.

Limited Partnership Reform

The Act tackles the misuse of limited partnerships, including Scottish limited partnerships, while modernising the law governing them.

The Act:

- Tightens registration requirements.
- Requires limited partnerships to maintain a connection to the UK.
- Increases transparency requirements.
- Enables the Registrar to deregister limited partnerships which are dissolved, no longer carrying on business, or where a court orders that it is in the public interest to do so.

Cryptoassets

The Act will provide additional powers to law enforcement so they are able to more quickly and easily seize and recover cryptoassets which are the proceeds of crime or associated with illicit activity such as money laundering, fraud and ransomware attacks.

The Act will:

- Principally amend both criminal confiscation powers in Parts 2, 3 and 4 of the Proceeds of Crime Act 2002 (POCA) and civil recovery powers in Part 5 of POCA to enable enforcement agencies to more effectively tackle criminal use of cryptoassets.

Strengthening Anti-Money Laundering powers

The Act will strengthen anti-money laundering powers, enabling better information sharing on suspected money laundering, fraud and other economic crimes.

The reforms will:

- Enable businesses in certain situations to share information more easily for the purposes of preventing, investigating or detecting economic crime by disapplying civil liability for breaches of confidentiality for firms who share information to combat economic crime.
- Enable proactive intelligence gathering by law enforcement and strengthening the National Crime Agency's Financial Intelligence Unit's (FIU) ability to obtain information from businesses relating to money laundering and terrorist financing by removing the requirement for a pre-existing Suspicious Activity Report (SAR) to have been submitted before an Information Order (IO) can be made.
- Focus private sector and law enforcement resources on high value activity, reducing the reporting burden on businesses and enabling greater prioritisation of law enforcement resource by expanding the types of case in which businesses can deal with clients' property without having to first submit a Defence Against Money Laundering (DAML) SAR.

How did the Government strengthen this legislation during passage?

- The government made a number of technical amendments during the bill's passage through parliament to strengthen the effectiveness of these measures and to ensure they work as intended.
- In addition, the government also introduced a number of key new measures:
 - **Failure to Prevent Fraud Offence:** The Government has created a new failure to prevent fraud offence to hold organisations to account if they profit from fraud committed by their employees. This will improve fraud prevention and protect victims. Under the new offence, an organisation will be liable where a specified fraud offence is committed by an employee or agent, for the organisation's benefit, and the organisation did not have reasonable fraud prevention procedures in place.
 - **Identification Doctrine:** The Government has reformed corporate criminal liability laws for economic crimes to hold corporations liable in their own right for economic crime. This will strengthen the ability to apply corporate liability to the makeup of modern corporations, particularly large complex structures, and deter instances where senior managers use their authority granted under the corporation to commit economic crimes.
 - **Strategic Lawsuits Against Public Participation (SLAPPs):** The Government tabled amendments to tackle SLAPPs which feature economic crimes, providing defendants with greater protection when

faced with SLAPPs. This reform includes an early dismissal mechanism and a new cost protection regime for defendants, as well as defining a SLAPP in legislation for the first time.