

Introduction

The Department for Business, Innovation and Skills (BIS) has recently published a discussion paper on Corporate Transparency and Trust (please visit <https://www.gov.uk/government/consultations/company-ownership-transparency-and-trust-discussion-paper> to access the paper). This paper sets out a number of proposals to enhance corporate transparency and increase trust in UK business.

This survey seeks to gather information on the potential costs and benefits to business of proposed changes relating to a central registry of company beneficial ownership information; enhanced transparency around the use of nominee directors; the abolition of corporate directors and the abolition of bearer shares.

Your response to this survey will help us understand how these proposals would affect UK companies. There is an opportunity towards the end of the survey to leave any additional comments on the proposals.

The survey is for completion by companies incorporated in the UK. It should take no more than 20 minutes. All information in this survey is provided anonymously. However, if you are happy to be contacted by us to discuss your responses, there is an opportunity within the survey to provide us with your contact details.

This survey will close on Monday 16th September 2013.

Beneficial Ownership

The UK has committed to implement a central registry of company beneficial ownership information to ensure transparency around who really owns and controls UK companies.

In the context of these reforms, a 'beneficial owner' is any individual who:

- Ultimately owns or controls more than 25% of a company's shares or voting rights (whether directly or indirectly); or
- Exercises controls over the management of the company in any other way.

The beneficial owner might be the same as the legal owner of the company (i.e. the individual registered in the company's shareholder register). Or they might be two separate individuals. A company may have one or more beneficial owners.

We propose to give all companies the power to ask individuals to confirm whether they have an interest in the company's shares. Individuals would be legally required to respond to such requests. Additionally, we propose to require companies to identify the beneficial owners of any block of shares representing more than 25% of the voting rights or shares in the company; or any block of shares which would give the beneficial owner equivalent control over the company in any other way. We might also require beneficial owners to disclose that they are the beneficial owner of the company to the company.

If beneficial owners are required proactively to disclose that they are the beneficial owner of the company:

1. What would you have to do to identify the beneficial owner(s) of your company?

2. How much would this cost the company (i.e. in terms of additional financial cost, management/admin time etc)?

3. How much would it cost you to update this information every time a change to a beneficial owner occurred rather than on an annual basis?

If beneficial owners are NOT required proactively to disclose to you that they are the beneficial owner of the company:

4. What would you have to do to identify the beneficial owner(s) of your company?

5. How much would this cost the company (including in terms of additional financial cost and management/admin time)?

6. How much would it cost you to update this information every time a change to a beneficial owner occurred rather than on an annual basis?

Nominee Directors

A 'nominee director' is a director who is appointed to act as director on behalf of someone else. Nominee directors can be used for legitimate commercial purposes and are legal under existing UK law.

There are however concerns that the structure can be used to conceal the identity of the true owner of the company in order to facilitate or conceal illicit activity. There is therefore a case for enhanced transparency around their use.

We propose to require nominee directors (who have legally divested themselves of the power to direct the company) to disclose this fact to Companies House, and on whose behalf they have been appointed. Alternatively, we propose to make it an offence for a director to legally divest themselves of the power to direct the company.

7. Do you have nominee directors on your board?

Yes

No

Don't Know

Nominee Directors

We propose to require nominee directors (who have legally divested themselves of the power to direct the company) to disclose this fact to Companies House, and on whose behalf they have been appointed. Alternatively, we propose to make it an offence for a director to legally divest themselves of the power to direct the company.

8. What would be the implications for your company of the proposals – eg in terms of disruption, changes to the board etc?

9. How much would these proposals cost the company (including in terms of additional financial cost, management/admin time etc) per nominee director?

Corporate Directors

A company or any other entity having legal personality may be a director – they are called 'corporate directors'. Corporate directors can be used for legitimate commercial purposes and are legal under existing UK law.

There are however concerns that the structure can be used to construct complex and opaque corporate structures across multiple jurisdictions as a means to facilitate illicit activity. We therefore propose to prohibit corporate directors.

10. Do you have corporate directors on your board?

Yes

No

Don't Know

Corporate Directors

We propose to prohibit corporate directors.

11. What would be the implications for your company of this proposal (eg in terms of disruption, changes to the board etc)?

12. How much would it cost the company in terms of additional financial cost, management/admin time to replace a corporate director?

13. Is your company a corporate director?

Yes

No

Corporate Directors

We propose to prohibit corporate directors.

14. What are the cost implications of the proposal for your company in terms of additional financial cost, management/admin time etc?

15. What would be the implications, if any, in terms of disruption or loss of information etc from no longer being a corporate director?

Bearer Shares

Companies may issue 'bearer shares' which do not require the identity of the owner to be registered in the company's register of members. Ownership can be transferred simply by the share certificate changing hands. There are legitimate uses of bearer shares and they are legal under existing UK law.

However, the anonymous ownership of bearer shares potentially enables them to be used to facilitate tax evasion or money laundering or to finance illicit activities.

We therefore propose to prohibit the issue of new bearer shares. We also propose to provide a set period of time for bearer shareholders to convert existing shares to ordinary registered shares; and that any unconverted bearer shares would be frozen by the court at the end of the conversion period, and that the company would then apply to the court for the shares to be sold.

16. Does your company issue bearer shares?

Yes

No

Bearer Shares

We propose to prohibit the issue of new bearer shares. We also propose to provide a set period of time for bearer shareholders to convert existing shares to ordinary registered shares; and that any unconverted bearer shares would be frozen by the court at the end of the conversion period, and that the company would then apply to the court for the shares to be sold.

17. How many bearer shares have you issued? What proportion of all the shares your company has issued are bearer shares?

18. How much would it cost the company in terms of additional financial cost, management/admin time etc to facilitate the conversion of a single existing bearer share to an ordinary registered share (once the holder of the share has initiated the conversion process)?

19. How much would it cost the company in terms of additional financial cost, management/admin time etc to go through the proposed court process to sell unconverted bearer shares?

Other comments

20. Are there any other comments you wish to make on the costs and benefits to your company or wider from the proposals outlined above? For example, are there likely to be any implications (good or bad) for the levels of investment, the number of incorporations or the number of potential directors in the UK as a result of these proposals?

About your company

21. Is your company listed on the Main Market of the London Stock Exchange or a regulated market in another jurisdiction?

Yes

No

22. What is the value of your turnover?

23. What is the value of your assets?

24. How many people do you employ?

The 'beneficial owner' of a company is any individual who:

- Ultimately owns or controls more than 25% of a company's shares or voting rights (whether directly or indirectly); or
- Exercises controls over the management of the company in any other way.

The legal owner of a company is the individual recorded as the holder of the shares in the company's shareholder register.

The beneficial owner might be the same as the legal owner of the company. Or they might be two separate individuals. A company may have one or more legal or beneficial owners.

25. How many legal owners does your company have?

26. How many layers of shareholding (eg through subsidiaries or intermediaries) are there between your company's legal owners and beneficial owners? (If this varies, please provide the maximum number of layers.)

27. Are any of your legal owners or beneficial owners based overseas?

Further contact (optional)

28. If you would you be prepared to be contacted by BIS to discuss your answers further, please provide your contact details.

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| Name: | <input type="text"/> |
| Position: | <input type="text"/> |
| Company: | <input type="text"/> |
| Email Address: | <input type="text"/> |

Thank you

If you wish to provide any additional thoughts on our proposals, please email us at transparencyandtrust@bis.gsi.gov.uk.