

## Corporate transparency and register reform - consultation response

OpenOwnership submits this comment to the Department for Business, Energy, and Industrial Strategy (BEIS), in response to its consultation on Corporate Transparency and Register Reform.

OpenOwnership's mission is to make knowledge about who owns & controls companies open and impactful. To achieve this, beneficial ownership data in corporate registers and other company ownership databases around the world needs to be standardised, linked and free to access.

To help meet these needs, OpenOwnership offers a set of free and unique tools, to use separately or together:

1. an open source Standard (BODS), a template for publishing company ownership and control data as structured data;
2. an open data Register that shows links in open company ownership data globally;

3. a help service, for groups using the Standard or Register at scale, to increase free access by scaling use of the Standard and Register.

### **Summary of responses:**

Without verification, the potential of beneficial ownership data as an anti-money laundering tool will be lost. We suggest that the government approach its reforms from a holistic perspective, wherein verification represents a series of linked technical and administrative strategies.

Companies House should be empowered to carry out these strategies. These are:

- **Verifying data about people using digital process**, including by comparing Companies House data at delivery with other data sets. We also propose sharing information with foreign governments as needed to verify information about foreign nationals.
- **Verifying data about relationships between people and companies**, by requiring declaring companies to share the details of their corporate structure.
- **Empowering Companies House** to conduct risk-based red flagging using algorithmic methods and to refer those red flags to investigative agencies.
- **Empowering users to raise red flags** and instituting a system of administrative sanctions to require flagged PSCs to show evidence of their beneficial ownership.

## **Responses to Questions 1-3**

**Q1. Do you agree with the general premise that Companies House should have the ability to check the identity of individuals on the register? Please explain your reasons. &**

**Q2. Are you aware of any other pros or cons government will need to consider in introducing identity verification? &**

**Q3. Are there other options the government should consider to provide greater certainty over who is setting up, managing and controlling corporate entities?**

Rather than systematically examining the reliability of information it receives, Companies House currently focuses on addressing superficial inaccuracies. Lack of verification of the data submitted remains the biggest weakness of the UK Persons of Significant Control (PSC) register.

This has been shown not only by Global Witness analyses of the PSC register;<sup>1</sup> Financial Action Taskforce (FATF) review in 2018 has similarly recognised the lack of verification as the weak point in the integrity of the UK regulatory system.<sup>2</sup>

OpenOwnership has chosen to submit responses to Questions 1-3 as a position paper, addressing approaches to verification and their costs and benefits. In doing so, we seek to place our recommendations to the UK in the context of what we believe to be an overall best practice framework for verification. In our in-line responses to further questions, we will often refer to this position paper with specific page references.

OpenOwnership's position is that good verification represents a series of linked technical and administrative strategies. We will address identity verification and its pros and cons as one critical element in a set of strategies that the UK government can employ to ensure that data about PSCs is good quality and ensures policy impact.

## Technical strategies

Data about beneficial ownership can be broken down into data about people, data about entities, and data about the relationships between them. The best strategies for verifying each type of statement will vary. The emphasis is on strategies that make it more difficult for someone to submit false information, and that make it simpler to tell the difference between a genuine mistake and information that is deliberately misleading. In other words, verification is not only about checking the accuracy of every statement, but also about closing loopholes through standardization. A tool such as the Beneficial Ownership Data Standard (BODS) can enable this by providing a structured format for representing people, entities, and relationships as data, which limits the possibility for mistakes and renders data more easily compared with other key datasets. This could enable patterns to be identified in the data that could help flag suspicious

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<sup>1</sup> Global Witness (2017) The Companies We Keep: What the UK's open data register actually tells us about company ownership

<https://www.globalwitness.org/en/campaigns/corruption-and-money-laundering/anonymous-company-owners/companies-we-keep/>

<sup>2</sup>FATF (2018) Anti-money laundering and counter-terrorist financing measures United Kingdom Mutual Evaluation Report <https://www.fatf-gafi.org/media/fatf/documents/reports/mer4/MER-United-Kingdom-2018.pdf>

activity, allowing Companies House or another agency to proactively detect crime, corruption, or money laundering.

For the purposes of this consultation, we focus below on verification of data about people and verification of data about relationships, which we feel is equally critical. Our recommendations reflect lessons learned from developing BODS and linking PSC data with international datasets via the OpenOwnership Register.

## Verifying data about people

Verifying identities will make it harder for someone to submit false information, either through falsely declaring that an individual holds a registrable position with a company, or through declaring information about a fictitious individual. This will make it much harder for criminals wishing to abuse UK companies to hide their identity.

We recognize that there will be particular challenges with verifying data about foreign nationals, but urge the UK to explore the most rigorous options available for verification in these cases. In general, we advocate that ID verification take place in line with the following strategies:

- There is a live facial recognition match test against government-issued ID documents provided to make sure the person claiming a particular identity is indeed the person whose photo appears on the ID or to whom that identity is assigned.
- If the person is a UK national, their identity is validated against the relevant UK dataset and credit reference databases to ensure it is real.
- If the person is a foreign national, their identity is checked against any datasets securely held by the UK government. “Zero-knowledge proofs” could permit information sharing between the UK and foreign governments, wherein the foreign government simply confirms whether or not the information the foreign national has provided to the UK matches their own records without providing further personally identifying information.<sup>3</sup>

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<sup>3</sup> Tax Justice Network (2019) Beneficial ownership verification: ensuring the truthfulness and accuracy of registered ownership information

[https://www.taxjustice.net/wp-content/uploads/2019/01/Beneficial-ownership-verification\\_Tax-Justice-Network\\_Jan-2019.pdf](https://www.taxjustice.net/wp-content/uploads/2019/01/Beneficial-ownership-verification_Tax-Justice-Network_Jan-2019.pdf)

- If an individual is submitting PSC information on behalf of someone else, then they should be required to verify their own identity, and provide evidence that they are authorised to submit information on their behalf or on behalf of the reporting entity.
- The system should make it clear to end users when an individual's identity has been verified.
- PSCs unable to be verified through the above processes could be referred to a regulated professional to carry out necessary money laundering checks and verification of their data.

### Verifying data about relationships

In addition to identity verification, the government should consider taking steps to verify how a PSC is linked to the company in question. In the most complex examples, PSCs exert control indirectly - through multiple intermediary companies - and these intermediaries may be incorporated in multiple jurisdictions. Our suggested strategies centre on the principle that greater transparency over the relationships between people and entities gives more power prospective business partners, civil society, or law enforcement to assess risk and identify red flags. It also increases the cost to individuals or third parties wishing to submit false information.

We suggest that the government pursue verification of data about relationships through the following strategies:

- Declaring companies are required to provide evidence and documentation of their entire corporate structure. The documentation should be made available to the public.
- Identifying information for shareholders of any Relevant Legal Entities (RLEs) should be made available to the public as structured data. This information is currently available in unstructured forms through registers of members and incorporation documents.
- We join colleagues at Global Witness in calling for the lowering of the 25% control threshold for beneficial ownership disclosure. This remains one of the biggest loopholes for avoiding scrutiny and we have long argued for the 25% control threshold to be replaced with a requirement for companies to report their beneficial owners' holdings of shares or voting rights in exact percentages. As shown by Global Witness' analyses of PSC register data, applying the 25% ownership and voting thresholds creates a risk that

significant interests in a company are not disclosed and enables beneficial owners to structure company ownership in order to avoid public disclosure.<sup>4</sup> Deliberate strategies to avoid PSC disclosure are also harder to identify among the hundreds of thousands of companies that report not having a PSC.

- Removing the banding stakes would also make it easier and more efficient for obliged entities to check the register and identify discrepancies. Banding will always result in an imprecise figure and can make it difficult to compare data across jurisdictions.

## **Administrative strategies**

At the heart of the issue of verification is an administrative question: which agency should be empowered to conduct verification? Our recommendation is that Companies House needs to be given the powers and resources to carry out comprehensive verification of all the information it receives and holds on companies. Additionally, it or another agency should be empowered to investigate errors and inconsistencies, including those flagged by users, and actively seek to correct misreported data. This should be linked to a sanctions regime such that reporting companies or PSCs that fail to provide evidence backing up data that has been flagged, or provide corrected data that isn't evidenced, may be subject to administrative fines or struck off Companies House.

### **Empower Companies House to verify and conduct red flagging**

We support the idea of a risk based approach to identifying information for query by Companies House (consultation paper paragraph 132). There is much to be gained from using fairly simple algorithms to identify 'red flags' in information, such as circular ownership structures or frequent changes in PSCs. In addition, substantial gains can be made by using simple algorithms to identify where the information submitted does not comply with disclosure requirements, for example where a company based in an overseas jurisdiction without an equivalent transparency framework is listed as a PSC. A company deliberately suppressing information on who controls

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<sup>4</sup> Global Witness (2017) The Companies We Keep: What the UK's open data register actually tells us about company ownership

<https://www.globalwitness.org/en/campaigns/corruption-and-money-laundering/anonymous-company-owners/companies-we-keep/>

it should be considered a major red flag, and research by Global Witness identified that more than 10,000 companies declare a foreign company as their beneficial owner which is unlikely to meet the requirements – of these 72% of are linked to a secrecy jurisdiction through their registration or correspondence address<sup>5</sup>.

We also support the proposal that Companies House could cross-reference its data with other data sets suggested by paragraphs 207-209 of the consultation paper. Some datasets have already been mentioned in the section on verifying identities above; they could include the Driver and Vehicle Licensing Agency database, National Insurance data and credit reference databases; and risk intelligence databases to screen for red flags such as companies being incorporated on behalf of Politically Exposed Persons (PEPs) or those on international sanctions lists. Companies House could also seek to raise red flags with intelligence and law enforcement data; data from the regulated sector; data available from leaks such as the Panama Papers; and international datasets about companies.

In general, care should be taken to ensure that machine learning and other algorithmic assessment tools do not inadvertently lead to biases in how companies are selected for query (for example, disproportionately querying companies with foreign named PSCs). A rigorous ethical assessment of algorithmic and machine learning assessments should be conducted.

### Referring red flags to law enforcement

Red flags, once raised, should be referred to an agency with the capacity to follow up with a full law enforcement investigation as needed. Companies House should be empowered to refer cases to designated authorities, such as Insolvency Service, tax authorities, financial intelligence unit or other relevant law enforcement bodies for further investigation or prosecution.

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<sup>5</sup>Global Witness (2017) The Companies We Keep: What the UK's open data register actually tells us about company ownership  
<https://www.globalwitness.org/en/campaigns/corruption-and-money-laundering/anonymous-company-owners/companies-we-keep/>

## Empowering users to verify data

In most cases, literally following the money is the only way to verify the accuracy of beneficial ownership information.<sup>6</sup> Given that this is incredibly resource-intensive, we urge the government to consider administrative strategies that can help correct the record in high-risk cases. In recommending this, we take inspiration from an unexpected model: Slovakia. Though the government's struggles with corruption are well-known, their public, open data beneficial ownership register has been uniquely impactful as a starting point for accountability and a deterrent for criminal behavior. The primary reason for this is a clever legislative mechanism that reverses the burden of proof of beneficial ownership. Anyone can submit a claim querying data to the Registration Court, which administrates the register. If the Court finds it reasonable, there is a proceeding to verify the data. The beneficial owner is then responsible for submitting evidence that the beneficial ownership information is correct. If queried data remains incorrect or incomplete, the court can fine the company, remove them from the register, and - because Slovakia's register is linked to public procurement - current government contracts can be cancelled.

This reverse burden of proof is based on two principles:

- It is reasonable to ask people who register data to prove it is correct, because they have the best access to the data;
- It is fair for the burden of proof to be on owners, because they benefit most from the ownership.

The strength of this approach is that it provides strong incentives for any reporting company that is suspected of submitting deliberately misleading data to correct the record in a way that gives users true confidence in the data. Companies House already receives reports from data users about incorrect or missing data that it processes and pursues. Risk assessment parameters, co-developed with civil society, should be applied to these reports, enabling Companies House or another agency to adjudicate next steps. The highest-risk cases should be subject to an

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<sup>6</sup> OpenOwnership (2018) What We Really Mean When We Talk About Verification (Part 4 of 4)

<https://www.openownership.org/news/what-we-really-mean-when-we-talk-about-verification-truth-verification-part-4-of-4/>

administrative procedure similar to those in place in Slovakia, wherein higher standards of evidence from reporting companies can be required and sanctions levied if it is not provided.

This suggested administrative process would harness the “many eyes” of the public to build greater trust in the data held by Companies House, and enable greater accountability for those entities that fail to cooperate.

## **Costs and benefits of implementing these strategies**

Although it is estimated that the vast majority of information about individuals on the register is accurate (consultation paper paragraph 33), it is precisely the small minority of companies providing inaccurate information that are most likely to be being used for criminal purposes. Abuse of companies by a small minority has serious and widespread impacts. It enables money laundering and other criminal activity, undermines trust in legitimate UK companies, and damages the international reputation of the UK business environment by adding cost and uncertainty to due diligence processes. Verifying the information held by Companies House, including the identities of individuals, would provide for greater confidence by those doing business in the UK and a reduced risk of UK legal entities being abused for financial crime.

Verifying data on the register will also make this data of greater value to those using it for the intended policy impact: for example, government departments and businesses undertaking due diligence on potential contractors, or law enforcement and civil society exposing corrupt and criminal behaviour. Moreover, it will support compliance with the 5th Anti-Money Laundering Directive (5MLD) (Directive 2018/843), which requires MS to ensure that beneficial ownership information is “adequate, accurate and current” and includes “the details of the beneficial interests held”; it also requires the obliged entities, and where appropriate also competent authorities, to report any discrepancies between PSC data available to them and that on the company register and MS to take actions to resolve these discrepancies<sup>7</sup>.

Though OpenOwnership is sympathetic to the overarching concern with introducing more friction into the company registration process and the desire to keep the UK at the top of ease of

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<sup>7</sup> Article (1)(15)(b) of 5MLD

<https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32018L0843&from=EN>

doing business rankings, we believe the wide-ranging benefits stated above outweigh any additional costs to those seeking to do business in the UK. Moreover, we argue that these additional costs are proportionate and similar to registration process in other jurisdictions. One example is Denmark, where beneficial owners are required to submit a scanned copy of their passport or other national ID, limiting the possibilities for false registrations.<sup>8</sup>

## **Responses to questions 4-44**

### ***How identity verification might work in practice***

**Q4. Do you agree that the preferred option should be to verify identities digitally, using a leading technological solution? Please give reasons.**

Identities should be verified digitally, leveraging new technologies where helpful and in line with verification practices already in place in the private sector. This will enable improved accuracy of the data due to standardisation and the possibility for in-line validation of inputs; time and cost savings due to the automation of the process; and increased security, provided a strong, multi-factor authentication is used. Digital ID verification is also an essential step towards interoperability and greater cooperation and transparency with other jurisdictions. The list of acceptable forms of IDs in the UK is well established and should come at no great cost or surprise to companies and TCSPs.

Please see our response to Questions 1-3 (pages 4 and 5) for a description of what this should entail.

**Q5. Are there any other issues the government should take into account to ensure the verification process can be easily accessed by all potential users?**

No response. That some individuals may lack government-issued IDs, and that there will be challenges with ID verification of non-UK citizens especially when this occurs remotely, is already covered in the consultation paper.

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<sup>8</sup> Lexology - Bech-Bruun, *Mandatory Registration of Beneficial Owners*, May 2017. Available at: <https://www.lexology.com/library/detail.aspx?q=96d7e5a3-b02f-47a5-8930-8fb6fadde3ea>

**Q6. Do you agree that the focus should be on direct incorporations and filings if we can be confident that third party agents are undertaking customer due diligence checks? Please give reasons. &**

**Q7. Do you agree that third party agents should provide evidence to Companies House that they have undertaken customer due diligence checks on individuals? Please give reasons. &**

**Q8. Do you agree that more information on third party agents filing on behalf of companies should be collected? What should be collected? &**

**Q9. What information about third party agents should be available on the register?**

As paragraph 70 of the consultation paper acknowledges, the majority of UK companies investigated for possible money laundering have been incorporated via a third party agent. Research by the World Bank suggests that regulatory compliance by third party agents is far from perfect, and that this is linked to the abuse of anonymously owned companies for grand corruption purposes.<sup>9</sup> Research by Transparency International UK has identified substantial weaknesses in the standard of customer due diligence by trust and company service providers based here.<sup>10</sup>

A lack of transparency and accountability in relation to third party agents therefore has the potential to seriously undermine the goals of this reform. Any weakness in the process of identity verification conducted by third party agents is likely to be exploited by those wishing to abuse UK companies, and therefore we caution against focussing only on direct incorporations. In order to close this potential loophole, OpenOwnership recommends the following measures:

- 1. Companies House conducts spot checks on data submitted by third party agents .** In order to identify inaccuracies in the information submitted by CSPs, Companies House conducts spot-checks to re-verify the data. We recommend that Companies House adopts a risk-based approach, co-developed with stakeholders including civil society, to carrying out these spot checks. These could target data from reporting entities where the stakes for misreporting are high, such as those with substantial market share or with high-value

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<sup>9</sup> The World Bank (2011) The Puppet Masters How the Corrupt Use Legal Structures to Hide Stolen Assets and What to Do About It <https://star.worldbank.org/sites/star/files/puppetmastersv1.pdf>

<sup>10</sup> Transparency International UK (2017) Hiding in Plain Sight: how UK companies are used to launder corrupt wealth. <https://www.transparency.org.uk/publications/hiding-in-plain-sight/>

government contracts, or data that displays certain red-flags indicating that the entity may be a money laundering risk.

- 2. Evidence of third-party verification is collected.** Evidence that third party agents have completed due diligence and identity verification for all Directors and PSCs should be required, along with the details of who checked them. Companies House should also require details of which identities have been checked.
- 3. Only UK-regulated TCSPs should be permitted to register and report data on UK companies.** Companies House should only permit agents that are regulated in the UK or in jurisdictions with at least equivalent regulatory standards to form companies and submit information to Companies House. This will prevent individuals from circumventing UK anti-money laundering (AML) regulations when incorporating UK companies. The principle of permitting only local agents to register companies is well established in a number of other jurisdictions and we see no reason that it wouldn't work in the UK.
- 4. Information about third party agents should be collected.** Collecting information about third party agents will support regulation of these agents and strengthen accountability for poor professional practice by allowing data users to identify any that regularly provide false or poor quality data to Companies House, or that are regularly involved in incorporating entities used for money laundering. The following data points should be collected and available to the public as structured data:
  - The name of the third party agent that undertook identity verification
  - The name of the person within the third party agent who was responsible for conducting the identify verification
  - Which document types were checked by the third party agents
  - The name and country of the AML supervisory body, and proof of AML registration (e.g. AML registration number) of the third party agent. For UK supervised firms, this could be validated against a pre-populated list of registration details obtained from AML supervisors, so only those officially registered with a UK AML supervisor are allowed to submit information.
- 5. Sanctions against third party agents with poor professional practice.** Sanctions against reporting entities and PSCs for misreporting or failure to comply should be extended to third party agents that facilitate the reporting of poor quality or unverified

data to Companies House. For instance, third party agents should be required to guarantee payment of administrative sanctions levied against PSCs or reporting entities unless they can prove they acted with professional diligence.

**Who identity verification would apply to and when**

**Q10. Do you agree that government should (i) mandate ID verification for directors and (ii) require that verification takes place before a person can validly be appointed as a director?**

**Please set out your reasons.**

Yes to both. Mandating verification for directors would dramatically improve accuracy of data in the register and make it substantially harder for criminals to hide their identities when incorporating companies. Given the vast majority of new directors are operating legitimately, the approach of mandating successful identity verification prior to incorporating a company (or appointing a new director to an existing company) is important to prevent the minority who wish to abuse the system. It will increase trust in UK companies, and for the vast majority of directors should be simple and quick to complete.

**Q11. How can verification of People with Significant Control be best achieved, and what would be the appropriate sanction for non-compliance?**

Identity verification of PSCs should be mandatory, and should be supported by adequate sanctions that are effectively enforced. If identity verification for PSCs is voluntary, it is reasonable to assume that criminals looking to abuse UK companies will not choose to verify their identities. Making verification for PSCs voluntary would therefore be a lost opportunity to substantially improve data quality in the register - which the recent BEIS implementation review highlighted as a being key concern for users - and strengthen the UK's defences against money laundering.

We support proposal that PSCs are responsible for verifying their information, but in order to incentivise compliance, sanctions should apply to the company as well as the PSC. This will incentivise companies to maintain up to date records of their PSCs and provide updated information to Companies House in a timely manner. Sanctions against the company may also be easier to enforce in cases where the PSC failing to verify their information is a foreign national.

Please see our response to Questions 1-3 for our positions on how verification of the identities of PSCs can be best achieved. Following on from Question 10, we would add that since majority of PSCs are also directors, their info will already be verified.

**Q12. Do you agree that government should require presenters to undergo identity verification and not accept proposed incorporations or filing updates from non-verified persons? Please explain your reasons.**

Yes, presenters should be required to verify their identity (unless they are a Director who has already verified their identity with Companies House). Mandatory identity verification for presenters would make it harder for unauthorised individuals to file information and would increase the risks to presenters for filing false information. To have these positive impacts, it is essential that both filing of incorporations and updates are only possible for presenters who have verified their identity with Companies House.

**Q13. Do you agree with the principle that identity checks should be extended to existing directors and People with Significant Control? Please give reasons.**

Yes, existing Directors and PSCs should be required to verify their identity with Companies House, as not doing so will create a two-tier system in which only information about new Directors and PSCs is verified. This would create a significant loophole allowing current Directors and PSCs to avoid identity verification. Given the large number of companies already on the UK register, not requiring the Directors and PSCs of existing companies to comply with the new verification requirements would completely undermine the policy intention of strengthening the UK's defences against money laundering and increasing trust in the UK's system.

For most companies, verifying the identity of their Directors and PSCs should be relatively simple and swift. Only 13% of companies on the PSC register have three or more PSCs,<sup>11</sup> and for

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<sup>11</sup>Department for Business, Energy and Industrial Strategy (2019) Review of the implementation of the PSC Register

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/822823/review-implementation-psc-register.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/822823/review-implementation-psc-register.pdf)

many companies - especially small businesses - the PSCs are the same people as the Directors so would already be verified.

### **Requiring better information about shareholders**

#### **Q14. Should companies be required to collect and file more detailed information about shareholders?**

We welcome the proposed increase in info about shareholders; historical shareholdings are valuable for due dil etc. There is value for data users in understanding all companies an individual is associated with, be it as PSC, director or shareholder. OpenOwnership understands the critical role played by shareholder data in verifying and triangulating beneficial ownership data. Both datasets tend to be used together in investigations, which is why access to structured, high quality shareholder data is crucial.

#### **Q15. Do you agree with the proposed information requirements and what, if any, of this information should appear on the register?**

The level of information required for PSCs or directors should thus apply also to shareholders and should include, for individuals, a person's name, residential address and date of birth, and for corporate shareholders, a corporate or firm name, the registered or principle office, but also a company number, a link to the company register and information on the country of incorporation, and, if listed on a recognized stock exchange a company number, name of the stock exchange and ticker symbols.

#### **Q16. Do you agree that identity checks should be optional for shareholders, but that the register makes clear whether they have or have not verified their identity? Please give reasons.**

No response.

### **Linking identities on the register**

#### **Q17. Do you agree that verification of a person's identity is a better way to link appointments than unique identifiers?**

In principle, the purpose of identity verification should be to ensure that individuals filing with Companies House are who they say they are, in order to prevent false information from being

submitted. In doing so, verifying identity will also enable Companies House to link records for each natural person together, for example showing on the register where an individual is a PSC of one company and a director of another. The ability for register users to view all records for a particular individual is important in enabling law enforcement and civil society to uncover and investigate links between entities and people, and for businesses to undertake robust due diligence on customers and clients.

Whilst identify verification is better than unique identifiers from a user experience perspective, as it is easier for individuals to remember existing ID details than using a new unique ID for submissions to Companies House, it is essential that the publicly available bulk data contains unique identifiers that allow data users to link together all records for a particular individual. This should include both PSC and director positions. Not including this would be a significant lost opportunity to increase the usability of the bulk data. The public identifier used could be fictitious (created by Companies House), and thus mitigate the privacy concerns raised in paragraph 119.

**Q18. Do you agree that government should extend Companies House’s ability to disclose residential address information to outside partners to support core services?**

No response.

**Reform of the powers over information filed on the register**

**Q19. Do you agree that Companies House should have more discretion to query information before it is placed on the register, and to ask for evidence where appropriate?**

Many of the recommendations in our response to Questions 1-3 rely on granting Companies House additional powers to query information prior to placing it on the register. OpenOwnership supports granting Companies House these powers and believes that, where appropriately used, they will increase the accuracy of data on the register and consequently increase trust in the UK’s system. As our recommendations suggest, not all of these queries of information at the point of delivery should rely on algorithmic assessment tools. We have also suggested that these queries need not stop at the point of delivery.

**Q20. Do you agree that companies must evidence any objection to an application from a third party to remove information from its filings?**

No response.

**Reform of company accounts**

**Q21. Do you agree that Companies House should explore the introduction of minimum tagging standards?**

No response.

**Q22. Do you agree that there should be a limit to the number of times a company can shorten its accounting reference period? If so, what should the limit be?**

No response.

**Q23. How can the financial information available on the register be improved? What would be the benefit?**

No response.

**Clarifying People with Significant Control exemptions**

**Q24. Should some additional basic information be required about companies that are exempt from People with Significant Control requirements, and companies owned and controlled by a relevant legal entity that is exempt?**

Yes, in cases where a relevant legal entity (RLE) is recorded on the UK register, the following should be collected and published on the register. This information will make it easier for data users to understand who owns companies where RLEs are involved, both when undertaking due diligence and when investigating suspicious activity:

- Where the RLE is incorporated in a jurisdiction with equivalent disclosure requirements, the jurisdiction of incorporation, company number, and a link to the company register. Companies House should maintain a list of jurisdictions that meet this criteria, and refuse submissions for RLEs incorporated in jurisdictions not on this list.
- Where the RLE is publicly traded on a regulated market, the company number, name of the stock exchange & stock ticker. In addition, we recommend that Companies House

scopes how ownership information about publicly owned companies could be made available as structured data as part of this suite of reforms. Currently, although shareholder information for listed companies may technically be available, there are significant barriers to access (e.g. payment, lack of structured data, foreign language exchanges).

### **Dissolved company records**

**Q25. Do you agree that company records should be kept on the register for 20 years from the company’s dissolution? If not, what period would be appropriate and why?**

Yes, understanding historical data is very important to achieving the UK’s anti-money laundering aims. In complex money laundering cases involving UK companies that have recently come to light (e.g. Danske Bank), the relevant connections between individuals and companies have only been identified several years after they were active. Therefore, maintaining public records for a 20 year period after dissolution is important for facilitating the use of the UK register data for anti-money laundering purposes.

### **Public and non-public information**

**Q26. Are the controls on access to further information collected by Companies House under these proposals appropriate? If not, please give reasons and suggest alternative controls?**

No response.

### **Information on directors**

**Q27. Is there a value in having information on the register about a director’s occupation? If so, what is this information used for?**

No response.

**Q28. Should directors be able to apply to Companies House to have the “day” element of their date of birth suppressed on the register where this information was filed before October 2015?**

No response

**Q29. Should a person who has changed their name following a change in gender be able to apply to have their previous name hidden on the public register and replaced with their new name?**

This situation will only affect a small number of people, and the AML risk of allowing previous name to be hidden is likely to be extremely low. Therefore the most appropriate strategy to minimise harm may be to redact data relating to their old name from the register.

**Q30. Should people be able to apply to have information about a historic registered office address suppressed where this is their residential address? If not, what use is this information to third parties?**

No response

**Q31. Should people be able to apply to have their signatures suppressed on the register? If not, what use is this information to third parties?**

No response.

***Compliance, intelligence and data sharing***

**Q32. Do you agree that there is value in Companies House comparing its data against other data sets held by public and private sector bodies? If so, which data sets are appropriate?**

OpenOwnership agrees that Companies House should compare its data against other data sets held by public and private sector bodies in order to verify information being submitted and to raise red flags. This question is addressed throughout our response to Questions 1-3 but especially on pages 6 and 7.

**Q33. Do you agree that AML regulated entities should be required to report anomalies to Companies House? How should this work and what information should it cover?**

Requiring regulated entities to report discrepancies they have identified on the register to Companies House, and introducing new powers for Companies House to enable proactive sharing of information with law enforcement are both necessary to ensure accuracy of PSC information on the register and to effectively deter the use of UK companies for money laundering and illicit purposes.

These proposals require the Government to develop an effective reporting system which allows inaccuracies to be flagged and tracked in real time. In addition to introducing a new reporting duty for regulated entities, it is critical that there should be a facility for regulated businesses, competent authorities and members of the public to provide bulk data where they see large scale potential inaccuracies on the UK company register. The public, open, and structured nature of the PSC Register allows anomalies, mistakes, and suspicious entries to be identified by society at large, requiring a reporting arrangement that is not just focussed on isolated, individual instances of potential non-compliance.

To ease reporting by obliged entities, the Government should consider removing the 25% threshold for PSC disclosure. Obligated entities are required to look at ownership and control in exact percentages as part of their due diligence requirements. Comparing exact percentages to the threshold and banding as stipulated by the PSC register is likely to create challenges where obliged entities have more information in their records which they cannot compare directly to the published company record.

Regulated businesses, competent authorities and individuals who report discrepancies as part of the reporting system mentioned above, should be kept informed as to the status of the discrepancy in a timely manner. Discrepancy reports and their outcome (e.g. resolved, referred to law enforcement, fine or criminal penalty issued and enforced) should be published on a quarterly basis.

**Q34. Do you agree that information collected by Companies House should be proactively made available to law enforcement agencies, when certain conditions are met?**

Yes. Please see our response to Questions 1-3, page 7.

**Q35. Should companies be required to file details of their bank account(s) with Companies House? If so, is there any information about the account which should be publicly available?**

Yes; information on companies' UK and non-UK bank accounts (name of the bank, address of the branch and account number) would facilitate identification of suspicious companies and

support money laundering and corruption investigations. We would support both the name of the bank and jurisdiction of the bank to be made public.

**Other measures to deter abuse of corporate entities**

**Q36. Are there examples which may be evidence of suspicious or fraudulent activity, not set out in this consultation, and where action is warranted?**

No response.

**Q37. Do you agree that the courts should be able to order a limited partnership to no longer carry on its business activities if it is in the public interest to do so?**

No response.

**Q38. If so, what should be the grounds for an application to the court and who should be able to apply to court?**

No response.

**Q39. Do you agree that companies should provide evidence that they are entitled to use an address as their registered office?**

Establishing that a company has permission to use the given address as their registered office would make it harder for criminals to register companies using unauthorised addresses. It is important that this applies both to the address given at incorporation, and subsequent changes of address.

**Q40. Is it sufficient to identify and report the number of directorships held by an individual, or should a cap be introduced? If you support the introduction of a cap, what should the maximum be?**

**&**

**Q41. Should exemptions be available, based on company activity or other criteria?**

Existing research shows that there are many cases of individuals directing an exceptionally high number of companies. Analysis conducted for Transparency International UK by Companies House has identified that as of July 2017 there were 1,980 officers with 50 or more appointments

to active companies.<sup>12</sup> Global Witness found that there were over 800 directors in 2018 who directed more than 100 companies.<sup>13</sup>

There might be legitimate explanations for why one person directs a large number of companies, however a high number of directorships can also suggest that they are acting as ‘nominees’, and hence providing anonymity for those wishing to hide the real ownership of a company.

‘Nominee’ directors are also often found in money laundering cases.<sup>14</sup> Moreover, combining a high number of directorships can preclude an individual from spending adequate time in actual running of the business and fulfilling his/her responsibilities.

To prevent the abuse of the system, it seems reasonable to impose rules on the number of directorships held by an individual. While we would not support any general exemption from restricting the number of directorships held by one person, we recognise that different rules might need to apply to different types of companies (e.g. listed vs. non-listed). While setting the rules on the number of directorships the UK government should consider the size and internal organisation of companies, as well as the nature, scope and complexity of companies’ activities; it should also look into examples of rules on concurrent directorship from across Europe (e.g. France, Germany, and Austria<sup>15</sup>).

**Q42. Should Companies House have more discretion to query and possibly reject applications to use a company name, rather than relying on its post-registration powers?**

No response.

**Q43. What would be the impact if Companies House changed the way it certifies information available on the register?**

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<sup>12</sup> Transparency International UK (2017) Hiding in Plain Sight: how UK companies are used to launder corrupt wealth. <https://www.transparency.org.uk/publications/hiding-in-plain-sight/>

<sup>13</sup> Global Witness (2017) The Companies We Keep: What the UK's open data register actually tells us about company ownership <https://www.globalwitness.org/en/campaigns/corruption-and-money-laundering/anonymous-company-owners/companies-we-keep/>

<sup>14</sup> Transparency International UK (2017) Hiding in Plain Sight: how UK companies are used to launder corrupt wealth. <https://www.transparency.org.uk/publications/hiding-in-plain-sight/>

<sup>15</sup> See for example Annex to a Doctoral Thesis of Gibbs, D. (2014) Non-executive Directors’ Self-Interest: Fiduciary Duties and Corporate Governance <https://ueaeprints.uea.ac.uk/49712/2/2014GibbsDPhDTable.pdf>



No response.

**Q44. Do you have any evidence of inappropriate use of Good Standing statements?**

No response.