

Combating economic crime - new rules ratified in UK

1. The new Act represents the biggest changes to the UK's framework for registering companies in 170 years.

2. Companies House will become an active gatekeeper of company information.

3. Authorised corporate services providers will need to be registered to act for companies.

The new Economic Crime and Corporate Transparency (ECCT) Act 2023 aims to evolve the role of Companies House to improve transparency in relation to UK companies and partnerships. In this article, [Lynsey Magee](#) and [Julie Fairclough](#) explain what ECCT could mean for your business.

The ECCT Act was given Royal Assent on 26 October 2023. With legislative updates and guidance to follow in early 2024, ECCT represents a significant step forward in combatting economic crime and supporting national security.

Why has ECCT been introduced?

These reforms are the most significant changes to the UK's framework for registering companies in the last 170 years. The ultimate aim of ECCT is to combat the risk of UK companies and limited partnerships that are required to register with Companies House from being used for facilitating money laundering, fraud, corruption, terrorist financing, and illegal arms movements.

To achieve this, the Act will ensure that the completeness of information held on

the Companies Register will better support the understanding of a company's business activities. It will strengthen ID verification processes, while introducing a ban on the use of foreign corporate directors.

It will also remove the requirement for companies to maintain their own register of directors, register of directors' residential addresses, register of secretaries and Persons of Significant Control ('PSC') register, with Companies House hosting a central PSC register going forwards. All companies will however have to maintain their own register of members, meaning that private companies will no longer have the option to keep information about their members on the Companies Register.

Other rules include Companies House being given the power to cross-check information filed with it against that held by other public and private bodies and reject or remove it from the public record unless supporting evidence is provided. Companies House will also have the power to reject or remove information that appears suspicious, fraudulent or might 'impact upon the integrity of the register'. Failure to comply with a wide range of Companies Act obligations could lead to automatic civil penalties.

The reforms will make Companies House a single source of truth for company data, and in-so-doing support wider work to tackle economic crime, including new forms of data sharing to identify suspicious networks of companies as part of the UK Government's three-year Economic Crime Plan.

What is changing?

The changes aim to turn Companies House from a passive recipient of information into an active gatekeeper.

Going forward, those setting up, managing and controlling companies and other registrable entities will have a verified identity with Companies House (detailed in 1110A of the [Act Economic Crime and Corporate Transparency Act 2023 \(legislation.gov.uk\)](https://www.legislation.gov.uk/ukpga/2023/1110A)), or have registered and verified their identity via an anti-money laundering (AML) supervised third-party agent (such as Aztec). This means that managers might decide to use an intermediary or agent to file with the Registrar a new registerable entity, or to verify their identity.

Only those corporate service providers that have been authorised by the Registrar

may deliver documents to the Registrar on behalf of clients.

Significant secondary legislation and guidance is expected to follow early in 2024, as well as the development of systems at Companies House to implement such extended powers before changes formally come into force, so there is sufficient time to prepare, particularly with a transition period for the verification of existing directors.

Nevertheless, as seen with the recent Economic Crime Transparency and Enforcement Act for overseas entities, this is likely to move quickly, and companies are being advised to prepare in advance for the changes ahead.

What you need to know

Some of the key provisions that will affect the alternatives industry include:

- Obligations to verify the identities of Directors and PSCs of new Relevant Legal Entities ('RLE').
- Existing company directors and PSCs identities will need to be verified within a set period (to be set out in secondary legislation).
- Anyone acting on behalf of companies will need to verify identity before being able to file information (so if filing directly and not using an Authorised Corporate Service Provider ('ACSP')).
- A new offence for failure to prevent fraud applied to all sectors. However, to ensure proportionality, only large organisations are in scope, defined – using the standard Companies Act 2006 definition – as organisations meeting two of the following three criteria:
 - more than 250 employees.
 - more than £36 million turnover.
 - more than £18 million in total assets.

The impact of the offence will be kept under review and the threshold at which companies are excluded could be amended in future through secondary legislation, if necessary.

- A new obligation for Trust or Company Service Providers ('TCSPs'), as defined in the Money Laundering and Terrorist Financing (Information on the Payer) Regulations 2017 (the 'MLR'), who offer, or intend to offer, services which fall within that definition must be registered with

Companies House as an ACSP before they can file information. As an existing TCSP, Aztec will be registering as an ACSP in order to continue to support clients with their filing obligations under the new regime.

- Restricting the use of corporate directors – including a ban on foreign corporate directors. This applies to entities that act as a corporate director (i.e. a company, LLP or other) on a board of a UK company.
- Certain designated persons, as defined by section 9(2) of the [Sanctions and Anti-Money Laundering Act 2018](#), will not be able to act as directors of a company and disqualified directors must not be appointed as directors of a company.

The increased transparency and accountability requirements set out in the Act will have a positive impact on the alternatives market, removing the need for companies to maintain their own registers (aside from register of members), while also making it more difficult for criminals trying to use private markets to launder money or commit other economic crimes, which adds additional layers of protection for investors and other stakeholders.

Failure to comply with the changes brought about by ECCT could result in automatic civil penalties, therefore it is essential that companies are familiar with the requirements and update their processes accordingly.

As a registered TCSP authorised and regulated by the FCA for money laundering purposes, Aztec is happy to discuss how we might support any company with these new governance and verification requirements. To discuss ECCT Act 2023 and how it could impact your business, please contact [Julie](#) or [Lynsey](#) directly.