

# New transparency legislation aims to keep companies squeaky clean

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**Company directors, people with significant control of a company and anyone who files on behalf of a company must ensure they comply with new transparency legislation from March 2024.**

Greater scrutiny of information lies at the heart of the new transparency legislation. Lawmakers have designed the new legislation to plug potential loopholes that criminals may have exploited for economic crime purposes. The new transparency rules strengthen the powers of law enforcement agencies, make it easier to prosecute corporates for certain financial crimes, and introduce a new offence of 'failure to prevent fraud' for larger organisations.

Changes include new requirements to provide additional shareholder information and restrictions on corporate directors. Companies will no longer be required to keep a register of directors - Companies House will maintain a new register instead. Limited partnerships will need to file through authorised agents, and they'll need to file more information than currently.

The new transparency legislation is called the [Economic Crime and Corporate Transparency Act 2023](#). The Act amends the [Companies Act 2006](#) and succeeds the previously fast-tracked [Economic Crime \(Transparency and Enforcement\) Act 2022](#) (drawn up in response to Russia's invasion of Ukraine and which saw the introduction of the [Register of Overseas Entities](#)).

From March 2024, UK-registered companies will face:

- more vigorous checks on company names
- new rules for registered office addresses and a requirement to provide a registered email address

- a requirement to confirm activities are lawful on incorporation and each year after

Companies House will have greater powers to challenge the information provided. It will utilise data matching to identify and remove inaccurate information from the register. It will also share data with other government departments and law enforcement agencies, with greater powers to seize, freeze and recover crypto assets.

While the Act places additional reporting requirements on companies, the new digital processes will do away with some old paper-based requirements. Companies will no longer be required to maintain internal registers of directors and their addresses, secretaries and people with significant control (PSCs). Companies will instead file this information directly with Companies House, which will maintain a central public record.

The Act includes enhanced powers to verify the identities of company directors. Anyone setting up, running, owning or controlling a company in the UK will need to verify their identity, and this will apply to new and existing company directors, PSCs, and relevant officers of a registerable and relevant legal entity.

It will be a criminal offence for an individual to act as a director while their identity is unverified, and the company will be committing a criminal offence by allowing an unverified director to act.

Head of Corporate and Commercial at West End law firm RIAA Barker Gillette, [Victoria Holland](#), said:

*"The changes affect companies across the board, and directors must ensure they comply from March 2024 onwards. We don't have a definitive timetable yet, so companies and directors must stay alert to this issue."*

*The direction of travel continues towards greater transparency so that law enforcement agencies can more easily identify and act on suspicions over sources of wealth and funding, and to tackle potential tax evasion or fraud."*

According to the Government, fraud accounts for over 40% of all crime in England and Wales.

The new transparency legislation introduces two significant changes.

It has previously been hard to hold a corporate organisation criminally liable where an individual could not be identified as having the 'directing mind and will' at the time of the offence. Now, a 'senior manager' test will expand the range of individuals to which liability can be attributed, making it easier for prosecutors to pursue corporates for a 'relevant offence'. These include money laundering offences, fraud, false accounting, tax evasion, bribery, and breaches of sanctions regulations.

Also introduced by the new transparency legislation is criminal liability attributed to an organisation for a failure to protect against fraud, whether by an employee, agent, subsidiary undertaking, or a person performing services on behalf of the company. The offence of failure to prevent fraud will be limited to so-called larger organisations, which meet two out of three defining criteria, being:

- 1. more than 250 employees;**
- 2. over £36 million turnover; or**
- 3. assets exceeding £18 million.**

Guidance on the necessary procedures for 'failure to prevent' is expected soon, and larger organisations will need to review risk assessments and their detection and prevention measures once published.

Victoria added:

"This guidance is likely to reflect earlier 'failure to prevent' offences set out in the UK [Bribery Act 2010](#) and the UK [Criminal Finances Act 2017](#), designed to tackle bribery and facilitation of tax evasion offences.

So, the good news is that it is unlikely to involve designing compliance procedures from scratch. Still, it is likely to present a stiff compliance challenge."

**Act now to avoid a fine. Call [Victoria Holland](#) today.**

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