

**EXPLANATORY MEMORANDUM TO**  
**THE REGISTER OF OVERSEAS ENTITIES (VERIFICATION AND EXCEPTIONS)**  
**(AMENDMENT) REGULATIONS 2023**

**2023 No. 1416**

**1. Introduction**

1.1 This explanatory memorandum has been prepared by the Department for Business and Trade and is laid before Parliament by Command of His Majesty.

**2. Purpose of the instrument**

2.1 This instrument will allow for large pension fund trusts to be exempt from in-year beneficiary information requirements and compliance with the anti-avoidance measures in relation to the Register of Overseas Entities. The instrument will also amend existing regulations, requiring overseas entities to have information verified about beneficial owners during the transitional period before it is delivered to the Registrar.

**3. Matters of special interest to Parliament**

*Matters of special interest to the Joint Committee on Statutory Instruments*

3.1 None.

**4. Extent and Territorial Application**

4.1 The extent of this instrument (that is, the jurisdiction(s) which the instrument forms part of the law of) is the whole of the United Kingdom.

4.2 The territorial application of this instrument (that is, where the instrument produces a practical effect) is the whole of the United Kingdom.

**5. European Convention on Human Rights**

5.1 As the instrument is subject to negative resolution procedure and does not amend primary legislation, no statement is required.

**6. Legislative Context**

6.1 The regulations make provisions relating to the Register of Overseas Entities in accordance with Part 1 of the Economic Crime (Transparency and Enforcement) Act 2022.

6.2 The regulations exempt pension schemes from the requirement to provide additional information relating to transitional cases to the Registrar under Schedule 6 of the Economic Crime (Transparency and Enforcement) Act 2022. They also exempt pension schemes from the requirement to provide additional information relating to in-year changes to trusts to the Registrar under Section 7 (updating duty) and 9 (application for removal) of the Economic Crime (Transparency and Enforcement) Act 2022.

6.3 The regulations also amend existing regulations so that additional information which must be delivered to the Registrar under Schedule 6 of the Economic Crime

(Transparency and Enforcement) Act 2023, relating to transitional cases, will need to be verified.

## 7. Policy background

### *What is being done and why?*

- 7.1 The Economic Crime (Transparency and Enforcement) Act 2022 (“ECTEA 2022”) legislated for the creation of the Register of Overseas Entities, which is a public register that displays the beneficial ownership information of overseas entities that own or buy land within the UK. The Register is intended to help combat money laundering by increasing transparency in the UK property market.
- 7.2 The legislation was expedited through Parliament following the Russian invasion of Ukraine. The recently enacted Economic Crime and Corporate Transparency Act 2023 amends the ECTEA 2022, providing measures which will enhance the effectiveness of the Register of Overseas Entities. This statutory instrument is one of several regulations to strengthen the register:
- **Pension fund exemptions:** Part 2 of these regulations provide that large pension schemes (defined as having more than 250 beneficiaries in Part 1) are not to be treated as registerable beneficial owners for any provisions in Schedule 6 of the ECTEA 2022. They will therefore exempt from the anti-avoidance measures set out in Schedule 6. Part 3 of these regulations allow for large pension schemes to be exempt from the information requirements set out in Section 7(3)(c), (4)(c), 9(3)(c) and (4)(c) of the ECTEA 2022. Large pension schemes have numerous and regular changes to their beneficiaries and the Government considers it unreasonable and disproportionate to expect such structures to provide every change that occurs in a given period and deliver the new information that will be required. Pension fund trusts are not deemed as a high-risk structure used as a vehicle for money laundering and we therefore firmly believe there is no material weakening of the Register by creating these new provisions.
  - **Verification of anti-avoidance measures** – Part 4 of the regulations amends existing regulations, Register of Overseas Entities (Verification and Provision of Information) Regulations 2022, to include information which needs to be delivered under Schedule 6 of ECTEA 2022. These regulations will require overseas entities to disclose information about those who were beneficial owners from 28 February 2022 but who were not recorded as beneficial owners at the point of the overseas entity registering with Companies House. The information provided to the Registrar must be verified. This measure could help address high profile cases of individuals restructuring the ownership of their entities or transferring assets to others before being sanctioned, which has been reported in the press.

## 8. European Union Withdrawal and Future Relationship

- 8.1 This instrument does not relate to withdrawal from the European Union or trigger the statement requirements under the European Union (Withdrawal) Act.

## 9. Consolidation

- 9.1 The regulations relating to pension fund exemptions do not amend another Statutory Instrument, so consolidation is not needed for these.

9.2 However, this statutory instrument does amend the Register of Overseas Entities (Verification and Provision of Information) Regulations 2022.

## **10. Consultation outcome**

10.1 The Economic Crime (Transparency and Enforcement) Act 2022 (“ECTEA 2022”) established the Register of Overseas Entities. Ahead of this, a Call for Evidence was undertaken in 2017 and consultation carried out in 2018, alongside the publication of a draft Registration of Overseas Entities Bill. Stakeholder suggestions were taken into account during the drafting of the Bill, and afterwards following publication of the draft Bill.

10.2 The draft Bill underwent pre-legislative scrutiny by an ad-hoc Joint-Committee in 2019 and many of the Committee’s recommendations were added to the Bill. The Committee raised concerns about the lack of a mechanism for information submitted to Companies House to be verified, so this was added to the draft Bill.

10.3 During passage of the ECTEA 2022 there was concern that overseas entities could dispose of interests in property before the end of the transitional period (the period of time between the legislation becoming an Act, and the Register of Overseas Entities being established), so Government amendments were added to address this concern.

10.4 The effectiveness of this Register of Overseas Entities has been further enhanced by the Economic Crime and Corporate Transparency Act 2023 (“ECCTA 2023”). Building upon similar provisions added as concessions during passage of the ECTEA 2022, the ECCTA 2023 amends ECTEA 2022 to include measures which capture information from those seeking to avoid the information requirements.

10.5 The government has consulted with the Devolved Administrations on matters which fall within areas of devolved competence. This includes the pension fund trusts exemptions. The Permanent Secretary for the Northern Ireland Department of Finance (in the absence of the Northern Ireland Assembly) has written to the Government setting out that they are content with the regulations. A letter in similar terms has been received from the Scottish Government.

## **11. Guidance**

11.1 Technical guidance relating to registration and verification for the Register of Overseas Entities can be found here:  
<https://www.gov.uk/government/publications/register-of-overseas-entities-guidance-on-registration-and-verification>

11.2 The guidance will be updated to reflect the changes set out in these regulations once they come into effect.

## **12. Impact**

12.1 There is no, or no significant, impact on business, charities or voluntary bodies.

12.2 There is no, or no significant, impact on the public sector.

12.3 A full Impact Assessment has not been prepared for this instrument. The Impact Assessment published alongside the Economic Crime (Transparency and Enforcement) Act 2022 quantified the impacts and had a net annual direct cost to business below the de minimis threshold of £5 million. The net annual direct cost to business has not changed significantly during passage of both Acts or the

development of secondary legislation such that the measure remains below the de minimis threshold.

12.4 No impact on the environment is expected as a result of this instrument.

### **13. Regulating small business**

13.1 The legislation does apply to activities that are undertaken by small overseas businesses, but no specific action is proposed to minimise the regulatory burdens on them.

### **14. Monitoring & review**

14.1 The Department for Business and Trade and Companies House will monitor all the reforms to Register of Overseas Entities enabled through the Economic Crime (Transparency and Enforcement) Act 2022 and the Economic Crime and Corporate Transparency 2023 Act and will periodically publish research on their impact.

14.2 The instrument does not include a statutory review clause and, in line with the requirements of the Small Business, Enterprise and Employment Act 2015, Kevin Hollinrake, the Parliamentary Under Secretary of State, Department for Business and Trade, has made the following statement:

“A statutory review clause is not included in the instrument since the additional requirements are not extensive and are considered to meet the Government’s ‘de minimis’ regulatory impact criteria, meaning no impact assessment is required.”

### **15. Contact**

15.1 Monique Sidhu at the Department for Business and Trade, Telephone: 07917495926 or email: [Monique.Sidhu@businessandtrade.gov.uk](mailto:Monique.Sidhu@businessandtrade.gov.uk) can be contacted with any queries regarding the instrument.

15.2 Matthew Ray, Deputy Director for Company Law and Transparency at the Department for Business and Trade, can confirm that this Explanatory Memorandum meets the required standard.

15.3 Kevin Hollinrake, Parliamentary Under Secretary of State at the Department for Business and Trade, can confirm that this Explanatory Memorandum meets the required standard.