

Insights

THE ECONOMIC CRIME AND CORPORATE TRANSPARENCY ACT RECEIVES ROYAL ASSENT

27 October 2023

SUMMARY

The Economic Crime and Corporate Transparency Act (ECCTA) introduces a suite of wide-ranging reforms to tackle economic crime and improve transparency over corporate entities. Under the ECCTA, Companies House will have enhanced abilities to verify the identities of company directors, remove fraudulent organisations from the register and share information with criminal investigation agencies. This represents the biggest shakeup in its 180-year history. The ECCTA will also make significant changes to the law of corporate criminal liability.

Companies House reforms

The reforms include:

- introducing identity verification for all new and existing registered company directors, People with Significant Control, and those delivering documents to the Registrar. Companies will need to record the full names of shareholders who are individuals, or the names of corporate members in their registers and provide a one-off full shareholder list to Companies House;
- broadening the Registrar of Companies House's powers to:
 - require those forming or running companies to supply additional information in relation to material they file with Companies House. Companies House currently has limited powers to correct or query information if it is "properly delivered". The new power will enable it to reject and query new filings as well as query information already on the register where it has been identified as potentially fraudulent, suspicious or might otherwise impact on the integrity of the register or wider business environment;
 - proactively share all information held by Companies House about any entity with law enforcement, regulatory bodies and other public authorities either to assist in carrying out its own functions or to assist a public authority with the exercise of its functions;

- remove material from the register and introduce a new discretionary power for the Registrar to remove material which impacts upon the integrity of the register following the exercise of the power to require information; and
- change the address of a company's registered office where the Registrar is satisfied that the company is not authorised to use the address and take action against those persistently failing to provide an appropriate registered office address.

These changes will need to be implemented through amendments to the Companies Act 2006.

Corporate criminal liability

The ECCTA materially expands the scope of persons whose criminal conduct can be attributed to a company, under the 'identification doctrine', for economic crime. It also introduces a new corporate criminal offence of failing to prevent fraud. Where an "associated person" of a company commits a qualifying fraud offence for the company's benefit, the corporate may be criminally liable for having failed to prevent the fraud. Its only defence to the allegation is to show that it had implemented "reasonable procedures" to prevent fraud during the period when the substantive offence was committed. The Government is required to publish guidance on what amounts to "reasonable procedures" in due course. Thereafter, companies will need to implement such procedures before the corresponding provisions of the Act come in to force, a date for which has not yet been set.

The offence only applies to "large companies" as defined, by satisfying two of the following three criteria: 1) a turnover greater than £36 million; 2) a balance sheet exceeding £18 million; 3) more than 250 employees. For further information on these changes, please see [our Insight](#), published yesterday. Although specifically focused on the banking sector the commentary on the scope of these provisions has general application.

Cryptoassets

The ECCTA will provide additional powers to law enforcement agencies to search, seize or freeze, detain and recover 'cryptoassets' which are the proceeds of crime or associated with illicit activity such as money laundering, fraud and ransomware attacks. The NCA's National Assessment Centre estimates that over £1 billion of illicit cash was transferred overseas using cryptoassets in 2021.

Anti-money laundering powers

The ECCTA will enable businesses to share information more easily in certain situations in order to prevent, investigate or detect economic crime by disapplying civil liability for breaches of confidentiality for firms who share information to combat economic crime.

Commenting on the reforms Business Minister Kevin Hollinrake said "These reforms will remove the smoke and mirrors around companies hiding behind false identities, provide further protection to

the public from companies fraudulently using their addresses, and deliver better data to support business and lending decisions across the economy, enhancing the UK's reputation as a great and safe place to do business.”

[The Economic Crime and Corporate Transparency Act 2023](#)

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