

Offshore Structures and The Register of People with Significant Control - The PSC Register

Insights - 17/07/2019

Following significant changes to the English Companies Act 2006 which came into effect from 1 April 2016. Companies incorporated in the UK are required to keep and maintain a new register that records all the people or legal entities that have “significant influence or control” over it, called a register of people with significant control (the PSC Register). The provisions regarding the PSC Register are set out in part 21A Companies Act 2006, introduced by the Small Business, Enterprise and Employment Act 2015. Further information is available publicly, including at Companies House in the UK.

Q. How does this affect the offshore market?

On 19 June 2019, the Government of Jersey announced it will be taking a series of steps regarding its central register of beneficial ownership information of companies, and how it will move towards developing its international standards of accessibility and transparency in the near future. These steps will move towards increasing transparency and accessibility, whilst maintaining high standards of verified, accurate and up-to-date information.

The government of Jersey's steps plan is broken into three stages which are to be adopted in a manner consistent with the EU's approach to transparency of beneficial ownership data of companies under the EU's Fifth Money Laundering Directive (the **Directive**). These stages are as follows:

Set out below is a summary of the key requirements under the UK legislation. In this regard, UK companies are required to:

1. find out who has significant control of the company
2. contact these people to confirm the position and obtain required information
3. create and maintain a PSC Register
4. explain why if there is missing information
5. allow people with a proper purpose to inspect the PSC Register
6. give the information on the register to Companies House
7. if people who control shares do not respond to requests for information, consider putting restrictions on their shares

Q. Who are the people with significant control?

A person with significant control is someone that meets one or more of the following conditions for a single UK company:

Conditions (4) and (5) capture formal and informal forms of influence or control. There is statutory guidance in the UK to assist with the meaning of “significant influence or control” which can be used to help establish whether a person has significant influence or control.

If there are no people or legal entities that fulfil any of the conditions (1) - (5) above, the company should still hold a PSC Register, and should state on the register that there are no registrable people or entities.

A corporate entity which is part of a group might also exercise significant control and fulfil the relevant

criteria. A company must only record a legal entity in its PSC Register as a "registrable relevant legal entity" if such entity exercises significant control and is also:

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Q. Why are UK companies taking note?

UK companies must take reasonable steps to find out if there are any people with significant control, this may include considering the register of members and writing to company members to ask if they have transferred an interest in their shares to someone else. Failing to take reasonable steps is a criminal offence for which both the company and its officers are liable. It will also be a breach of statutory duty for the directors.

Q. What form does any notification take and what information does the company require?

A UK company must serve a notice on a person or entity asking them to confirm that they have significant control or are a registrable relevant legal entity. The notice should also ask them, if they are a person or entity that should be registered, to confirm, correct or give information needed for the PSC Register.

Q. What are the consequences of not responding to such requests?

It is a criminal offence in the UK for any person or entity not to respond to a notice within a month.

If a person or entity does not respond to notice seeking information for the PSC Register, ultimately this will lead to restrictions being placed on their interest in the company. For as long as restrictions are in place the shares are effectively valueless to the holder and the lifting of restrictions cannot have any retrospective effect. For example, the owner will lose the right to receive any dividends paid.

Any person or entity that does not respond to such a notice (unless the notice was frivolous or vexatious) or knowingly or recklessly gives false information in response to a notice may commit an offence and may face imprisonment for up to two years or a fine or both.

It is currently not clear what the local law impact or regulatory ramifications will be in respect of non-compliance of the UK legislative requirements. It is likely that further guidance will be forthcoming as the various overseas jurisdictions contemplate the impact and reach of the new legislation.

Q. What if I just administer the structure, act as trustee or provide fiduciary services but do not directly have significant control?

UK companies can use the legislation to require people who do not have significant control, but may know about people or entities with significant control, to provide information. This makes it easier for companies to get information they need by contacting lawyers, banks, professional advisers or other third parties. Companies may give notice to any third party if they have reason to believe that such third party knows the identity of:

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Notices to third parties may ask people to provide information they have that might help the company identify a person or entity with significant control, or of any person likely to have that knowledge.

In the case of a trust, the trustees will have to look to the facts and structure of the client's arrangements to determine whether or not it is the details of the settlor, the protector or the beneficiaries of the trust or the trustees themselves that will need to be disclosed for inclusion on the PSC Register.

Once obtained, information must be confirmed by the relevant controller as only confirmed information can be put on the PSC Register.

Q. Are there any ongoing obligations to notify the UK company of any changes?

The PSC Register must be updated if any information is no longer correct. UK companies must give notice to people or entities as soon as they learn of a change or have reason to believe that there has been a change. This includes a change of address.

This notice must ask the person or entity to confirm that a change has occurred to give the date of the change and confirm, correct or supply any information as appropriate.

If a company fails to obtain up to date information when it has reason to believe an update is needed, the company and its officers may have committed an offence. On conviction they could face a prison sentence of up to two years or a fine (or both).

Controllers should be pro-active about informing the company about changes that should be made to the PSC Register. It is an offence for any person or entity not to do this when they are aware of changes that need to be made.

Q. What information is recorded on the PSC Register?

For each person or entity included in the PSC Register, the PSC Register should state which of the five conditions 1 - 5 (set out above) the person or entity satisfies and the banding of any share ownership or voting rights control.

The UK company must include certain further statements on its PSC Register if the register is not complete. These statements are that the company:

- _____
- _____
- _____
- _____

Q. If the UK company is owned through a chain of legal entities, do they all need to be noted on the PSC Register?

Not all relevant legal entities should appear on the PSC Register. Where a company is owned through a chain of legal entities, only the relevant legal entity that is immediately above it in the chain would appear on the PSC Register. That relevant legal entity is a registrable relevant legal entity and the other relevant legal entities are non-registrable.

You should bear in mind that you will still need to disclose ultimate beneficial owners and controllers.

It is strongly recommended that administrators and trustees ensure that they:

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