

# PARLIAMENTARY DEBATES

HOUSE OF COMMONS  
OFFICIAL REPORT

Seventh Delegated Legislation Committee

DRAFT REGISTER OF OVERSEAS ENTITIES  
(DELIVERY, PROTECTION AND TRUST SERVICES)  
REGULATIONS 2022

*Tuesday 19 July 2022*

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**The Committee consisted of the following Members:**

*Chair:* CHRISTINA REES

- |  |   |
|--|---|
| † Ansell, Caroline ( <i>Eastbourne</i> ) (Con)                     | † Hunt, Jane ( <i>Parliamentary Under-Secretary of State for Business, Energy and Industrial Strategy</i> ) |
| † Bowie, Andrew ( <i>West Aberdeenshire and Kincardine</i> ) (Con) | † Johnson, Dame Diana ( <i>Kingston upon Hull North</i> ) (Lab)   |
| † Brereton, Jack ( <i>Stoke-on-Trent South</i> ) (Con)             | † Morden, Jessica ( <i>Newport East</i> ) (Lab)   |
| † Burgon, Richard ( <i>Leeds East</i> ) (Lab)                      | † Richardson, Angela ( <i>Guildford</i> ) (Con)   |
| † David, Wayne ( <i>Caerphilly</i> ) (Lab)                         | † Shelbrooke, Alec ( <i>Elmet and Rothwell</i> ) (Con)  |
| Duffield, Rosie ( <i>Canterbury</i> ) (Lab)                        | † Smith, Royston ( <i>Southampton, Itchen</i> ) (Con)   |
| † Eastwood, Mark ( <i>Dewsbury</i> ) (Con)                         | † Thomas, Derek ( <i>St Ives</i> ) (Con)  |
| † Esterson, Bill ( <i>Sefton Central</i> ) (Lab)                   | Ian Cruse, Guy Mathers, <i>Committee Clerks</i>   |
| † Evennett, Sir David ( <i>Bexleyheath and Crayford</i> ) (Con)    | † <b>attended the Committee</b>   |
| † Hollern, Kate ( <i>Blackburn</i> ) (Lab)                         |   |

# Seventh Delegated Legislation Committee

Tuesday 19 July 2022

[CHRISTINA REES *in the Chair*]

## Draft Register of Overseas Entities (Delivery, Protection and Trust Services) Regulations 2022

2.30 pm

**The Parliamentary Under-Secretary of State for Business, Energy and Industrial Strategy (Jane Hunt):** I beg to move,

That the Committee has considered the draft Register of Overseas Entities (Delivery, Protection and Trust Services) Regulations 2022.

May I begin by saying what a pleasure it is to serve under your chairmanship, Ms Rees? The draft regulations are essential for the register of overseas entities to be implemented effectively. Before I talk specifically about the measures, it may be helpful if I speak briefly about the background to the instrument. The register of overseas entities, which I will refer to as the register, will be created under part 1 of the Economic Crime (Transparency and Enforcement) Act 2022, which gained Royal Assent earlier this year. The register will be a key tool in helping to crack down on dirty Russian money in the UK, and it will be crucial in the fight against other foreign corrupt elites abusing our open economy. The register will require overseas entities owning or buying property in the UK to give information about their beneficial owners and all managing officers to Companies House. The register will provide more information to help law enforcement track down those using UK property as a money-laundering vehicle.

The draft instrument forms part of a first tranche of secondary legislation that is needed to ensure that the register is ready to operate. Two other instruments from the first tranche were laid before the House on 30 June, and are subject to the negative resolution procedure. The subject of today's debate is the only instrument subject to the affirmative resolution procedure. Subject to Parliament's approval of the instruments, it is the Government's intention that the register go live on 1 August. Overseas entities in scope that currently hold land in England, Wales and Scotland will have six months from that date to register their beneficial owners. That six-month transitional period was established under the Act. It strikes a balance: allowing for the free enjoyment of property and maintaining the UK's reputation as a stable investment environment, while ensuring that property owners register their beneficial owners. If an overseas entity does not comply with the new obligations, or submits false filings, the overseas entity and every officer in default may face tough criminal or civil penalties, and it will not be possible to sell the property in question. Further instruments necessary to underpin the register's operation will be made in the autumn.

What does the statutory instrument do? I turn now to the detail. The regulations are laid under powers in the Economic Crime (Transparency and Enforcement) Act, which I will refer to as the Act, and two powers in the Companies Act 2006. The instrument is made up of three measures. First, it requires certain documents to

be delivered to Companies House by electronic means. Secondly, it sets up a protection regime, which will allow individuals to apply to have their information made unavailable for public inspection. To apply, individuals must provide evidence that they are at serious risk of violence or intimidation if their link to the overseas entity is publicly disclosed. Thirdly, it sets out the fact that legal entities governed by the law of a country or territory outside the United Kingdom that provide trust services regulated by a supervisory authority, and that are subject to their own disclosure requirements, are classed as registerable beneficial owners—I will have to get a job with fewer words.

I shall now turn to the details of the electronic delivery measure. Part 2 of the instrument sets out the fact that certain documents are to be delivered to Companies House by electronic means. Regulation 3 specifically sets out a duty on overseas entities to deliver certain information to the register by electronic means. The regulations state that the following information must be delivered to the registrar by electronic means: an application for registration; the statements, information and any other thing required for the updating duty; an application for removal; the replacement of or additional documents delivered to the registrar for the purpose of resolving inconsistencies in the register; and an application to rectify the register.

Regulation 4 sets out an exception to that duty to deliver documents by electronic means. Mandating electronic delivery for certain documents enables the registration process to be streamlined and efficient, and will help to avoid delays in processing valuable property transactions. It is therefore important that electronic delivery to the registrar can be mandated in most cases through the regulations. The duty to deliver a document by electronic means will not apply where the document relates to an application that contains information about individuals who have applied for their details to be protected. The aim of that limited exception is to provide for those who may be at risk of serious harm so that they can apply for a protection from having their details made publicly available on the register. Their details would need to be handled in a sensitive manner, so electronic communication might not be appropriate.

Part 3 of the instrument sets out details of the protection regime. It allows beneficial owners and managing officers, or the relevant overseas entity on their behalf, to apply to have their details protected from disclosure and from inclusion in the public register if they or someone who lives with them is at serious risk of violence or intimidation because of their link to the overseas entity. Evidence must be provided to the registrar to support the application, and the registrar may direct that additional information or evidence should be delivered to determine an application.

The registrar may refer any question relating to an assessment of the nature or extent of any risk of violence or intimidation to any person, such as a law enforcement agency, the registrar considers may be able to assist in making that assessment. That approach is similar to the one applied in the equivalent regime for people with significant control—PSC—of UK companies. It is important to note that an application for information to be protected from public disclosure will not exempt the overseas entity from the requirements of the Act in

general. The required information must still be supplied to Companies House, and will be available to law enforcement agencies.

Finally, I turn to the measure on corporate trustees. Part 4 of the instrument provides a description of legal entities subject to their own disclosure requirements. Schedule 2 to the Act provides that beneficial owners that are legal entities must be subject to their own reporting requirements in order to be registrable beneficial owners. The aim of the measure is to ensure that corporate trustees fall within the definition of a registrable beneficial owner. If that definition is satisfied, overseas entities must take the responsible steps to obtain, and provide to the registrar, the required information about those trusts. That reflects the requirements already imposed where trustees are individuals. That will provide greater transparency about the true owners and beneficiaries of the land, and addresses concerns raised during the passage of the Act that the use of such structures could be a loophole.

I emphasise that the measures in the regulations are crucial for the effective operation of the register of overseas entities. I hope that the Committee will support the measures and their objectives. I commend the draft regulations to the Committee.

2.38 pm

**Bill Esterson** (Sefton Central) (Lab): It is good to see you in the Chair, Ms Rees. I welcome the Minister to her place and commend her on a thorough analysis and description of what the instrument does. She has pretty much answered my questions. I congratulate her on that, because that is not normally what happens, as any Government Member who has attended a statutory instrument debate to which I have responded can attest.

The Minister pointed out that the instrument is essential for the implementation of the Economic Crime (Transparency and Enforcement) Act 2022. It also implements aspects of the new register of overseas entities, which will finally require owners of UK property to reveal their true identity and crack down on foreign criminals using UK property to launder money.

The Minister described the process whereby documents will be delivered electronically to the Registrar of Companies, and I will come on to discuss some of the slight exemptions. It will also set up the protection regime under which exemptions may be allowed. The regime will allow owners and managing officers of overseas entities to apply to have their information made unavailable for public inspection when there is evidence that they or someone in their household is at serious risk of violence or intimidation. We believe that that balance is the right approach.

Questions were raised in the House of Lords about ensuring that those protections are not abused. To be fair to the Minister, she attempted, as I have indicated, to address those questions, but I want to tease some things out a little further.

There should be nothing controversial about knowing who really owns property in a healthy, transparent economy and making that information publicly available. This is a matter not simply of targeting individuals or entities through sanctions, but of fixing a broken system that has helped to sustain Vladimir Putin in his invasion of Ukraine. However, it is not just because of oligarchs

and their position in Putin's regime that this is finally being expedited. I congratulate the Minister's officials on their thorough work in setting this up, as she described.

However, it is a matter of regret and of concern that the Government dragged their feet when we called for these measures time and again. They were first promised in 2016. Since then, £1.5 billion-worth of property has been bought by Russians linked to the Kremlin. Looking at the House of Lords *Hansard*, the debate focused on the protection of individuals and ensuring that those protections were not open to abuse. The Minister, Lord Callanan, stressed that 163 out of 436 applications for protection under the existing register have been granted since 2016. He said that the low proportion of exemptions granted under the existing regime was evidence that a rigorous regime would be in place for overseas entities. I think the Minister addressed that in her remarks when she described the process of supplying evidence to the registrar. However, it is important that she assures us that the process will be robust, that true identities will not continue to be hidden and that there is no potential for ongoing criminality. The Minister may want to reiterate some of her points about those assurances being in place. With that, I am happy to go along with what she has said so far.

2.43 pm

**Wayne David** (Caerphilly) (Lab): I have just three questions for the Minister to tease out some more facts about what is being suggested. As she said, this is an important area, and there is real concern that a large amount of money is still coming into London, in particular from Russia. London has the unenviable reputation as one of the money-laundering capitals of the world—if not the money-laundering capital—so this matter is of some importance.

My first question is about the territorial extent of this piece of legislation. The explanatory memorandum says that the purpose of the instrument is to

“require certain documents to be delivered to the Registrar of Companies of England and Wales”.

However, paragraph 11.1 states:

“Overseas entities who already own property after certain dates in Scotland or England and Wales”.

Why is Scotland referred to in that paragraph, but not elsewhere? Does the measure actually apply to England and Wales—in which case is there an agreement with the Scottish Government for a separate and complementary piece of legislation—or is there agreement for the legislation to apply in Scotland as it will apply to England and Wales?

My second question is about the use of the word “deter” in paragraph 7.4 of the explanatory memorandum. We all believe in the principle of deterrence, but as we all know, deterrence sometimes does not work. Rather than simply deter this illegal practice and disrupt crime, should we not be aiming to stop it? Would that not be a far firmer, more categorical and legally sound term to use in the secondary legislation?

My third and final question is a technical one. In her introduction, the Minister mentioned that there are affirmative and negative resolution procedures with regard to legislation in the Commons and the Lords, so why is the procedure for this measure separate from that for similar statutory instruments that are being approved?

2.46 pm

**Jane Hunt:** I am grateful to Committee members for their contributions. The Government are committed to ensuring the register of overseas entities strikes the right balance between improving transparency and minimising burdens on legitimate commercial activity. The measures contained in the instrument will play a key part in the effectiveness of the register from its launch, which is expected on 1 August.

That begins to answer some of the questions from the hon. Member for Sefton Central, who talked about protections and ensuring that the system is not abused, with 163 of 436 applications being made on the existing register. There will be a process in place with clear guidelines, which will be coming out shortly and be ready for 1 August. That will help to provide support, and ensure that protections are in place and robustly followed. The hon. Member for Caerphilly—I think it is Caerphilly, but I might be wrong.

**Wayne David:** Absolutely. Just think of the cheese and you will be all right.

**Jane Hunt:** The hon. Member for Caerphilly talked about England and Wales, and referred to Scotland being separate. The reason for that is that Land Registry information was gathered at different times. We will start with England and Wales being retrospective to January 1999, but with Scotland only as far back as December 2014, because that is when the processes were in place. That covers what the hon. Member was talking about.

These regulations are essential for the register of overseas entities to operate effectively from the outset. Mandating digital delivery for certain documents ensures that the registrar is able to receive and process information in a timely manner. An effective protection regime will protect those at real risk of serious harm, because of their link with an overseas entity, from the public disclosure of their details. That information must still be provided, and it will be available to law enforcement.

The measures on trustees allow for a consistent approach to dealing with corporate and individual trustees. Corporate trustees will be brought within scope, making it harder for corporate structures to be altered to avoid reporting requirements. The register of overseas entities provides a novel approach, setting a new global standard for transparency, and levels the playing field with property owned by UK companies, which must already disclose their beneficial owners to Companies House.

The register is a crucial part of the Government's fight against illicit finance. The forthcoming economic crime and corporate transparency Bill is being finalised at pace, and it is expected to be introduced to Parliament shortly after the summer recess. The Bill will feature substantial changes to UK company and partnership law, and will be complementary to the Economic Crime (Transparency and Enforcement) Act 2022. I hope the Committee will approve the instrument.

*Question put and agreed to.*

2.49 pm

*Committee rose.*