

Analysis, Company Law and Corporate Transparency Team
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Dear Sirs

Corporate Transparency and Register Reform: Consultation on implementing the ban on corporate directors

We welcome the opportunity to comment on the department's consultation on implementing the ban on corporate directors.

As you know, the Chartered Governance Institute is the professional body for governance. We have members in all sectors and our Royal Charter purpose is to lead 'effective governance and efficient administration of commerce, industry and public affairs'. With more than 125 years' experience, we work with regulators and policy makers to champion high standards of governance and provide qualifications, training and guidance. The Institute is the professional body that qualifies Chartered Secretaries and Chartered Governance Professionals, which includes company secretaries. Company secretaries have a key role in companies' governance arrangements including corporate reporting. Our members are therefore well placed to understand the issues around Companies House filings and the practicalities of dealing with issues that arise.

In preparing our response we have consulted, amongst others, with members of the Chartered Governance Institute's Company Secretaries Forum, a group of company secretaries from more than 30 large UK listed companies from the FTSE 100 and FTSE 250. However, the views expressed in this response are not necessarily those of any individual members of any of this group, nor of the companies they represent.

Our views on the questions asked in your consultation paper are set out below.



General comments

As we said in our response to the original transparency and trust discussion paper, back in September 2013, “Removal of corporate directors is a concern for many companies of all sizes as these provide a legitimate administrative function.” We went on to explain some of the circumstances in which corporate directors and, indeed, corporate secretaries, are helpful in corporate administration. We have subsequently repeated this explanation when the issue has been raised again, especially when it has been asserted “that the use of corporate directors can muddy the waters around ownership and provide a screen behind which to conduct illicit activity ... [and that] ... the opacity they create can weaken corporate governance by preventing individual accountability.”

In general we believe that the proposals contained in this latest consultation document address the concerns that we have raised and are pleased to see that our points have been taken on board.

Chapter 2: Regulating for the exception

The Principles

Q. 1. In your view, will the proposed ‘principles’ based exception deliver a pragmatic balance between improving corporate transparency and providing companies adequate scope to realise the legitimate benefits of the use of corporate directors?

Yes.

The Scope

Q. 2. Bearing in mind the transparency objective, is the scope of the exception proportionate and reasonable?

Yes.

Q. 3. Assuming that ID verification will form a fundamental element of the corporate director regime, what do you see as the arguments for and against allowing LPs and LLPs be appointed as corporate directors? If they are to be allowed, how should the principle of natural person directors apply within these partnership models?

We have no strong view on this issue. It would seem reasonable to treat LPs and LLPs in the same way as companies as far as possible.

Compliance and Reporting

Q. 4. Do these reporting requirements appear proportionate and reasonable?

Yes.



Impacts

Q. 5. Does the Impact Assessment provide a reasonable assessment of the costs and benefits of the prohibition and possible exceptions? In particular:

- **Do you have any evidence as to why companies have reduced their use of corporate directors since the primary legislation was passed?**
- **Do you have any evidence on what might be the costs to companies from the proposed restrictions on corporate directors?**

We have no comment on the Impact Assessment.

Chapter 3 – Other Corporate Forms

Potential for Extending Corporate Director Principles

Q. 6. What are your views on applying the proposed Corporate Director principles more broadly to a) LLPs, and b) LPs, and how would you envisage ID verification operating in those contexts?

As per our response to question 3 above, we have no strong view on this issue. It would seem reasonable to treat LPs and LLPs in the same way as companies as far as possible.

Further observations

One other observation has been made by a number of our members, which is linked to a number of issues raised in this set of consultation documents. This is to emphasise the importance of Companies House protecting any additional personal documents being collected to identify directors, in this case, the directors of corporate directors.

If you would like to discuss any of the above comments in further detail, please contact me.

Yours faithfully

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ICSA: The Chartered Governance Institute

