The New Register of People with Significant Control ("PSC Register") for Companies

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The New Register of People with Significant Control ("PSC Register") for Companies

- From 6 April 2016, most UK companies must keep a PSC register.
- PSCs include individuals holding more than 25% of shares.
- From 30 June 2016, PSC information must be filed at Companies House with Annual Return.
- New register aims to improve transparency and trust.

From 6 April 2016 most UK companies and limited liability partnerships ("LLPs") must keep a register of people with significant control ("PSC register") in addition to their current statutory registers.

From 30 June 2016, companies and LLPs will also have to deliver the information contained in their PSC register to Companies House when filing their annual Confirmation Statement (which replaces the Annual Return from June 2016).

The new requirements aim to improve transparency and trust by making public disclosure of the individuals who exercise "significant control" of UK companies and LLPs.

The new requirements do not apply to companies trading on the LSE main market, AIM or regulated markets in an EEA state, or markets in Switzerland, the United States, Japan and Israel. Such companies already have disclosure requirements in relation to major shareholdings.

Who are PSCs?

A PSC is an individual who has significant control in relation to a UK company or LLP, significant control meaning:

i. directly or indirectly holding more than 25% of the shares;
ii. directly or indirectly holding more than 25% of the voting shares;
iii. directly or indirectly holding the right to appoint or remove a majority of directors;
iv. otherwise having the right to exercise, or actually exercising, significant influence or control;
v. having the right to exercise, or actually exercising significant influence or control over the activities of a trust or firm which is not a legal entity, but would itself satisfy any of the first four conditions if it were an individual.

Legal entities with significant control

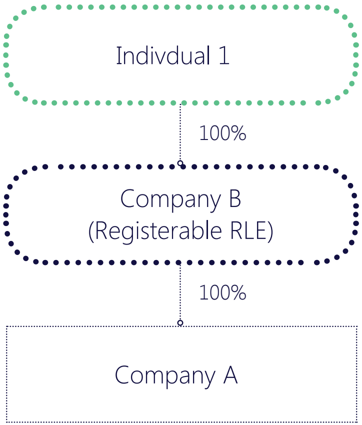
Companies are also required to record the names of legal entities which have significant control. A legal entity which is **relevant and registrable** in relation to a company must be included in the PSC register.

A legal entity is **relevant** if:

- it keeps its own PSC register;
- it is subject to Chapter 5 of the Financial Authority's Disclosure and Transparency Rules e.g. companies listed on AIM;
- it trades on a regulated marked in the UK, EEA or on markets in Switzerland, the United States, Japan and Israel.

A relevant legal entity ("RLE") is **registrable** if it is the first relevant legal entity in a company's ownership chain.

To avoid duplication, in group structures the individual at the top of the structure does not necessarily need to be registered in the bottom company's PSC register. As illustrated in the diagram below, if company A is 100% owned by company B (which is a registrable RLE) and company B is owned by individual 1, then individual 1 does not need to be registered as a PSC for company A provided that individual 1 does not have any other interest in company A.



However, if company B was an unlisted overseas company, it would not be a registerable RLE (as it would not be subject to disclosure requirements or required to keep a PSC register) and therefore individual 1 would have to be entered in company A's PSC register.

Further examples of UK companies with PSCs include:

- a company with one or more individual shareholders each holding more than 25% of shares, all the individuals must be disclosed as PSCs;

- a company with one or more corporate shareholders which is a UK company or a foreign listed company, each holding more than 25% of shares, all the corporate shareholders must be disclosed as PSCs.

Companies must take reasonable steps to identity PSCs and must make sure that the relevant information in the PSC register is confirmed by the PSC. Reasonable steps may include serving a notice on the individual or legal entity to confirm information.

Many companies may not have anyone who meets the conditions. If this is the case, the company will still need to keep a PSC register and state that the company has no PSCs.

What information should be entered in the PSC register?

Companies need to enter the following details in the PSC register:

Individuals	**Registrable Relevant Legal Entities**
Name	Name
Date of Birth*	Address
Nationality	Legal form of the entity and the law by which it is governed
Country or part of UK where PSC usually lives	Name of the register in which it appears if applicable (e.g. charity commission register) and its registration number
Service address	Date when entity became a PSC (for existing companies this will be 6 April 2016)
Usual residential address*	Which of the five conditions for being a PSC the entity meets (with the % of interest where relevant)
Date when individual became a PSC (for existing companies this will be 6 April 2016)	
Which of the five conditions for being a PSC the individual meets (with the % of interest where relevant)	

*The day of the individual's birth and their usual residential address will not be required to be filed at Companies House.

Official wording must be used when stating which of the five conditions have been met, for example

"The person holds, directly or indirectly, more than 25%/50% but not more than 50%/75% of the shares in the company".

If a company or LLP has no PSCs, this must be stated on the register, the PSC register cannot be blank. Again, companies and LLPs must use official wording set out in official guidance.

Impact on companies and LLPs

The new requirement for the PSC Register will certainly create additional administration for companies and LLPs as measures will need to be put in place to ensure that the PSC register is created and maintained. For most the process should be relatively straightforward although for some companies the process has a danger of becoming time consuming and therefore costly.

About the Author

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Kathryn is a solicitor in the Corporate and Commercial team based in the London office. Kathryn joined Laytons as a trainee in September 2011 and qualified in September 2013.

Her area of work covers:

- mergers & acquisitions
- corporate finance
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