

# Register of people with significant control over the company - the PSC register



## Contents

Introduction	1
Exempt UK companies	1
Who or what must be entered in the PSC register? the five conditions for “significant control”	1
Holding shares or rights indirectly, majority stake, through	2
Registrable or non-registrable?	3
Legal entities with significant control, relevant, registrable	3
Registrable or non-registrable individual with significant control	4
Chain of PSC registers	5
Another illustration	5
Meaning of “significant influence” or “control”	6
Is that it? Afraid not	6
What must the company do?	6
Register to be kept available for public inspection	7
If the company has a SAIL	7
Required particulars	7
Official wording for the PSC register entries	8
Duty to inform the company	8
What if we don’t comply?	8
Source materials and guidance	9

From 6 April 2016 most UK companies and LLPs are required to keep this new type of register among their statutory books. This is a register of individuals or legal entities that have significant control over the company or LLP. From 30 June 2016 those companies and LLPs must send this information annually to Companies House with their confirmation statement (which replaces the annual return) and on incorporation.

This is the major part of the “Transparency and Trust” aspects of the Small Business Enterprise and Employment Act 2015, intended to make the ownership or control arrangements of each UK company and LLP publicly available.

## Introduction

This note concentrates on PSC registers of companies. The requirements for LLPs are similar.

## Exempt UK companies

Not all UK companies are required to keep a PSC register. The following are exempt:

- companies which are issuers (**DTR5 issuers**) subject to Chapter 5 of the FCA's Disclosure and Transparency Rules; and
- companies which have voting shares admitted to trading on a non-UK EEA regulated market and other specified markets in Israel, Japan, Switzerland and the US.

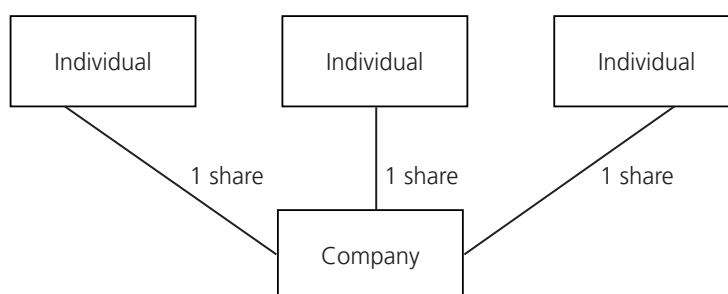
Those companies are all exempt from having to keep a PSC register because they are subject to other rules that require them to disclose their owners/controllers.

## Who or what must be entered in the PSC register? the five conditions for “significant control”

The PSC register of a company contains particulars of each individual or **legal entity** - a corporate body or firm that is a legal person - who or which meets one or more of the following conditions for significant control in relation to the company:

- directly or indirectly holds more than 25% of the shares (**condition 1**);
- directly or indirectly holds more than 25% of the voting rights (**condition 2**);
- directly or indirectly holds the right to appoint or remove a majority of the directors (**condition 3**);
- has the right to exercise, or actually exercises, significant influence or control over the company (**condition 4**); or
- has the right to exercise, or actually exercises, significant influence or control over the activities of a trust or firm, which is not a legal entity, but of which the trustees or members would themselves meet any of conditions 1 to 4 in relation to the company (**condition 5**).

For **example**, if a company has three individual shareholders directly holding equal numbers of its shares, particulars of each of them must be entered in the company's PSC register.



## "Holding shares or rights indirectly", "majority stake", "through"

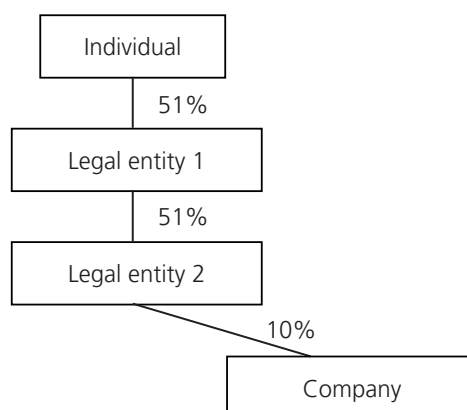
For these purposes, an individual or legal entity **holds a share or right indirectly** if he/she/it has a "majority stake" in a legal entity which directly holds the share or right in question or which is part of a chain in which each legal entity (other than the last legal entity which directly holds the share or right in question) has a majority stake in the next.

**Majority stake** has a similar meaning to the "parent undertaking" and "subsidiary undertaking" relationship of section 1162 Companies Act 2006.

The individual or legal entity with the indirect majority stake holding is said to hold the share or right **through** the legal entity or entities in the chain.

In the following **example**, the individual is said to hold indirectly 10% of the shares of the company through the legal entities. Legal entity 1 holds indirectly 10% of the shares of the company through legal entity 2.

In this example neither the individual nor either of the legal entities has significant control of the company (because their holdings are not more than 25%) and so, assuming there is no other individual or legal entity with significant control of the company, the company's PSC register will or should contain wording to that effect (using the official wording explained below).



## Registrable or non-registrable?

To have his/her particulars in a company's PSC register, the individual with significant control must be "registrable" in relation to the company.

Such registrable individual for these purposes is defined in the legislation as a **registrable person**. In this context "person" applies to an individual and not to a "legal entity".

To have its particulars in a company's PSC register, the legal entity must be a "relevant legal entity" and it must also be "registrable" (an **RRLE**) in relation to the company.

We describe below what makes an individual or legal entity registrable in relation to a particular company.

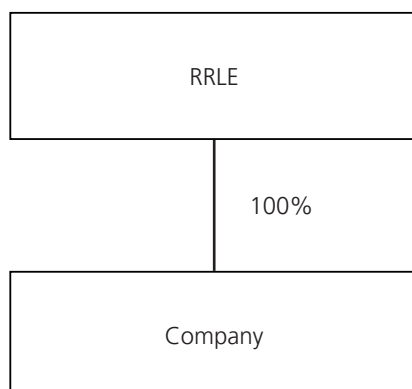
## Legal entities with significant control, relevant, registrable

A **relevant legal entity** in relation to a company is a legal entity that not only has significant control of the company but also is itself subject to these or similar disclosure requirements in that:

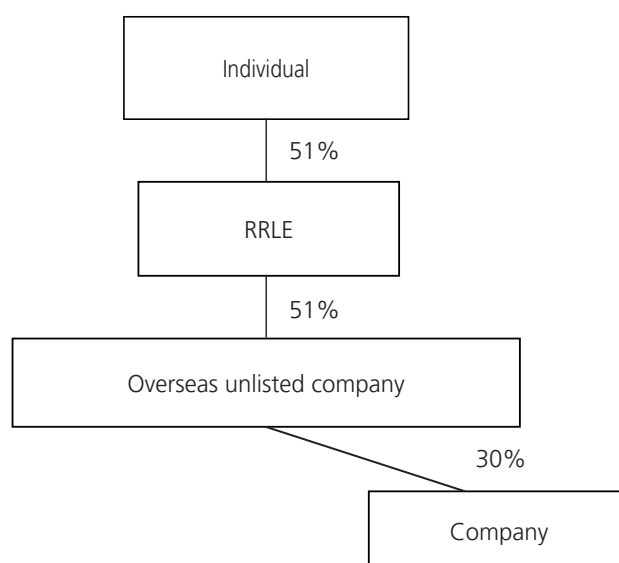
- it is a UK company or LLP;
- it is a DTR5 issuer (essentially an AIM or Main Market company); or
- it has voting shares admitted to trading on a non-UK EEA regulated market and other specified markets in Israel, Japan, Switzerland and the US.

A relevant legal entity is **registrable** in relation to a company if it is the first relevant legal entity in the company's indirect majority stake holding chain.

An **example** of an RRLE is the company's immediate UK holding company.



In the following **example**, the first legal entity in the chain has significant control of the company but it is not a **relevant** legal entity because it is an overseas unlisted company. The next legal entity is a UK private company and has significant control over the company by its indirect majority stake holding in the company, so it is a relevant legal entity in relation to the company. By being the first relevant legal entity in the chain it is an RRLE and its particulars are entered in the company's PSC register:



## Registrable or non-registrable individual with significant control

Even where there is an individual with significant control at the end of the company's indirect majority stake holding chain, if (as in the above **example**) the chain includes at least one relevant legal entity, the particulars of that individual must not be entered in the company's PSC register. The individual in that case is **non-registrable** in relation to the company.

Only the particulars of the RRLE in relation to the company must be entered in the company's PSC register. The individual with significant control is **registrable** in relation to the company, and its particulars must be entered in the company's PSC register, if there is no relevant legal entity in the indirect majority stake holding chain between the individual and the company, or if there is no chain and the individual has direct significant control.

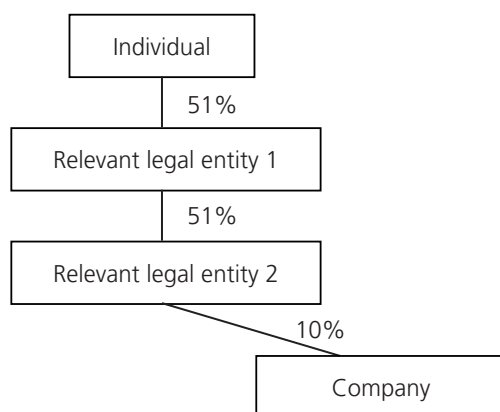
In the above **example**, the particulars of the individual must be entered in the RRLE's PSC register as it is registrable in relation to the RRLE.

## Chain of PSC registers

This regime can create a chain of PSC registers in groups of companies.

In the following **example** the individual has significant control of the company through two relevant legal entities in the indirect majority stake holding chain. His/her particulars must not be entered in the company's PSC register, or the PSC register of legal entity 2, but must be entered in the PSC register of relevant legal entity 1. He/she is registrable in relation to relevant legal entity 1.

The particulars of relevant legal entity 1 must be entered in the PSC register of relevant legal entity 2, because relevant legal entity 1 is an RRLE in relation to relevant legal entity 2. And the particulars of relevant legal entity 2 must be entered in the company's PSC register, because relevant legal entity 2 is an RRLE in relation to the company.



This system of registrable and non-registrable individuals with significant control and relevant legal entities prevents duplication as otherwise all the PSC registers in an indirect majority stake holding significant control chain would contain the details of all those above it in the chain.

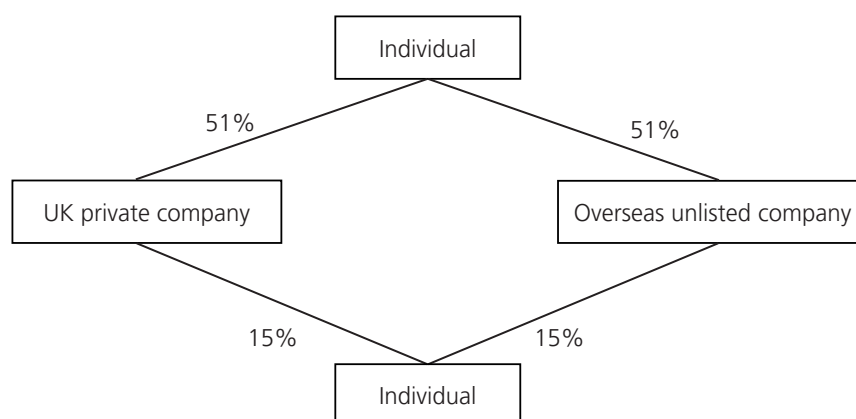
To find out who or what, if any, the ultimate individual with significant control is in relation to a company that is part of a chain, you'd have to search in the PSC registers of each of the relevant legal entities in the chain.

## Another illustration

In the **example** below, the individual has significant control of the company through the two legal entities, because the total of its indirect holding in the company is more than 25%. The particulars of the individual will be entered in the company's PSC, because there is no relevant legal entity in relation to it.

Neither of the legal entities is a relevant legal entity in relation to the company because its holding in the company is less than 25%. So their particulars will not be entered in the company's PSC register. (The overseas unlisted company is also not one of the types of companies listed above that qualify it as a relevant legal entity.)

The particulars of the individual will also be entered in the PSC register of the UK private company, because the UK private company is required to keep a PSC register and the individual has direct significant control of it.



## Meaning of significant influence or control

As to what is “significant influence” or “control” for the purposes of conditions 4 and 5, the draft Government statutory guidance gives a non-exhaustive explanation. What is clear is that if a person tries to avoid being a registrable person or RRLE by setting up a complex structure of legal entities that does not meet conditions 1 to 3, he/she/it may well be caught under either of conditions 4 or 5 because of the wide meaning of those expressions.

## Is that it? 'fraid not

In most of our above examples and illustrations, the relevant PSC register contains the particulars of only one registrable person or RRLE. A PSC register could however contain entries for more than one registrable person or RRLE, depending on the shareholding or control structure of the company.

In addition, the presence of a trust or firm (such as a limited partnership) in the company’s shareholding or control structure introduces more questions as to who or what is registrable in relation to the company.

## What must the company do?

- The company must take **reasonable steps** to find out if there is anyone who or which is a registrable person or RRLE in relation to it, and identify him/her/it.

It must send a notice to anyone whom it knows or has reasonable cause to believe to be a registrable person or an RRLE in relation to it and ask them to supply and/or confirm their particulars.

If a legal entity that is not a relevant legal entity (such as an overseas unlisted company) has significant control by its direct holding in the company, the company must investigate the shareholding/control chain of that



legal entity to see if there is a person with a majority stake in it (or further up the majority stake chain) who or which would be either a registrable person or an RRLE in relation to the company.

“Reasonable steps” may include the company taking enforcement action by freezing its shares, as mentioned below.

The company does not have to take steps or give notice if it has already been informed of the registrable person’s or RRLE’s status and has been supplied with all his/her/its required particulars and, in the case of the individual, that information and particulars were provided by him/her or with his/her knowledge.

- The company must **record** the “required particulars” of any registrable person or RRLE in relation to it in its PSC register... ..but only after the individual’s particulars have been confirmed by the individual or with his/her knowledge; or in the case of an RRLE once the company becomes aware of its status as such.

Where for some reason the required particulars cannot be provided, certain other statements will need to be made in the PSC register, explaining why the information is not available, using the “official wording” (explained below). The PSC register can never be blank

- From 30 June 2016 onwards, the company must provide all this information to Companies House as part of its annual confirmation statement (formally the annual return) and on incorporation.

## Register to be kept available for public inspection

Similar to a company’s register of members, from 6 April 2016, a company’s PSC register must be kept available for inspection by any person without charge at its registered office or single alternative inspection location (SAIL). Anyone may request a copy of the register for which the company may charge a fee of £12.

## If the company has a SAIL

If the company is to keep its PSC register at its SAIL, perhaps with its other statutory books, it must file the Companies House form AD03 within 14 days. Existing companies must do this between 6 and 20 April 2016.

## Required particulars

The required particulars of an individual that must be confirmed and entered in the PSC register are:

- name; date of birth; nationality; service address;
- country, state or part of the UK where he/she usually lives;
- usual residential address (protected, not publicly available);
- the date he/she became a registrable person in relation to the company (for existing companies this is 6 April 2016);
- which conditions for being a registrable person are met:
  - for conditions 1 and 2 this must include the level of their shares and voting rights, within the following categories:
    - over 25% up to and including 50%;
    - more than 50% and less than 75%; or
    - 75% or more.

- The company is only required to identify whether a registrable person meets condition 4 if he/she does not exercise control through any of conditions 1 to 3; and
- whether an application has been made for his/her information to be protected from public disclosure (on the grounds that he/she may be at risk of violence or intimidation as a result of being on the register).

The required particulars of a RRLE are similar but do not include protected information to be kept from public view.

## Official wording for the PSC register entries

The required particulars must be entered in the PSC register using the prescribed official wording. There is also official wording which must be used for a company having no registrable person or RRLE, and for the progressive stages of a company's investigation as to its registrable persons or RRLEs.

All entries must be dated. For companies this official wording is set out in The Register of People with Significant Control Regulations 2016 and the Government's PSC guidance for companies, LLPs, and SEs.

## Duty to inform the company

Registrable persons and RRLEs must notify the company of their status and provide their required particulars if they are not in the company's PSC register or if they have not received a notice from the company.

## What if we don't comply?

- **Criminal offences**

This regime imposes criminal sanctions on persons (both individuals and legal entities) who do not discharge their statutory duties and on the directors and secretaries of companies, designated members of LLPs and officers of legal entities in default.

- **Freezing shares**

Companies have rights to impose restrictions on shares or rights held by a person who does not respond to the company's notices, after implementing enforcement procedures involving serving "warning" and "restrictions" notices.

## Statutory regime:

- Part 21A and schedule 1A and 1B Companies Act 2006
- The Register of People with Significant Control Regulations 2016
- The Limited Liability Partnerships (Register of People with Significant Control) Regulations 2016

## Future changes

We expect this PSC regime to be amended slightly with the implementation next year of the Fourth Money Laundering Directive. These changes are still at the discussion stage.

## Guidance

Government guidance is available on this page:

[PSC requirements for companies and limited liability partnerships](#)

## Contact details

If you would like any more information about these matters or any other aspect of corporate law, please contact your usual Lewis Silkin contact or



**Nicola Mallett**  
Practice Development Lawyer  
  
+44 207 074 8082  
[nicola.mallett@lewissilkin.com](mailto:nicola.mallett@lewissilkin.com)

**Lewis Silkin LLP**  
5 Chancery Lane  
Clifford's Inn  
London EC4A 1BL

T: +44 (0)20 7074 8000  
F: +44 (0)20 7864 1200  
E: [info@lewissilkin.com](mailto:info@lewissilkin.com)

[www.lewissilkin.com](http://www.lewissilkin.com)

This publication provides general guidance only and should not be treated as advice. Expert advice should be sought in relation to particular circumstances. Please let us know by email ([info@lewissilkin.com](mailto:info@lewissilkin.com)) if you would prefer not to receive this type of information or wish to alter the contact details we hold for you.

Lewis Silkin LLP is a limited liability partnership registered in England and Wales. Registered No. OC317120. Registered office: 5 Chancery Lane, Clifford's Inn, London EC4A 1BL. Authorised and regulated by the Solicitors Regulation Authority. A list of the members of Lewis Silkin LLP is open to inspection at the registered office. Any reference to a partner in relation to Lewis Silkin LLP is to a member of Lewis Silkin LLP, or to an employee or consultant with equivalent qualifications and standing.