

# Review of Limited Partnership Law: call for evidence - response form

The call for evidence is available at:

[www.gov.uk/government/consultations/review-of-limited-partnership-law-call-for-evidence](http://www.gov.uk/government/consultations/review-of-limited-partnership-law-call-for-evidence)

The closing date for responses is **17 March 2017**.

Please return completed forms to:

Elayne Carr

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Please be aware that we intend to publish all responses to this Call for Evidence.

Information provided in response to this consultation, including personal information, may be subject to publication or release to other parties or to disclosure in accordance with the access to information regimes. Please see section 4 of the consultation for further information.

If you want information, including personal data, that you provide to be treated as confidential, please explain to us below why you regard the information you have provided as confidential. If we receive a request for disclosure of the information, we shall take full account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on the department.

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## Questions

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Please select which best describes you or your organisation:

	<b>Respondent type</b>
<input type="checkbox"/>	Business representative organisation/trade body
<input type="checkbox"/>	Central government
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<input type="checkbox"/>	Individual
<input type="checkbox"/>	Large business (over 250 staff)
<input type="checkbox"/>	Legal representative
<input type="checkbox"/>	Local government
<input type="checkbox"/>	Medium business (50 to 250 staff)
<input type="checkbox"/>	Micro business (up to 9 staff)
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<input type="checkbox"/>	Other (please describe) <a href="#">Click here to enter text.</a>

1. Does the significant increase in Limited Partnerships registered in Scotland bring a similar increase in economic benefit to Scotland?

We would be very grateful for the details of the nature of that benefit.

Currently when SLPs are registered, those forming them are required to list the “general nature of the partnership business”. The responses to this are often short and give no insight into their actual activities. For example, Portvilla Trading LP’s incorporation documents state that it carries out “International trade and investment”.<sup>1</sup> However, it was recently at the centre of major corruption investigation undertaken by the Ukrainian Anti-Corruption Bureau into an aircraft export deal with Kazakhstan’s National Security Committee<sup>2</sup>. It is alleged that fictitious payments were made to the Latvian bank accounts of Portvilla Trading LP for sham ‘intermediary services’, skimming a total of £1.5 million from the \$59 million deal.

Another obstacle to estimating the economic benefits to Scotland is that most SLPs do not have partners with a UK connection. Of all the SLPs registered in 2016, just 251 (5 per cent) have a partner that is a natural person.<sup>3</sup> Due to the lack of information partners have to submit as part of the registration process, we are unable to say with any degree of certainty whether or not these individuals are based in the UK. Of the remaining corporate partners for 2016 SLP registrations, only two per cent (105) were incorporated in the UK.<sup>4</sup>

Our research has found evidence that SLPs could be becoming a popular choice for those seeking to launder money. This represents a significant reputational risk to both Scotland and the UK’s financial services sector.

2. Do you have examples, or specific evidence of why Limited Partnerships registered in Scotland have become more popular in the last 5 years than those Limited Partnerships registered in England, Wales and Northern Ireland?

Our current working hypothesis is that the significant increase in SLP registrations relative to other types of UK limited partnerships could be an example of ‘displacement’ in action. By this we mean those seeking opacity to carry out their activities may have migrated over to SLPs in response to policy and legislative changes elsewhere that increased the transparency of other UK legal entities.

We note that the significant increase in SLP registrations occurred not long after the commencement of Section 155 of the Companies Act 2006 in October 2008, which required that all UK companies must have at least one director that is a natural person. When the prohibition of corporate directors was under consideration, a decision was made that corporate members in partnerships would not be subject to these changes. As SLPs could still be controlled by corporate partners, providing higher levels of anonymity, this could have triggered an increase in their popularity (See Chart 1). Despite these initial conclusions we are

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<sup>1</sup> <https://beta.companieshouse.gov.uk/company/SL010934/filing-history> [Accessed 9 March 2017]

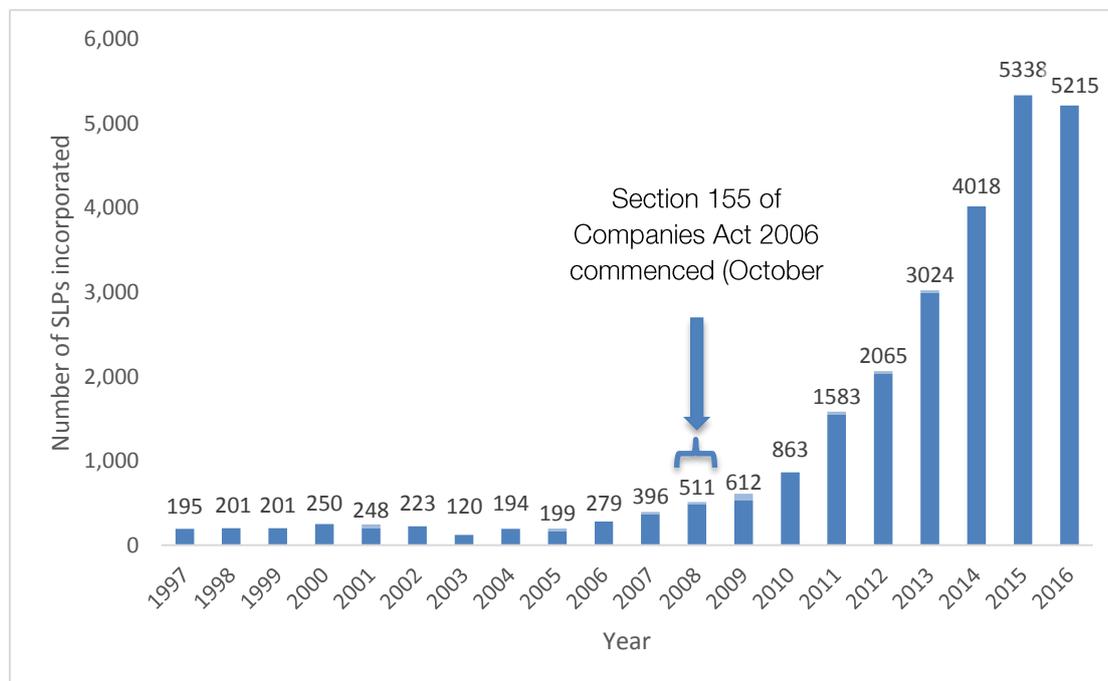
<sup>2</sup> [http://www.heraldscotland.com/news/15052523.Scots\\_firm\\_named\\_in\\_Ukraine\\_arms\\_deal\\_corruption\\_probe/](http://www.heraldscotland.com/news/15052523.Scots_firm_named_in_Ukraine_arms_deal_corruption_probe/) [Accessed 14 March 2017]

<sup>3</sup> We note the figure may be slightly higher because we have not included natural persons in SLPs where there a more than one limited partner; however, at most this would only include another 46 SLPs in the figures mentioned above.

<sup>4</sup> This is based on what information we were able to find from the incorporation documents themselves and other records on Companies House about these entities.

looking to undertake more in-depth research into this area and would be happy to engage UK Government officials in this process.

**Chart 1: Scottish Limited Partnership incorporations (1997 to 2016)**



In addition to this, there are a number of other features which make the SLP attractive to those looking to conceal their identities and evade scrutiny. These may help explain the increased use of SLPs.

### Separate Legal Personality

Unlike limited partnerships registered elsewhere in the UK, the SLP is a legal person in its own right, like a company. This means the SLP itself has certain rights and obligations – it can hold property, enter into contracts, be a debtor or creditor and sue or be sued – and do so in the name of the partnership and not its partners. This enables the laundering of significant amounts of money through incurring fake debts and participating in ‘sham litigation’.<sup>5</sup>

It also acts as an initial layer of secrecy by leaving only the name of the SLP – not the partners – on any associated paperwork or reports on their activities. This can be useful where the underlying partners are based in jurisdictions that are the subject of ‘deoffshorisation’ policies. De-offshorisation laws have recently been introduced in Russia to help restrict the use of opaque offshore structures that could be used to conceal the identity of Russian residents.<sup>6</sup> For an example of how they are advertised, see Figure 1 below.

<sup>5</sup> For examples and more information on sham litigation, see FATF, *Money Laundering and Terrorist Financing Vulnerabilities of Legal Professionals* (June 2013) pp.69-70 <http://www.fatf-gafi.org/media/fatf/documents/reports/ML%20and%20TF%20vulnerabilities%20legal%20professionals.pdf>

<sup>6</sup> International Monetary Fund (IMF), *Russian Federation: Financial Sector Assessment Program Technical Note—Anti-Money Laundering and Combating the Financing of Terrorism* (September 2016) p.13 <https://www.imf.org/external/pubs/ft/scr/2016/cr16305.pdf>

**Figure 1: Example of how Scottish Limited Partnerships are being advertised internationally (translated from Russian)**

The screenshot shows the Nexus Financial Consulting website. At the top left is the logo 'Nexus SINCE 1991 FINANCIAL CONSULTING'. To the right, contact information includes 'Str. Vladimirskaia 11, office 6' and '+380 (44) 585-29-89'. A search bar contains the text 'Поиск по сайту...'. Below the header is a navigation menu with buttons for 'Importers', 'exporters', 'Internet business', 'Intellectual property rights', 'Investments', 'The property', 'Boats and planes', and 'asset protection'. The main content area is divided into three columns:

- services**: A list of services including Tax planning (Offshore companies, Recovery companies, Multiple agency scheme, British company with the English face, Reorganization of UK companies and partnerships LTD LLP, Cyprus company IP-box, Eastern midshory, Loans "Back-to-Back", Special offers), asset protection (Trusts, Private foundations), and Investments (index funds).
- Scotland - SLP Partnership**: Features the Scottish flag and the Royal Coat of Arms. Text reads: 'The unique instrument of international tax planning. British British image without taxes and almost no accountability.' Below this, it states: 'For tax planning purposes, Scotland is attractive due to the special form of business organization - Scottish Limited Partnership (Limited is the Scottish Partnership About - the SLP) . Subject to a number of simple conditions of this partnership is completely exempt from tax. Respectability Scotland SLP can be used as an alternative to traditional offshore companies doing business with the State conducting an aggressive anti-offshore policy.'
- Offshore companies**: A list of jurisdictions including Bahamas (IBC), Belize (IBC), Bulgaria (DTE), British Virgin Islands (BC), UK (LTD), United Kingdom (LLP), Hungary (KFT), Gibraltar (LTD), Hong Kong (LTD), Ireland (LP), Canada (LTD), Cyprus (LTD), Liechtenstein (AG), Mauritius (GBC-II), Maine (LTD), and Nevis (LLC).

### No natural persons required

Similar to other types of UK limited partnership, partners in SLPs can be natural persons or a 'body corporate' in any jurisdiction in the world, and all the partners can be body corporates. However, other than LLPs, there is currently no other type of UK legal entity that has a separate legal personality and allows both partners to be offshore companies.

The ability to have two offshore corporate partners gives SLPs the second layer of opacity, as these can include companies based in secrecy jurisdictions like the BVI, Belize and Seychelles, where information about the directors, shareholders and beneficial owners are not publicly available. This means that SLPs can be used as a front to hide who is really controlling the partnership.

We examined a sample of SLPs to see how many of them were being set-up in a way that would effectively make them a UK front for anonymous companies registered in secrecy havens. This shows the potential scale of their abuse by money launderers, who have used this type of corporate structure in recent cases.

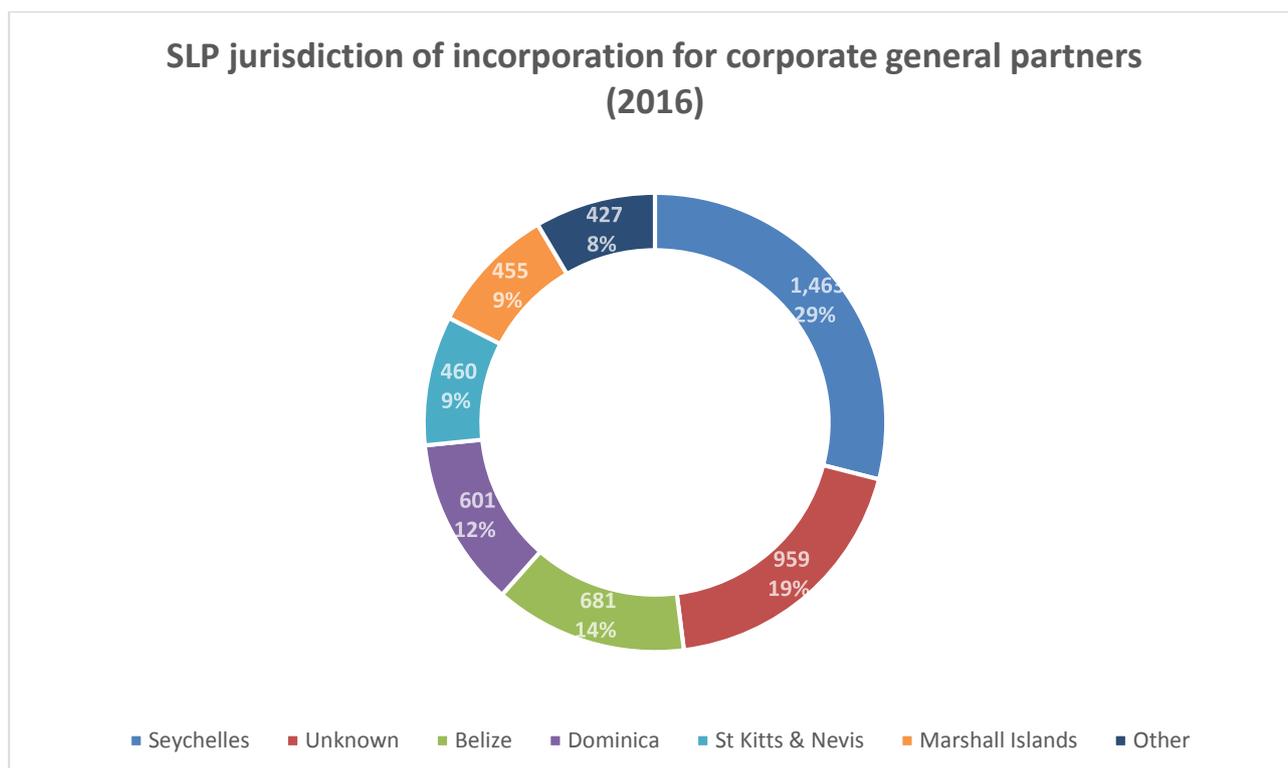
To do this Bellingcat went through the incorporation documents of all 5,215 SLPs incorporated in 2016. Although it would have been preferable to examine the general and limited partners of all SLPs, this information is not published as open data, so Bellingcat had to go through the incorporation documents manually to find out who they were. In addition, the incorporation documents prior to 2016 are not consistently published online, so Bellingcat could not easily access them for this research.

Based on our analysis of the documents from 2016, 4,918 (94 per cent) SLPs had both corporate general and limited partners. The overwhelming majority of SLPs had no UK-based partner, with 71 per cent (3,677)

of them having both corporate general and limited partners based in secrecy jurisdictions.<sup>7</sup> There were only 271 (5 per cent) who had corporate general partners registered in the UK during the same period.

Based on the information available, the most popular jurisdiction for corporate general partners was the Seychelles, followed by Belize and Dominica (see Chart 2). Although these jurisdictions are not large financial centres like the BVI and Cayman Islands, there are seen as crucial links in complex money laundering schemes that help hide the origin and beneficiaries of corrupt wealth.<sup>8</sup>

**Chart 1: SLP General Partner by jurisdiction (2016)**



### Very few registration requirements

For almost a fifth (19 per cent) of SLPs registered in 2016, Bellingcat were unable to ascertain where their corporate general partners were incorporated. These details are really important for identifying the corporate partners on other company registries (if they are made public), which helps financial investigators map out potentially illicit networks.

Where natural persons, rather than companies, were listed as partners, it became even more difficult to establish the underlying ownership. Unlike LLPs, whose partners' month and year of birth are provided, SLPs only include the name of the partner, which is not sufficient to help verify their identity with a high level of confidence.

<sup>7</sup> Where the name of a corporate partner for an SLP matched the name of an identically-named corporate partner for an LLP, we have assumed they are the same entity. In a large number of instances, the documentation for both types of entity includes the details of identically-named individuals, which gives us a high level of confidence that these are the same corporate entities.

<sup>8</sup> <https://www.icij.org/offshore/sun-and-shadows-how-island-paradise-became-haven-dirty-money> [Accessed 10 February 2017]

## Little or no reporting requirements

Aside from notifying Companies House when there is a change in the name of the partnership or in its partners, SLPs can have no other reporting requirements. Unless the general partners of an SLP are a UK limited company, they do not need to send accounts to Companies House.<sup>9</sup> Based on the data Bellingcat collected, only 2 per cent (105) of SLPs will have been required to submit accounts in 2016.<sup>10</sup> The International Monetary Fund has highlighted this opacity as an issue, which makes the SLPs a higher money laundering risk.<sup>11</sup>

## Avoidance of tax authorities

SLPs are considered 'tax transparent', which means each partner (rather than the SLP itself) is liable for tax on any profits arising from trade in the UK. If the partners are non-UK resident, any profits will be taxed (or not) according to the regime of their home country. If the partners are non-UK resident and there are no trading profits in the UK then there is no UK tax to pay. What this means is that for SLPs with offshore partners, there is no need to file tax returns with HM Revenue and Customs (HMRC) and, crucially, no interaction with UK authorities who might identify illicit activity.

### 3. What forms of economic activity or sectors of the economy make the most use of those Limited Partnerships registered in Scotland?

As discussed in the answer to Question 1, the limited information available through registration forms makes it difficult to identify how SLPs are being used. SLPs and other partnerships can facilitate a wide range of activities from farming to venture capital. However, they have recently become more synonymous with corruption, tax evasion and organised crime, including e-commerce scams and the distribution of child pornography.<sup>12</sup> This is due to a number of features they possess which makes them appealing to money launderers as described in response to Question 2.

There have been a number of high-profile examples where SLPs have been used in cases of money laundering linked to high-level corruption, including some of the largest corruption scandals in recent history.

An investigation by the European Stability Initiative has identified two SLPs – Hilux Services LP and Polux Management – which are alleged to have been used as conduits for bribes totalling EUR 1.89 million to a senior European politician. According to documents from the Milan public prosecutor's office, the payments were made to Luca Volontè, former Italian politician and president of the European People's Party (EPP) in the Council of Europe (CoE).<sup>13</sup> They are reported to have been made by an Azeri diplomat as a reward for Volontè's role in successfully lobbying other CoE members to reject a report that was highly

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<sup>9</sup> [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/395989/limited-partnership-act-gpo2.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/395989/limited-partnership-act-gpo2.pdf) [Accessed 1 February 2016]

<sup>10</sup> This is based on those who had a general partner registered in the UK with "limited" or "ltd" as a suffix.

<sup>11</sup> IMF, *United Kingdom: Financial Sector Assessment Program: Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT)—Technical Note* (June 2016) p.22

<https://www.imf.org/external/pubs/ft/scr/2016/cr16165.pdf>

<sup>12</sup>

[http://www.heraldscotland.com/news/14623297.Fears\\_grow\\_over\\_Scottish\\_firms\\_used\\_for\\_money\\_laundering\\_in\\_former\\_Soviet\\_Union/](http://www.heraldscotland.com/news/14623297.Fears_grow_over_Scottish_firms_used_for_money_laundering_in_former_Soviet_Union/) [Accessed 13 march 2017]

<sup>13</sup> European Stability Initiative, *The European Swamp* (December 2016) p.12

critical of Azerbaijan's human rights record on 23 January 2013.<sup>14</sup> The allegations are currently being investigated by the Milan public prosecutor's office.

A leaked audit report into the 'Great Moldovan Bank Robbery' scandal shows how up to 20 SLPs were amongst 50 UK legal entities used in the 2014 theft of \$1 billion from three Moldovan banks.<sup>15</sup> This scandal cost Moldova an eighth of its GDP.

SLPs are marketed overseas as a 'respectable' way in which to move funds which doesn't involve the direct use of companies based in 'secrecy havens' like the British Virgin Islands, Seychelles or Belize.<sup>16</sup> Other examples of how they are marketed abroad can be found via the following links:

<https://www.company-creation.pt/uma-empresa-offshore/criacao-de-sociedade-offshore-na-escocia/>

<http://www.ibcccompanyformations.com/it/europa/europa-2/formazione-compagnia-scozia/>

<https://offshorewealth.info/offshore-company-formation/difference-between-uk-llp-and-scottish-lp/>

#### 4. What could the UK government do to reduce the potential of Limited Partnerships registered in Scotland being used as an enabler of criminal activity, whilst retaining some or all of the aspects of Scottish Limited Partnership structures which are beneficial?

In addition to the proposals mentioned in other sections, the UK Government should adopt the following recommendations. Because of the inter-related nature of the issues identified, these recommendations should be adopted as a package, not piecemeal.

##### **Recommendation: Extend corporate beneficial ownership transparency to SLPs**

To increase transparency about who controls SLPs and deter their use in money laundering schemes, the UK Government should legislate to bring SLPs within the scope of the Persons of Significant Control (PSC) register as part of its transposition of the EU's Fourth Money Laundering Directive (4MLD).

##### **Recommendation: Validate all initial filings for SLPs under the new rules**

To ensure the integrity of the PSC register, Companies House should undertake a thorough verification exercise to ensure there is confidence that the information submitted during SLPs' transition to the new rules is accurate.

A similar approach was taken in the preparatory work<sup>17</sup> undertaken by Companies House ahead of the implementation of measures to abolish the use of bearer shares.<sup>18</sup> In order to identify 1,300 companies as having bearer shares, Companies House inspected data relating to 75,000 companies and 5,000 director

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<sup>14</sup> <http://assembly.coe.int/nw/xml/News/FeaturesManager-View-EN.asp?ID=1060> [Accessed 17 February 2017]

<sup>15</sup> [http://candu.md/files/doc/Kroll\\_Project%20Tenor\\_Candu\\_02.04.15.pdf](http://candu.md/files/doc/Kroll_Project%20Tenor_Candu_02.04.15.pdf) [Accessed 24 February 2017]

<sup>16</sup> Secrecy havens – jurisdictions where the authorities do not publish information on the true owners of the companies based there.

<sup>17</sup> See page 5 of [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/540443/AnnualReport\\_201516.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/540443/AnnualReport_201516.pdf) [Accessed 30 January 2017]

<sup>18</sup> Where the name of the holder of a share is not on a physical certificate, ownership is concealed and can be transferred without documentation.

appointments. It then worked closely with these firms to ensure that bearer shares were removed. A similar integrity project could be employed for the SLP population when moving it into the PSC regime.

#### **Recommendation: Prohibit the use of corporate partners in most circumstances**

To reduce the risk of being used to facilitate illicit activity, the UK Government should, in most circumstances, prohibit the use of corporate partners where a UK legal entity has a separate legal personality.

#### **5. We would like to know whether this basic information requested at the time of registration should be enhanced and if so what additional information might be useful and why?**

As discussed in section 2 above, our research has shown that, unless it is recorded elsewhere on another corporate register, it is very difficult to identify the geographical location of corporate general and limited partners for SLPs. For natural persons who are partners, this information is almost impossible unless they have stated it voluntarily on the application form for incorporation. This is because it is not currently a legal requirement and very few partners report this information. Having an address for the partners is helpful for financial investigators seeking to confirm the identity of a particular individual or legal entity and could help provide another form of deterrent against potential abuse of SLPs. This should not be burdensome for those filling out the application form and would mirror the requirements already in place for LLPs.

#### **Recommendation: Require more information about SLP partners**

To help deter their use in money laundering schemes and increase their transparency, the UK Government should introduce a requirement for the general and limited partners of SLPs to provide a correspondence address, as is the case for the officers of companies and Limited Liability Partnerships (LLPs).

In addition, there are two further issues that should be rectified to make this information more accessible.

Firstly, unlike LLPs and private and limited companies, details about SLPs' partners are not currently published as open data. This could be one of the reasons it has taken so long to identify the potential scale of their abuse. Our investigation took weeks to complete, involving trawling through thousands of documents and associated paperwork to identify key red flags for potential money laundering. Even then, Bellingcat were only able to do this for SLPs incorporated in 2016 because the relevant documentation before then is not consistently available.

Secondly, when Bellingcat were able to extract the details of SLPs' corporate partners, we could not easily identify their relationship with networks of other UK corporate entities because they did not have a unique identifier. Companies are usually provided with one when they are incorporated (all UK incorporated companies have a unique identifier), and now some jurisdictions have also started to introduce them for officers on company registers. This allows public users to easily identify how many companies a registered officer (or in this case, partner) is associated with.

The Global Witness and Open Corporates investigation into the multi-billion dollar jade industry in Myanmar demonstrates the value of introducing unique identifiers for natural persons – it proved essential

in substantiating information on links between individuals and companies during their research<sup>19</sup>. However, as in order to find potential networks in our research, we had to use third party software, such as the Investigative Dashboard, produced by the Organised Crime and Corruption Reporting Project (OCCRP)<sup>20</sup> and seek the support of volunteer data scientists.

**Recommendation: Introduce unique identifiers for directors and partners of UK legal entities, and publish this as open data**

To help increase the speed at which financial investigators can identify potentially suspicious corporate networks, Companies House should introduce ‘unique identifiers’ into the register as soon as possible for directors and partners of registered entities, and start publishing details of partners for UK partnerships, including SLPs, as open data.

**Should there be a requirement to update it at regular intervals?**

No comment

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<sup>19</sup> <https://medium.com/opencorporates/how-open-company-data-was-used-to-uncover-the-powerful-elite-benefiting-from-myanmar-s-multi-1ef35f88d6bd#.fhjvv9emj> [Accessed 1 February 2017]

<sup>20</sup> <https://investigativedashboard.org/> [Accessed 14 March 2017]

## 6. We would like to also consider what levels of transparency would be appropriate to Limited Partnerships, Private Fund Limited Partnerships and Limited Partnerships registered in Scotland?

### Scottish Limited Partnerships

TI-UK thinks it is proportionate to require beneficial ownership data from SLPs to be made public.

As mentioned above, one particular characteristic that makes them attractive for this purpose is the secrecy they offer. Our research has shown that many SLPs show characteristics that are symptomatic of money laundering. Both general and limited partners can be companies registered in secrecy havens, which in themselves can be used for money laundering. A World Bank study found that 70 per cent of over 200 corruption cases involved the use of anonymous shell companies to launder funds and conceal the true identity of corrupt politicians.<sup>21</sup>

Key to tackling these abuses is transparency over beneficial ownership to identify the real people behind these corporate vehicles. The absence of SLPs and LPs more generally from the UK's PSC register represents a vulnerability which money launderers have already abused and will continue to abuse if this gap is not closed.

Publishing beneficial ownership of SLPs would act as a deterrent for those seeking to use them to move illicit wealth as there would be a far greater chance of being caught. The benefits of making this data public are that as well as law enforcement having access to it, regulated professionals would be able to do better levels of due diligence on SLPs they deal with and the public would be able to scrutinise this information. This allows for the identification of potential money laundering with investigative journalists and civil society groups analysing the data. Public access also allows for identification of breaches of the PSC register as highlighted by Global Witness' data dive.<sup>22</sup>

### Limited Partnerships

Whilst other limited partnerships (LPs) in the UK do not have separate legal personalities like SLPs, they do share a number of characteristics which could make them appealing to those looking to launder illicit wealth. One of these features is the ability to have corporate entities as general and limited partners, meaning they can be controlled by anonymous companies.

The audit report looking into the Moldovan bank scandal identified 50 UK corporate entities involved in laundering embezzled funds. One of the entities named is a Northern Irish limited partnership, Jasterport LP. If other forms of LP were not included on the PSC register this would leave a loophole which those seeking to launder corrupt wealth could take advantage of.

### Private Fund Limited Partnerships

Private Fund Limited Partnerships (PFLP) – a new form of collective investment scheme being considered by the UK Parliament – could present another type of UK legal entity vulnerable to abuse by money launderers. PFLPs are intentionally designed to be 'light-touch' and provide flexibility for legitimate investors who have traditionally used other forms of partnerships, such as SLPs, to manage investment

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<sup>21</sup> Transparency International UK, *Corruption on your doorstep: How Corrupt Capital is Used to Buy Property in the UK (2015)* p.5 <http://www.transparency.org.uk/publications/corruption-on-your-doorstep/>

<sup>22</sup> <https://www.globalwitness.org/en/blog/what-does-uk-beneficial-ownership-data-show-us/> [Accessed 9 March 2017]

funds. All that is required for registration as a PFLP, or for conversion from a SLP to PFLP, is written confirmation from the general partner that it meets the conditions of a private fund.<sup>23</sup> PFLPs are not included within the proposals to extend the coverage of the PSC register.

Given the SLP's vulnerabilities we have identified in this report, there appears to be a risk that PFLPs could also be exploited by money launderers if adequate safeguards are not included in their design. HM Treasury had considered requiring solicitors to certify that PFLPs are a collective investment scheme, which could have acted as a safeguard against potential abuse, however this was dropped in response to concerns from stakeholders that this approach would be too burdensome.

**7. What are the costs of registering a Limited Partnership /Scottish Limited Partnership under the current regime?**

No comment.

**8. What would the costs be of enhancing the regime to include more transparency requirements - for example annual reporting of accounts, re-confirming identities of partners or principal place of business?**

No comment.

**9. Do you have any evidence that increased regulatory requirements would have an adverse effect on legitimate use of Limited Partnerships registered in England, Wales, Northern Ireland and Scotland?**

No comment.

**10. We would welcome views on whether this level of transparency is adequate for Limited Partnerships, Private Fund Limited Partnerships and Limited registered in Scotland.**

One of the key advertised benefits of SLPs is that they provide the veneer of respectability associated with a UK corporate entity, whilst allowing their financial activity to be based elsewhere. Allowing this kind of abuse, and on the potential scale outlined in this report, could severely damage the credibility of UK legal entities abroad. Although more research needs to be done into the potential consequences and effectiveness of this measure, there is merit in investigating whether all SLPs and other UK incorporated legal entities should be required to hold a UK regulated bank account subject to AML rules.

**Recommendation: Consider requiring UK legal entities to have a UK bank account**

To ensure that their financial activities are overseen by the UK's anti-money laundering framework, the UK Government should consider making it a requirement for SLPs and other forms of UK legal entities to hold a UK bank account.

**11. Would this level of transparency have any adverse effects on Limited Partnerships or Limited Partnerships registered in Scotland, and if so, what might they be?**

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<sup>23</sup> HM Treasury, *Legislative Reform Order on the Limited Partnership Act: Explanatory document* (January 2017) p.4 [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/583873/LRO\\_january\\_2016\\_presentation\\_line.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/583873/LRO_january_2016_presentation_line.pdf)

No comment.

12. Given that formation agents are already subject to money laundering regulations, should there be any additional requirements placed on these entities?

If so, what should these be?

No comment.

13. Why is it important for a Limited Partnership or Limited Partnership registered in Scotland to be able to move all of its activities outside of the UK whilst still being governed by UK legislation?

No comment.

14. What benefit does a UK registered Limited Partnership or a Limited Partnership registered in Scotland bring to the UK if its Principle Place of Business and all of its activities are outside of the UK?

No comment.

15. What would be the impact of requiring a Limited Partnership or Limited Partnership registered in Scotland to maintain some form of presence within the UK at all times?

No comment.

16. We would also be interested in views on whether a Limited Partnership or a Limited Partnership registered in Scotland should be struck off the register if there are convictions against the partners or the entity for illegal activity.

Not comment.

17. The UK government would also welcome views on the real impact of striking off a legitimate Limited Partnership or Limited Partnership registered in Scotland without the knowledge of the partners and what could be done to mitigate any adverse impact.

No comment.

**Do you have any other comments that might aid the consultation process as a whole?**

Please use this space for any general comments that you may have, comments on the layout of this consultation would also be welcomed.

We found it difficult to construct a coherent narrative through this consultation because of the structure of the questions. It would have been more useful for your key points of interest/lines of inquiry to be outlined at the start, and then we could then shape our response to ensure this information was included in a more coherent response shaped around a more appropriate and logical structure.

Thank you for taking the time to let us have your views. We do not intend to acknowledge receipt of individual responses unless you tick the box below.

Please acknowledge this reply

At BEIS we carry out our research on many different topics and consultations. As your views are valuable to us, would it be okay if we were to contact you again from time to time either for research or to send through consultation documents?

Yes

No