

CONSULTATION SUBMISSION: REFORM OF UK LIMITED PARTNERSHIP LAW

Transparency International UK's submission to the Department for Business, Energy and Industrial Strategy's consultation on the reform of limited partnership law

The UK is a top destination for illicit finance, with the National Crime Agency (NCA) estimating that the scale of money laundering impacting the UK annually is in the hundreds of billions of pounds.¹ UK-registered companies have played a central role in this problem, facilitating dozens of schemes over the years amounting to tens of billions of pounds.

Research by Transparency International UK (TI-UK) has identified 766 UK corporate vehicles alleged to have been used in 52 large scale corruption and money laundering schemes worth around £80 billion.² Around half of these companies were based at just eight UK addresses, and a quarter were still shown as 'active' in the UK company register as of November 2017.

TI-UK welcomes the Government's consultation into the reform of UK limited partnership law, and makes the following headline recommendations.

KEY RECOMMENDATIONS

To prevent limited partnerships and other UK-registered companies being used to launder illicit wealth, the Government should:

1. Extend the 'failure to prevent' approach to corporate offending beyond bribery and tax evasion to other economic crimes including money laundering.
2. Create a credible deterrent to the use and sale of UK companies for money laundering through improved supervision of Trust and Company Service Providers (TCSPs) and more transparent enforcement of anti-money laundering failings.
3. Prohibit company formation agents that are not registered with a UK anti-money laundering supervisor from setting-up UK companies.
4. Consider prohibiting the use of corporate partners in most circumstances to ensure the integrity of the UK company and PSC register.
5. Empower Companies House to undertake due diligence on all company presenters and report suspicious activity to the National Crime Agency.

QUESTION 1. CAN YOU PROVIDE ANY ADDITIONAL EVIDENCE TO HELP EXPLAIN THE TRENDS IN REGISTRATIONS OF LIMITED PARTNERSHIPS ACROSS THE UK IN RECENT YEARS?

For those seeking to conceal and launder the proceeds of corruption, the role of the anonymous and untraceable legal entity is critical. These secretive entities – often based in offshore financial centres – provide little to no public information about who they are and who controls them. Although opaque corporate structures are often associated with far-flung jurisdictions halfway around the world, UK legal

¹ National Crime Agency, *National Strategic Assessment for Serious and Organised Crime* (2018) <http://www.nationalcrimeagency.gov.uk/publications/905-national-strategic-assessment-for-soc-2018/file> [Accessed 23 July 2018]

² Transparency International UK, *Hiding In Plain Sight: How UK Companies are used to Launder Corrupt Wealth* (November 2017) <http://www.transparency.org.uk/publications/hiding-in-plain-sight/#.W1XTQtVKhhE>

entities have also been used to help conceal the identities of their beneficiaries. One of these has been Scottish limited partnerships (SLPs), which up until July 2017 did not have to disclose their beneficial owners. We think this and some of their other characteristics made them particularly attractive for those engaged in financial crime:

- they can be controlled by opaque corporate partners based in secrecy jurisdictions, allowing their beneficiaries to hide behind a cloak of anonymity;
- they have a separate legal personality, which gives them the ability to enter into contracts, be a debtor or creditor and sue or be sued in the name of the partnership and not its partners (including sham litigation);³ and
- They have minimal reporting requirements, allowing them to undertake a range of economic activity with very little, if any, public footprint on Companies House.

As noted in the consultation document, SLPs have recently experienced an unusual rise in popularity. The number of registered SLPs rose by 23,625 (430 per cent) between 2007 and 2016. In one year alone (2016), more SLPs were registered (5,215) than in the century after they were introduced in 1907 (4,458). An overwhelming number of these SLPs are designed with an opaque ownership structure: according to research by investigative journalists Bellingcat, 71 per cent of SLPs incorporated in 2016 were controlled by companies registered in secrecy jurisdictions – a known indicator of money laundering risk.⁴

We have also found that offshore anonymous companies have been used regularly to obscure the real owners of other UK limited partnerships and limited liability partnerships (LLPs). The use of anonymous companies is favoured by money launderers because even basic details, such as their shareholders and directors, are not made public. This makes it almost impossible for businesses and customers to know who they are dealing with, and easier for money launderers to act with impunity.

Because of their money laundering risk, this kind of corporate structure has been prohibited in other areas of UK company law. Section 155 of the Companies Act 2006, commenced in October 2008, required that all UK private and limited companies must have at least one director that is a natural person. The UK Government has since consulted on banning corporate directors because of concerns surrounding their use in illicit activity, and there are prospective changes that would give effect to this.⁵

After the Section 155 requirement was introduced for private and limited companies, there was a significant increase in the number of SLPs being incorporated. Although more analysis needs to be done to examine this trend in more detail, it appears that this legislative change could have triggered a migration to SLPs amongst those looking to facilitate illicit activity. Since they were brought within the scope of the Persons of Significant Control (PSC) register the supply of SLPs by high-risk Trust and Company Service Providers (TCSPs) appears to have waned (see Case Study below). However, there remain key risks to the integrity of the PSC register by allowing UK entities to be controlled by offshore corporate entities.

The UK PSC register requires that a natural person or relevant legal entity is reported and made publicly available for UK entities with a separate legal personality. We have concerns that the PSC information for UK companies controlled by offshore secrecy vehicles is not verifiable because the details about their directors and shareholders are not made publicly available.

There are currently no equivalent PSC provisions for those without a separate legal personality, for example, English limited partnerships. For similar reasons to those mentioned above, we are also concerned that these entities can still be controlled by anonymous companies without any public information about their beneficiaries.

³ 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>

⁴ Transparency International UK: *Offshore In The UK: Analysing The Use Of Scottish Limited Partnerships In Corruption And Money Laundering* (June 2017) <http://www.transparency.org.uk/publications/offshore-in-the-uk/#.W1XNwtVKhhE>

⁵ TI-UK, *Offshore in the UK* (2017) <http://www.transparency.org.uk/publications/offshore-in-the-uk/#.W1XNwtVKhhE>

In order to ensure the integrity of the company and PSC registers, the UK Government should identify and implement measures that would provide a strong guarantee that the information being submitted is accurate and would reduce the risk of UK companies being used as shells for money laundering. This could include:

- **requiring that there is a direct and auditable link between the beneficial owner data for corporate partners controlling UK companies and PSC information submitted to Companies House,**
- **prohibiting the use of corporate partners unless they are a relevant legal entity, or**
- **prohibiting the use of corporate partners in most circumstances.**

UK company registration more generally may also be attractive to those seeking to launder illicit wealth due to the lack of due diligence carried out by Companies House on individuals seeking to form UK companies. 40 per cent of incorporations in 2016/17 were done directly through Companies House, which does not undertake background checks on customers. **To combat the risk of Companies House incorporating legal entities directly for money launderers, the UK Government should empower Companies House to carry out obligatory due diligence on those seeking to incorporate new companies, just as is currently the case for regulated TCSPs. This should include a responsibility to report suspicious activity to the UK's Financial Intelligence Unit, which is based in the National Crime Agency.**

Case Study: International Overseas Services (IOS) Group's ready-made companies

International Overseas Services (IOS) – an international TCSP – has formed a number of companies over the years which have gone on to be used in money laundering. Dublin-based company formation agent Philip Burwell – acting on behalf of IOS – formed a number of companies involved in major money laundering schemes.⁶ Loginex Projects LLP, which was formed by Burwell, was allegedly used in a scheme which resulted in almost £4 billion being stolen from BTA Bank in Kazakhstan.⁷

Using archived website data⁸ we have analysed IOS's stock of readymade companies from more than 20 jurisdictions, which includes SLPs and other forms of UK partnerships.⁹ This has provided insight into which corporate vehicles are being favoured by international TCSPs who have previous links to money laundering schemes. Our assessment is that introducing PSC requirements has reduced the attractiveness of SLPs to these agents whilst leading to a marginal increase in the formation and sale of other UK-based limited partnerships that are not subject to transparency requirements.

In May 2016 IOS had 324 ready-made companies for sale: 106 of these were SLPs – the most common corporate vehicle for sale on the site – whilst 17 were either English, Welsh or Northern Irish limited partnerships. The rest were legal entities from other jurisdictions.

On 6 July 2017 – two weeks after the Government announced that SLPs were being brought under the UK's PSC regime – 76 of the 245 companies on sale were SLPs – making them still the most popular vehicle on the site – whilst 37 non-Scottish UK-based limited partnerships were on sale.

Currently on the website of IOS there are 207 readymade companies from 27 jurisdictions: 90 of these are limited partnerships registered in England, Wales or Northern Ireland, 87 of which have been formed in the past year these have now overtaken SLPs as the most popular entity being sold on the site with just two SLPs currently for sale.

⁶ <https://www.irishtimes.com/business/financial-services/over-2-000-offshore-firms-set-up-from-home-in-ranelagh-dublin-1.1428114> [Accessed 16 July 2018]

⁷ <https://www.thegazette.co.uk/company/OC333793/filing-history/MzA4MTczODk3OWFkaXF6a2N4> [Accessed 16 July 2018]

⁸ <https://archive.org/web/> [Accessed 23 July 2018]

⁹ <https://ioserv.com/en/readymade/readymade/> [Accessed 23 July 2018]

QUESTION 2: DO YOU AGREE THAT PRESENTERS SHOULD BE REQUIRED TO DEMONSTRATE THEY ARE REGISTERED WITH AN AML SUPERVISORY BODY? PLEASE EXPLAIN YOUR ANSWER, AND PROVIDE EVIDENCE ON ITS POTENTIAL IMPACTS.

Yes. All TCSPs setting-up UK companies should be required to demonstrate that they are registered with a UK AML supervisor. Previous research by TI-UK has identified unregistered TCSPs as representing a major money laundering risk, operating without the knowledge of a money laundering supervisor and therefore without being subject to oversight or checks.¹⁰

The number of these TCSPs is unknown however we could find no identifiable money laundering supervisor for 33 of the 130 firms Companies House has authorised to use its electronic filing software. This indicates that many of these businesses are filing companies – possibly *en masse* – without the sector supervisors' knowledge. In response to an FOI request from TI-UK, Companies House said that applications to use electronic filing software do not take into account whether the firm has a money laundering supervisor.¹¹

Evidence shows that significant numbers of high-risk corporate vehicles are being formed by unregistered and unsupervised TCSPs. Analysis carried out by the Scottish Herald on a sample of 6,000 SLPs found around half had been created by TCSPs that were not registered with HMRC.¹²

To make it easier to identify and trace unregistered agents, TCSPs should be required to provide information – for example a unique identifier provided by their AML supervisor – on company registration documents to prove they are subject to AML supervision. We have commented below on issues regarding overseas TCSPs.

Improving anti-money laundering standards of the regulated company formation sector and providing a credible deterrent to anti-money laundering failings

In addition to requiring TCSPs to demonstrate they are registered with an AML supervisor, there needs to be a credible deterrent to the use and sale of UK companies for money laundering. Available evidence suggests that compliance with money laundering regulations across the company formation sector is low. In particular, major questions have been raised over how effectively TCSPs conduct due diligence on clients.

In 2012, a group of academics conducted an experiment to examine whether international rules on the collection of beneficial ownership information by TCSPs were being implemented in practice.¹³ Collecting beneficial ownership information of clients is an essential part of the 'know your customer' process and helps identify possible money laundering risk. Posing as high risk customers – including would-be money launderers, corrupt officials, and terrorist financiers – the research team emailed 3,700 TCSPs in 182 countries asking to set up anonymous companies that would help mask their identities. The experiment revealed that in the UK, of the 96 TCSPs who responded, only half were compliant with AML rules. It found UK TCSPs often did not ask for any identification documents at all, which is a legal requirement. Offers to pay providers a premium not to apply the rules encouraged fewer TCSPs to follow these regulations – even where sanctions for non-compliance were mentioned.

In 2016, an investigation by the news agency Reuters provided further worrying evidence of the due diligence standards in the UK.¹⁴ Half of the 20 TCSPs they contacted explained that where a potential

¹⁰ TI-UK, *Hiding in Plain Sight* (p.31) <http://www.transparency.org.uk/publications/hiding-in-plain-sight/#.W1XTQtVKhhE>

¹¹ FOI 317/09/17 [11 October 2017]

¹²

http://www.eveningtimes.co.uk/news/15368778.Analysis_How_controversial_shell_companies_conquered_everything_from_money_launderin_to_Formula_One/

¹³ Findley et al., *Global Shell Games: Testing Money Launderers' and Terrorist Financiers' Access to Shell Companies* (2012) https://www.griffith.edu.au/__data/assets/pdf_file/0008/454625/Oct2012-Global-Shell-Games.MediaSummary.10Oct12.pdf

¹⁴ <http://uk.reuters.com/article/uk-regulations-mailbox-insight/weak-uk-regulation-lets-opaque-companies-persistidUKKBN13U168> [Accessed 13 July 2018]

customer is a company they would not require proof of the ultimate beneficial owners, meaning they do not know who they are forming companies for.

To address poor compliance in the sector, the Government must ensure the UK provides a credible deterrent against money laundering by taking action in three key areas:

AML supervisory reform: In total, there are at least 19 different AML supervisory bodies who are responsible for overseeing businesses providing trust and company formation services. Having multiple supervisors for one activity presents a number of risks, including inconsistent approaches to enforcement and a lack of coordination that could allow firms struck-off by one supervisor to continue operating under the auspices of another. The newly-established Office for Professional Body Anti-money laundering Supervisors (OPBAS) has the responsibility for overseeing the 22 non-public body AML supervisors for this sector.

To gain a clear picture of AML supervision for TCSPs the UK Government, in coordination with OPBAS, should publish a thematic review of the sector. This should include analysis of how many firms are operating in the sector, whether supervisors are sufficiently resourced, the monitoring activities of supervisors, and whether enforcement in the sector is transparent and providing a credible deterrent.

Review of civil sanctions for AML breaches: Currently there is no credible deterrent against money laundering failings within the sector. It is evident that typical fines issued by HMRC are so low that they do not deter bad practice.

To address the lack of consequences for AML failings, the UK Government should review the enforcement tools for tackling money laundering in the UK and ensure that all AML supervisors deploy the necessary sanctions to provide a credible deterrent to money launderers.

Review of criminal sanctions for AML breaches: There are limited prospects that firms will be criminally prosecuted for money laundering failings as there is currently no corporate offence of failing to prevent money laundering.

The UK Government should seek to apply the ‘failure to prevent’ approach originally introduced in the UK Bribery Act to other forms of economic crime such as money laundering. TCSPs would fall within range of this offence, bringing about much needed accountability to those forming companies for clients which then use them for money laundering.

QUESTION 3: HOW SHOULD THIS MEASURE BE APPLIED TO REGISTRATIONS FROM OVERSEAS?

Under the Money Laundering Regulations 2017 (MLR 2017), only TCSPs ‘carrying on business in the UK’ have to register with an AML supervisor and comply with its requirements. This means that TCSPs with no presence here can incorporate UK companies without any oversight from a UK AML supervisor and do not have to comply with UK standards for money laundering checks. It is then left to money laundering supervisors and law enforcement agencies in the jurisdictions in which these businesses operate to supervise and police their activities.

Relying on international standards of money laundering supervision to effectively regulate business introducers and TCSPs setting up UK companies can be problematic. Implementation of global standards for the regulation of TCSPs has been found to be lacking by FATF and associated bodies: of the 52 countries evaluated under the updated FATF methodology – which has assessed effectiveness of money laundering defences since 2012 – only five countries were found to have a substantial level of effectiveness in preventing the misuse of legal persons and arrangements.¹⁵ Just six of the 52 countries evaluated since 2012 were found to have substantially effective supervision systems.

¹⁵ <http://www.fatf-gafi.org/media/fatf/documents/4th-Round-Ratings.pdf> [Accessed 16 July 2018]

This means that if firms carrying out these activities are not based in the UK there is a higher likelihood their money laundering procedures will be deficient, raising the possibility of money launderers gaining access to UK companies through which to channel their illicit wealth.

TI-UK therefore recommends that company formation agents not registered with a UK AML supervisor be prohibited from setting-up UK companies.

Case Study: Overseas TCSPs incorporating UK companies from high-risk jurisdictions

In 2012 the International Consortium of Investigative Journalists detailed how a number of UK individuals offering company services had moved their base of operations out of the country, yet continued to form and act as nominee directors for UK companies.¹⁶ Jesse Grant Hester – originally from the UK – moved to Cyprus to form Atlas Corporate Services before moving to Dubai and finally Mauritius. These jurisdictions have all been identified as presenting high money laundering risks in the past, with a Moneyval evaluation for Cyprus highlighting major weaknesses in its supervision of TCSPs,¹⁷ whilst KPMG claimed the United Arab Emirates (UAE) was one of the highest risk areas for money laundering in the world. Mauritius scored 5.92 out of ten on the Basel Institute of Governance's most recent money laundering risk index, where ten indicates the highest level of money laundering risk and zero the least.

Hester appeared on numerous occasions as a nominee director for companies embroiled in corruption scandals. In the Moldovan bank theft he signed fake promissory notes – under the guise of Mrs. Jasse Grant Hester – on behalf of UK firm Golbridge Trading Limited – a false name for Goldbridge Trading Limited – allowing £444 million to be stolen.¹⁸ Atlas Corporate Services is associated with eight people who between them have held directorships of 3,613 UK companies.

Another former UK resident who went on to become internationally renowned for their company formation activities is Ian Taylor. Taylor moved to Vanuatu after he was banned from being a corporate director first in New Zealand in 2011,¹⁹ then in the UK in 2015²⁰ as a result of companies he formed becoming involved in numerous scandals, including a land banking scam in Somerset.²¹ Vanuatu's self-assessment on money laundering risk found the TCSP sector to be one of the most vulnerable to this activity.²² In 2015 the Asia/Pacific Group on Money Laundering found serious deficiencies in Vanuatu's AML system.²³

QUESTION 4: WOULD IT BE BETTER TO REQUIRE A LIMITED PARTNERSHIP'S PRINCIPAL PLACE OF BUSINESS (PPOB) TO REMAIN IN THE UK, OR ALTERNATIVELY TO ALLOW THE PPOB TO BE BASED ANYWHERE BUT REQUIRE A UK BASED SERVICE ADDRESS? PLEASE EVIDENCE YOUR ANSWER, INCLUDING IF POSSIBLE, AN ASSESSMENT OF THE LIKELY COSTS OF COMPLIANCE.

Limited partnerships should continue be required to have a PPOB in the UK so they have a designated address which can be verified by supporting documentation (see Question 5 below).

Only requiring limited partnerships to have a service address would compound the current problem where companies involved in financial crime fail to provide a meaningful address. Our research has identified 766 UK corporate vehicles alleged to have been used in 52 large scale corruption and money laundering

¹⁶ <https://www.icij.org/offshore/nominee-directors>

¹⁷ Council of Europe, *Cyprus: Report on Fourth Assessment Visit – Executive Summary* (September 2011) <https://rm.coe.int/report-on-fourth-assessment-visit-executive-summary-anti-money-launder/1680715f14>

¹⁸ <https://www.thenational.ae/business/uae-strengthens-enforcement-against-money-laundering-1.246840> [Accessed 23 July 2018]

¹⁹ <http://www.stuff.co.nz/auckland/local-news/5107131/Shell-operation-shuts-after-crime-links-exposed> [Accessed 23 July 2018]

²⁰ <https://beta.companieshouse.gov.uk/disqualified-officers/natural/x9YM3ogO1YnVSihjKzDuxjWdWdE> [Accessed 22 September 2017]

²¹ <https://bdaily.co.uk/articles/2012/07/30/land-banking-scheme-shut-down-following-investigation> [Accessed 22 September 2017]

²² Asia Pacific Group on Money Laundering, *Mutual Evaluation of Vanuatu* (2015) <http://www.fatf-gafi.org/media/fatf/documents/reports/mer-fsrb/APG-Mutual-Evaluation-Report-Vanuatu-2015.pdf>

²³ <http://www.fatf-gafi.org/publications/high-riskandnon-cooperativejurisdictions/documents/apg-statement-vanuatuoctober-2015.html> [Accessed 22 September 2017]

schemes worth around £80 billion. Around half of these companies were based at just eight UK addresses.²⁴

In addition to requiring limited partnerships to have a UK PPOB, consideration should also be given to encouraging UK registered companies to open UK bank accounts. This should help increase the amount of scrutiny over their activities. We have found that UK shell companies often have bank accounts based in other jurisdictions, presenting the façade of a UK business whilst taking advantage of weaker money laundering practices abroad. Historically, this has helped to launder tens of billions of pounds of illicit funds relatively unnoticed throughout the global financial system.

Of 440 UK shell companies used in the multibillion pound “global laundromat” money laundering scheme, 392 of these had Baltic bank accounts, with 270 UK firms using Latvian banks and 122 using Estonian banks. This shows how common the combination of UK corporate vehicle and Baltic bank accounts was to move illicit funds across the world.²⁵

To help mitigate the risk of UK companies being used for money laundering, the UK Government should introduce incentives to encourage them to hold a UK bank account. This could take the form of an annual fee on companies that cannot demonstrate they have a UK bank account. This mechanism could be added on to the confirmation statement process, which would not provide a significant regulatory burden. As a result, this measure could see more companies using UK financial services, thus reducing the risks around accessing offshore bank accounts. Payment of the fee could also act as an identifier for higher risk UK companies with offshore accounts and the revenue could contribute towards the UK’s AML efforts.

QUESTION 5: IF A NEW REQUIREMENT OF A UK-BASED SERVICE ADDRESS WERE INTRODUCED, BUT EXISTING OPERATION OF THE PPOB RETAINED, WHAT IF ANY, TRANSPARENCY REQUIREMENTS SHOULD BE PUT IN PLACE RELEVANT TO THE PPOB?

To ensure limited partnerships give an accurate PPOB and not simply a service address as raised by our previous evidence and in the consultation document, limited partnerships should be required to submit additional information on an annual basis to prove their PPOB is where they state it is.²⁶

This could include documents like utility bills for the address showing it is being used, leaseholder agreements or UK bank statements showing ongoing activity.

QUESTION 6: SHOULD ALL LIMITED PARTNERSHIPS BE REQUIRED TO FILE AN ANNUAL CONFIRMATION STATEMENT?

Yes. Confirmation statements provide a useful means by which Companies House can identify a lack of activity and therefore strike of companies which do not file them. Confirmation statements also help to ensure the company register is as accurate as possible as firms are reminded to check that their details are correct.

²⁴ TI-UK, *Hiding in Plain Sight* (p.26) <http://www.transparency.org.uk/publications/hiding-in-plain-sight/#.W1XTQtVKhhE>

²⁵ TI-UK, *Hiding in Plain Sight* (p.29) <http://www.transparency.org.uk/publications/hiding-in-plain-sight/#.W1XTQtVKhhE>

²⁶ TI-UK, *Submission To A Register Of Beneficial Owners Of Overseas Companies And Other Legal Entities Call For Information* (May 2017) <http://www.transparency.org.uk/publications/ti-uk-submission-to-a-register-of-beneficial-owners-of-overseas-companies-and-other-legal-entities-call-for-information/#.W1XpvdVKhhE>

QUESTION 7: IF YOU ARE IN FAVOUR OF AN ANNUAL CONFIRMATION STATEMENT, WHAT INFORMATION SHOULD BE INCLUDED AND WHO SHOULD FILE IT? PLEASE CONSIDER WHETHER THAT SHOULD BE FOR THE WHOLE PARTNERSHIP OR THE DIFFERENCE IN REQUIREMENTS FOR GENERAL PARTNERS AGAINST LIMITED PARTNERS – INCLUDING CORPORATE PARTNERS.

Confirmation statements should be used to update or affirm existing data on the partnership in addition to providing further information on who controls it. The same information required of UK limited companies should also be required from limited partnerships on their confirmation statements including information on the PSC as well as full details of the relevant legal entities which may be corporate partners.

QUESTION 7: IF YOU ARE IN FAVOUR OF AN ANNUAL CONFIRMATION STATEMENT, WHAT INFORMATION SHOULD BE INCLUDED AND WHO SHOULD FILE IT? PLEASE CONSIDER WHETHER THAT SHOULD BE FOR THE WHOLE PARTNERSHIP OR THE DIFFERENCE IN REQUIREMENTS FOR GENERAL PARTNERS AGAINST LIMITED PARTNERS – INCLUDING CORPORATE PARTNERS.

Confirmation statements should be used to update or confirm existing data on the partnership in addition to providing further information on who controls it. The same information required of UK limited companies should also be required from limited partnerships on their confirmation statements, including the PSC as well as full details of any Relevant Legal Entities.

QUESTION 8: IS THERE A CASE FOR LIMITED PARTNERSHIPS TO HAVE TO PREPARE ACCOUNTS AND REPORTS IN LINE WITH THE REQUIREMENTS FOR PRIVATE COMPANIES, AS IS ALREADY THE CASE FOR QUALIFYING PARTNERSHIPS?

Yes. Limited partnerships should be required to file accounts in order to provide further insight into their economic activity and provide a point of reference for those investigating potential financial crime. For example, if a bank reports no activity in their annual accounts yet are found to be making thousands of suspicious transactions, this would be a good indicator that it is potentially being used for illicit purposes.

QUESTION 9: DO YOU AGREE WITH THE PROPOSAL TO GIVE THE REGISTRAR A POWER TO STRIKE OFF PARTNERSHIPS FROM THE REGISTER OF COMPANIES?

Yes. Whilst the registrar is unable to strike off partnerships there is a risk that seemingly dormant entities can be used by money launderers to hide and move illicit funds. The ability to strike off partnerships would also enable law enforcement and civil society to gain a better understanding of the live money laundering threat posed by UK-based partnerships.

QUESTION 10: ARE THERE ANY OTHER FACTORS OR CRITERIA THAT THE REGISTRAR COULD CONSIDER IN ORDER TO CONCLUDE THAT THE PARTNERSHIP IS NOT CARRYING ON A BUSINESS OR IN OPERATION?

If partnerships were required to file accounts and confirmation statements as limited companies and LLPs are required to do, the non-filing of these should be used to determine whether the entity is in operation.

QUESTION 11: WHAT OPERATIONAL AND LEGISLATIVE PROCEDURES COULD BE PUT IN PLACE TO MITIGATE CONCERNS OF STRIKE OFF DONE IN ERROR?

We have no comment on this question.

ABOUT TRANSPARENCY INTERNATIONAL UK

Transparency International (TI) is the world's leading non-governmental anti-corruption organisation. With more than 100 chapters worldwide, TI has extensive global expertise and understanding of corruption.

Transparency International UK (TI-UK) is the UK chapter of TI. We raise awareness about corruption; advocate legal and regulatory reform at national and international levels; design practical tools for institutions, individuals and companies wishing to combat corruption; and act as a leading centre of anti-corruption expertise in the UK.

We work in the UK and overseas, challenging corruption within politics, public institutions, and the private sector, and campaign to prevent the UK acting as a safe haven for corrupt capital. On behalf of the global Transparency International movement, we work to reduce corruption in the high risk areas of Defence & Security and Pharmaceuticals & Healthcare.

We are independent, non-political, and base our advocacy on robust research.

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