

## Register of overseas entities – verification work

Accountancy ISWEG alert

### Overview

The purpose of the alert is to outline the AML risks associated with verification work for the Register of Overseas Entities (ROE).

### Background

The Economic Crime (Transparency and Enforcement) Act 2022 created the Register of Overseas Entities (ROE), which came into force on 1 August 2022. [Guidance](#) is available.

It requires overseas entities owning UK property to reveal their beneficial owners and to register their interest on a publicly available register. As a result, there is a risk that those who don't want to reveal their identities may take steps to obscure it. This AASG risk alert highlights the key risks that firms should consider if they want to perform this work.

It is also important to note that a critical element of the ROE regime is the requirement to verify, independently, elements such as the exercise of control. The drafting of the Verification Regulations means that there is a strict liability in place and the accountancy professional body supervisors are concerned that any firm acting as a verifier will face significant challenges and expose itself to significant risk, including possible criminal prosecution, regulatory sanction, and reputational damage. Firms should carefully consider whether they should provide this verification work. The work required for verification under the ROE is not the same as the risk-based approach to client due diligence under MLR17 and firms should familiarise themselves with the differences.

### Key risks

- The very nature of the ROE means ownership structures will involve corporate structures spanning overseas jurisdictions – firms should consider:
  - the business rationale for that structure and whether they understand its purpose and that it makes commercial sense;
  - the AML risk associated with those overseas jurisdictions;
  - the extent to which the firm understands the laws in place in the overseas jurisdiction;
  - whether the firm know what official documents for that overseas jurisdiction look like – and can they be certain that documents haven't been forged;
  - whether there are any indications the legal ownership may not reflect true ownership and control.
- Verification should be completed based on documents or information which come from a reliable source, independent of the client. Firms should consider the following risk factors in relation to these documents:
  - If the client is an existing client, the firm should consider the extent to which they can rely on information already obtained through CDD procedures. This information may not always go far enough – as firms can't take a risk-based approach to verification for the ROE.
  - Does the firm need to repeat those checks performed as CDD where the work was undertaken some time ago, or where the client's structure has changed? Regulation 6 of the Verification Regulations sets out that the verification must happen before the information is submitted to Companies House, but not more than three months before.
  - Verification is at a point in time - so if the beneficial ownership changes after the verification date the firm may be attached to a registration that is no longer correct. The entity is obliged to notify Companies House and to use an agent to verify the new information.
  - For new clients, do you trust the sources of information and are you certain that any independent legal advisor that may have certified documents is, in fact, independent.

- Some information may only be available from the client – for example a trust deed. In these cases, it will be essential to consider how this information can be verified (for example by seeking confirmation from the legal firm that drafted it).
- The deadline (at the time of writing) for entities to register on the ROE is 31 January 2023 – as the deadline nears, clients may apply pressure to get the verification work completed quickly to avoid financial penalties. Firms should be aware of this risk and the associated impact on their ability to perform sufficient verification work.

### **Suspicious Activity Reporting [SARs]**

If you know or suspect ML or TF activity you should make a SAR using any relevant Glossary Codes.

### **Data Protection Considerations**

Please consider your obligations under the relevant data protection regulations and where necessary remove any related personal data from your systems securely and within a satisfactory timeframe.

### **Disclaimer**

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