***[****Print on Your Firm’s Letterhead or insert Address****]***

[client name and address]

Dear [client name]

**Economic Crime and Corporate Transparency Act 2023 (ECCTA) – ID verification of directors**

The ECCTA is part of the government’s response to the need to tackle economic crime in the UK. It received Royal Assent on 26th October 2023. The ECCTA is multifaceted and includes for example, provisions related to crypto assets and new intelligence gathering powers for law enforcement amongst other things, but for SME companies like ours, the most significant change will be to the role and powers of Companies House. Companies House has been given significant extra powers which will directly affect how all individuals and companies interact with it.

These changes include an identity verification regime, changes to Companies House filings, changes to the type of accounts filed for small companies and micro-entities and enhanced powers for Companies House to check, remove and reject information. We are working through these proposed changes and are happy to provide you with more details on any of the aspects that we consider will affect the Company. More details can also be found online [here](https://www.gov.uk/government/publications/economic-crime-and-corporate-transparency-bill-2022-factsheets#full-publication-update-history).

There is now time between the ECCTA having received Royal Assent and coming into force to allow for implementing secondary legislation to be passed, as well as necessary operational changes to be made to Companies House systems. The ECCTA is expected to be fully implemented during 2024 and 2025.

**Why are we writing to you?**

As a director of the Company, you will be directly impacted particularly by the new identity verification regime. Whilst the ID verification regime has not been included within the list of early measures to be introduced under the ECCTA in early 2024, it is important that we begin to disseminate information to you now about what the regime is and how we intend to manage the process once it is in force, including what you will need to do.

Once in force, it will no longer be possible to register the appointment of a new director with Companies House nor for that director to act, until they have been ID verified. Existing directors will also have to be ID verified as part of this new regime.

**Identity verification regime**

All new and existing registered company directors, People with Significant Control (PSCs) and those delivering documents to Companies House will need to be ID verified. There will be two types of ID verification, direct verification with Companies House or indirect verification via an Authorised Corporate Service Provider (ACSP) (such as an accountant, lawyer, or company formation agent).

There will be different rules for new and existing directors (and corporate directors) and whilst there is still some uncertainty as to the exact timetable for ID verifying existing directors, with these directors expected to be given some time to comply, it will be a serious offence to act as a director unless ID verified. Ultimately, failing to verify could result in criminal sanctions and civil penalties as well as being prohibited from acting as a director.

**Verification direct with Companies House:**

Each director will have an account with Companies House that includes a verified identity. Companies House will link a person with a legitimate identity document, for example a clear, valid passport or driving licence. The person undergoing verification will take a photograph or scan of their face and the identifying documents. The two will be compared, using likeness matching technology, and the photo ID validated. If successful, you will be notified your identity has been verified. The process is expected to be completed in a matter of minutes. Primary ID documents may also be checked against government databases as part of the ID checking process.

It is expected that there will be alternative methods available for individuals without photographic ID or for users who cannot use the digital ID verification system.

**Verifying through an ACSP:**

The alternative to verifying directly with Companies House is that a verification statement can be made on your behalf and delivered to Companies House. This statement will be made by an ACSP, who will confirm to Companies House that it has verified the individual’s ID.

ACSPs are intermediaries such as accountants, legal advisers, and company formation agents. They must be registered with a supervisory body for anti-money laundering (AML) purposes. They therefore already have an existing obligation to carry out customer due diligence checks on behalf of all their clients. ID verification will build on these existing checks. It is expected that an ACSP will need to be UK based. The checks that ACSPs will make will need to be at least as stringent as checks by Companies House. Further details will be set out in Regulations.

**How we propose to manage ID verification**

It is likely that we will ask you to [verify directly with Companies House] **OR** [verify using [[<<Insert name , for example company accountant>>] as our] [a] ACSP].

We will however let you know as and when the system is live and in force and exactly what you will need to do and by when. Where you have more than one role or are registered with multiple companies as a director or PSC, all your information will be contained in one place on the register. It is expected that ID verification will a one-off requirement.

If you think you will not be able to use an online system for identity verification, please let us know. In addition, you should check the validity of your identity documents, such as your passport, now to ensure that you will be able to ID verify in a timely manner when required to do so.

Please do not hesitate to contact us if you have any questions.

Yours sincerely,

For and on behalf of [Firm Name]