



Government publishes response to its consultation on potential reforms to limited partnership law

The Department for Business, Energy and Industrial Strategy ("BEIS") has published its [response](#) to its consultation on potential reforms to limited partnership law (published in April 2018). The reforms seek to address concerns that Scottish limited partnerships ("SLPs") have been used for improper purposes. The reforms will affect all UK limited partnerships registered under the Limited Partnerships Act 1907 ("LP Act"). The proposals have implications for private funds structured as limited partnerships, both in terms of the fund vehicle itself and any carry or feeder partnerships in the fund structure, and also for other vehicles used in connection with private funds, such as co-investment vehicles. Details of the original proposals are contained in our earlier client briefing [here](#).

The response sets out how the UK Government plans to implement changes to the LP Act in light of the responses to the consultation and other views gained through the wider consultation process. BEIS states that it intends to take action that will limit the potential misuse of limited partnerships but, at the same time, ensures that limited partnerships remain attractive for legitimate business use, in particular as an investment vehicle. This intention is reflected in the key issues covered in the response, which are not as onerous as those proposed in the initial consultation.

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HEADLINE POINTS

The response sets out in broad terms BEIS's intended course of action on the key issues, as follows:

Registration requirements

BEIS is proceeding with its proposals to make it mandatory for any person presenting a new application to register a limited partnership to demonstrate that it has been registered with an AML supervisory body and to provide appropriate evidence of that registration on the application form.

Applications from overseas persons will be possible subject to demonstrating registration in accordance with "equivalent standards". BEIS states that it is still considering how this should work, although interestingly one option could be to "*include limiting applications from overseas to those jurisdictions within the EEA*". Any list of overseas jurisdictions which are deemed to have equivalent standards would be reviewed on an ongoing basis.

One consequence of this is that direct registrations of limited partnerships by unregistered persons will no longer be possible. For UK limited partnerships established for the investment funds industry, however, this should not create a problem as the vast majority of such partnerships are established by firms of lawyers and accountants. Such firms are regulated by one or more of the UK's supervisory authorities, and are obliged to conduct anti-money laundering checks on their clients (typically the general partner or an affiliate). Note that an in-house lawyer working at a firm which was not registered with the FCA, or another AML supervisory body, may find that he/she cannot make direct registrations (although this would be unusual).

The new requirement to provide evidence should be straightforward as supervisory authorities, such as the FCA and the Solicitors Regulation Authority, usually allocate a registration number and therefore presenters could simply provide that number as part of the limited partnership establishment process.

Principal place of business requirement

BEIS will not proceed with the proposed requirement to require a limited partnership to have its principal place of business ("**PPoB**") in the UK. This was a proposal that received significant pushback from the industry because of the desire to retain flexibility to 'migrate' a UK limited partnership to another jurisdiction (e.g. Jersey or Guernsey). However, when the application for registration of the limited partnership is made, it must contain a proposed PPoB in the UK. On an ongoing basis, the limited partnership will then need to demonstrate that it maintains an ongoing connection to the UK, which can be via one of three routes:

- by retaining their PPoB in the UK;
- demonstrating that they are continuing some legitimate business activity at a UK address; or
- demonstrating that they continue to engage the services of an agent that is registered with a UK AML supervisory body and which has agreed to provide its address as a service address for the limited partnership.

Where the limited partnership does not retain its PPoB in the UK, it must notify the Registrar. If the way in which the limited partnership demonstrates its ongoing connection to the UK changes, it will also need to notify the Registrar. BEIS is still considering what evidence will be required to demonstrate the ongoing connection in each case. BEIS is also considering how these requirements should apply to existing limited partnerships and whether transitional arrangements will be required.

Reporting and transparency

Thankfully, BEIS has decided not to apply to limited partnerships the same requirements to prepare accounts and reports that currently apply to limited companies. Based on the evidence submitted in consultation responses, BEIS does not consider the case has been made for all limited partnerships to prepare accounts and reports in line with limited companies. However, it states that "*where there are any gaps in the requirements for partnerships to file basic accounts with the UK Government, the Government will close those gaps in a way that is not burdensome or duplicative*". The response does not elaborate on what this could entail. The precise detail of what is being proposed will presumably only become clear when specific legislation is proposed.

Confirmation statements

BEIS intends to require limited partnerships to file a confirmation statement at least once every 12 months. The information that the limited partnership will need to confirm on an annual basis (which is essentially the information originally required for registration, taking into account BEIS's new proposals) is as follows:

- the name of the partnership;
- the general nature of its business;
- the address of the partnership's principal place of business;
- the term, if any, for which the partnership has been entered into;
- the names and signatures of each general partner ("GP");
- the names, amounts contributed and signatures of each limited partner ("LP");
- the name of the presenter and the presenter's reference;
- contact information for all LPs and GPs;
- the date of birth and nationality of all LPs and GPs who are natural persons;
- a standard industrial classification (SIC) code to identify the nature of the partnership's business; and
- information on the partnership's connection to the UK (see above).

BEIS will introduce a transitional period for existing limited partnerships to provide additional information to cover all of the above requirements.

BEIS will also undertake further work to determine whether it should require beneficial ownership information from corporate LPs or GPs who do not already have a PSC register.

Registrar's powers of strike-off

BEIS intends to proceed with the proposals to grant the Registrar power to strike off limited partnerships that have been dissolved or which the Registrar concludes are no longer carrying on business activities or otherwise in operation. BEIS has committed to continue to discuss the precise mechanisms with stakeholders so that it can design a process that ensures, in as far as possible, that GPs and LPs are given due notice that the limited partnership is being considered for strike-off. BEIS will also consider the circumstances in which it may be possible to restore a limited partnership to the register and how this should work procedurally.

NEXT STEPS

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The response does not contain specific proposed draft legislation with the Government only committing to legislation "when Parliamentary time allows", presumably due to Brexit.

Interestingly, the response does not provide any commentary as to which, if any, of the issues discussed in the paper will apply to private fund limited partnerships ("**PFLPs**"). Hopefully, the Government will clarify this in due course.

If you would like to discuss how these proposals may affect your business, please do get in touch with your usual Travers Smith contact.

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