

Annex A

Regulatory Impact Assessment

Introduction

This partial Regulatory Impact Assessment (RIA) supports the Company Law Reform Bill, as described elsewhere in this document.

The Bill builds very heavily on the work of the Company Law Review (CLR), which was taken forward by the Government in the White Paper “Modernising Company Law” of July 2002. This RIA therefore largely updates the analysis published in that White Paper at that time, but now reflects in particular:

- comments received on the previous RIA;
- further evidence received in the course of subsequent formal and informal consultations;
- an assessment of the impact of any modifications to those policies which were set out in the previous document; and
- an assessment of the impact of new policies which have been developed subsequent to the last White Paper.

The Government is determined to ensure that the legal and regulatory framework within which British business operates promotes enterprise and growth, and creates the right conditions for investment and employment. This approach underlies the Government’s commitment to creating a modern, enabling and robust framework for our companies

Objectives

The Government’s overall objective is to produce clearer law, without unnecessary burdens, and which responds to today’s business needs and provides flexibility for the future.

The Government’s more specific objectives for reform are set out in the Chapter “Setting the Scene” earlier in this document, where they are discussed under the four key headings:

- *Promoting shareholder engagement and a long-term investment culture*
- *Ensuring better regulation, and a “Think Small First” approach to the law*
- *Making it easier to set up and run a company*
- *Providing flexibility for the future*

Risk Assessment

Britain’s existing framework of company law is an asset to its international competitiveness. Britain was amongst the first to establish rules for the operation of companies, and our law has been developing ever since. The law has evolved dynamically, taking account of changes in society and the business environment. It has created a product which is, by international standards, flexible, and has generally served the needs of businesses well. Our law has acted as a model for many countries overseas.

But there are also penalties to having been the first nation to establish the rules for corporate business activity. Where a body of law has been in existence for such a long time, it can become outdated. Parts of the law may become redundant or unnecessary. It may present obstacles to the ways companies want and need to do business in today’s world.

The primary risk therefore lies in the potential gradual divorce of the legal framework from the real needs of today’s businesses – in particular smaller, private businesses, who form a much more important component of the economy now than was the case when the majority of today’s company law provisions had their origin.

Unless this process is checked by a reform programme, a number of unwelcome effects risk appearing. For example, entrepreneurship could be stifled as start-up companies find themselves hindered with unnecessary regulation; and Britain could lose out as a location for business in an increasingly globalised economy where companies are more and more able to choose their place of incorporation.

Options

The Government pursues a number of actions, legislative and non-legislative, to achieve its overall goals in the area of company competitiveness and improved standards of corporate governance. Some of these actions are summarised elsewhere in this White Paper. The present Bill, however, is explicitly a *reform* bill, designed to improve and simplify an existing framework of legislation. Of necessity, therefore, the measures included are of a nature that requires legislative implementation, and any analysis of options is essentially concerned with the questions:

- which provisions of the existing law require reform; and
- what form that reform should take.

The fundamental analysis and discussion of these options was undertaken by the CLR itself in its series of reports on individual areas of the law, and in its final report setting out its key recommendations. The Government's approach to taking forward the majority of these recommendations was largely set out in its 2002 White Paper. The present RIA does not attempt to set out again those alternative options which have been considered and rejected in the past.

It is however worth focusing on those key areas where substantive new policies are being introduced which were not considered in the previous White Paper, and which have not been subject to separate consultation with their own RIAs. Essentially these are:

- Deregulatory changes to facilitate e-communications
- Deregulatory changes to "dematerialise" share certificates
- Changes to the position on auditor liability and audit quality
- Implementation of the Transparency Directive

These policies are described in the body of the White Paper text, with costs/benefits briefly summarised in the table to this RIA. Fuller RIAs for each policy are being published separately on the DTI website.

Costs and Benefits

Methodology

It is important to stress that (perhaps unlike some other areas of regulation) there is relatively little in the way of a research base of hard financial information on the costs to business of compliance with existing company law requirements. The quantifications put forward in this impact assessment therefore rely heavily on information provided by consultees, which is necessarily often anecdotal or imprecise. The Government is very grateful to all those who have helped with this exercise, and would welcome any further evidence – however anecdotal – in order to finalise the assessment.

The table which follows sets out the costs and benefits which may apply to the main elements of the Bill. These costs and benefits generally fall under a number of key headings, which are described and summarised below.

Benefits

Direct (regulatory) benefits

Company law is largely facilitative – there is no natural company, it is a product of the nexus of regulation which creates it. It is arguable therefore that company law does not so much impose burdens, as create a product which is, overall, better or less-well designed and fitted to the purposes it is intended to serve. Nonetheless, where elements of this enabling regulatory framework come to serve no useful purpose, they can act as obstacles to optimal economic performance and create compliance costs which are not justified by any benefit they produce. This is a particular danger where, as with companies legislation, the law has developed over a long period.

To the extent that the law can be remodelled to fit today's needs better, as the CLR and the Government intend, then this will act as a reduction in unnecessary regulation, and can produce direct cost-savings for companies in stripping out unnecessary elements of the total compliance cost.

Estimating these direct savings is very difficult. It is often relatively easy to establish from analysis and consultation that a particular regulatory requirement is more or less redundant, and should be amended or removed, but more difficult to establish what the precise impact will be. The table makes estimates, wherever possible based on input from stakeholders, which suggest that the total direct benefits could be of the order of **£250 million** per year.

Dynamic benefits

As noted above, modernisation of company law, by making the company vehicle better fitted to today's business realities, should reduce compliance costs and produce direct cost savings. But equally important is the potential for improved performance across the economy as a whole if the reforms achieve their objective of, for example, encouraging best practice in company decision-making, in transparency of information, and in shareholder engagement.

It is widely accepted that, even in market economies, government intervention is necessary to correct market failures such as the abuse of monopoly power, the effects of externalities and the adverse impact of asymmetric information and the inability of contracting parties to write complete contracts covering all eventualities.

In the case of companies, the problems of asymmetric information and incomplete contracting manifest themselves in a series of agency problems – namely, the potential conflict of interest between directors and shareholders, the potential conflict between majority and minority shareholders and the potential conflict between the company itself and others with whom it establishes contracts such as creditors, employees and customers. Company law has a major role to play in mitigating the first two of these series of conflicts and a lesser role to play in the third.

In the case of the former, company law can place constraints on the actions of agents. Examples of these would be clarification of directors' duties. It can also determine the nature of the affiliation between principals and agents by setting disclosure requirements for agents as well as exit standards for principals. In addition company law can ensure that the rights of principals are protected. Examples of these would be enhancing the rights of proxies and making it easier for companies to enfranchise the indirect owners of shares.

By mitigating potential conflicts such as those mentioned, and aligning better the objectives of principals and agents, company law can partially mitigate the effects of asymmetric and incomplete information which, in turn, helps to reduce the costs associated with contractual arrangements. When the contractual arrangements are between investors and companies that they invest in, a reduction in agency costs should serve to increase the availability and, possibly, cost of capital which should result in more effective and efficient capital markets.

Better regulation and market confidence

A consistent message from consultees has also been that, if the law can be arranged better to fit the realities of modern business life (particularly for smaller firms), then this will increase business confidence in the overall regulatory environment. This confidence may lead to a greater degree of regulatory compliance². It may also, at a more intangible level, lead to companies feeling more comfortable in the market, more willing to participate and to take informed risks, all of which may act to the ultimate benefit of national economic performance.

Costs

Direct (regulatory) costs

There are only a handful of areas where the Bill will introduce new or stricter regulatory requirements, of a sort which might in principle increase compliance costs. These are almost exclusively confined to public/quoted companies, and are detailed in the table. They are estimated to amount in total to approximately **£6m** per year.

Implementation costs

The changes in the law have been designed so that, with very few exceptions, existing companies will not be required to do anything at the point when the new law comes into force or at any particular point thereafter. In some cases, however, companies will need to act if they to take advantage of the benefits of a new reform. For example, if the company wishes to adopt e-communications with its shareholders as the default, it will need shareholder approval to amend its company's constitution. But it will not be obliged to do if it wishes to continue on its current basis.

² For quantification purposes, figures in this RIA assume 100% compliance with the existing law – but where current requirements are widely believed to be unnecessary, and enforcement activity may be correspondingly less strict, it is unlikely that compliance levels are in practice so high.

Familiarisation costs

Any change to the law also brings with it the prospect of familiarisation costs, in other words the necessity for those who use it of learning about the new legal requirements. However, a consistent message from business consultees is that companies themselves very rarely consult the law directly at the moment. In most circumstances where companies are conscious of company law requirements impinging on them, they will look to advisors – for example, lawyers or accountants – to advise them. These professional advisors will of course need to become familiar with the new law, but the professions have well-established programmes of continuous professional development which will in due course no doubt cover the changes to company law. While the cost of such training is ultimately passed on to clients as part of the overhead included in fees charged, we (and consultees, including advisors themselves) do not expect any significant increase in fees directly as result of the changes in this document.

Costs to the public sector

There will be costs associated with the enhanced provision of guidance material, but these will generally grow out of the existing activity of, for example, Companies House and genuinely additional costs should be small.

The changes to the functions and operations of the registrar will impose some additional costs on Companies House. It is not easy to separate out those costs arising directly from the changes in the Bill from those which would in any event be incurred as a result of the administrative changes in train at Companies House to facilitate, for example, electronic filing. Nonetheless, there will be some one-off costs of training and familiarisation for staff, and there may be costs associated with informing business of the new facilities for electronic communication. To the extent that these costs are not absorbed by Government, they may be passed on to businesses in the form of increased transactions costs. However, such increases will be more than compensated for by the cost-savings to business of the new arrangements.

Impact on small business

The “Think Small First” approach lies at the heart of the Government’s proposals, and measures in the Bill have very largely been designed with small (private) businesses in mind. The vast majority of British businesses are SMEs, and the impact of out of date, badly-designed or excessively complex regulation can be disproportionate on firms who, for example, do not have much in-house resource available to understand and deal with company law compliance issues. The modernisations proposed in the Bill should therefore have a significant beneficial impact, both by removing substantive unnecessary

regulation, and (in many areas) by recasting the law to make it more accessible and comprehensible for smaller firms and their advisors. The proposals have been discussed in detail with smaller firm bodies and their members, and reflect their suggestions for improvements to the current regime.

Results of Consultation

The policy development process leading to the measures in this Bill has been extensively participatory, and has involved several formal consultation stages, as well as continuing informal consultation with key stakeholders. The Government's earlier White Paper, and other formal consultation documents, have included RIAs, and responses to these RIAs inform the current assessment. In addition, the Department sent questionnaires setting out what we believe are the most significant proposals to sample public and private companies, both large and small. Focus groups, and other forms of informal consultation, were also held with representatives of small companies. Consultation on likely costs and benefits was held with these organisations and with other business representative bodies, and with individual companies from their memberships who volunteered to discuss the issues with DTI representatives. We are very grateful for their input.

Competition Assessment

We have considered the impact of the proposals on competition between businesses. The draft Bill will affect all companies. It should result in some savings for all companies, though proportionately more for smaller companies, whilst in respect of one or two specific measures larger (quoted) companies will face additional costs. However, the expected savings and costs do not appear to be sufficiently large to affect competition between companies of different sizes. The Bill will not impose different costs on new and existing companies, and as such we cannot identify any grounds for competition concerns. Consultation supports this view.

Devolution

Company law is a reserved matter, and the measures in this Bill will (for the most part) apply to Great Britain only.

Guidance

Plans for guidance are set out in this White Paper. Given the Government's objective that a crucial element of the modernisation of the law should be to make it more accessible and user-friendly, the proposals on guidance should be seen as an integral part of the reform package overall, and not as an addition to it.

Enforcement

Changes of substance to the offences and sanctions regime in the current Act are discussed elsewhere in this White Paper. The aim is to create a coherent and internally consistent scheme of sanctions which supports the requirements to which they relate in a manner which is fair, proportionate and effective.

In introducing greater clarity to questions as to who is liable for a particular breach in a particular set of circumstances, it is hoped that the regime will lead to greater understanding by participants of the requirements they are under, and potentially better levels of compliance. However, the changes are not designed as such to lead to changes in enforcement patterns, and overall it is not expected that prosecution levels will be significantly affected. Enforcement will, as now, rely on a variety of means depending on the nature of the breach (for example, Companies House will be responsible for enforcing penalties for late filing of accounts and similar offences).

Monitoring and evaluation

Any monitoring and evaluation exercise needs to take account of both the regulatory cost savings expected to emerge from adoption of the proposals as well as the longer term, more intangible benefits to shareholder engagement, promotion of a long-term investment culture, ease of setting up and running a company and providing flexibility for the future.

However, we also need to ensure that familiarisation and related implementation costs are, indeed, as low as we expect them to be. With regard to the short term impact it will be necessary to make use of the many, varied stakeholders who have contributed to the Bill's development. Their contributions have been vital in ensuring that the proposals reflect a wide diversity of views. We can make use of these contacts to monitor implementation progress and to evaluate the longer term benefits of the proposals.

In addition we are developing the methodology to establish a comprehensive stakeholder survey which will enable us to determine the impact of both the Bill, as well as other corporate governance measures, across a wide range of market participants including companies and investors. The ongoing nature of this survey will enable us to monitor the extent to which longer term behavioural changes occur which, we believe, will result in enhanced shareholder engagement and the development of a long-term investment culture. The adoption of such a survey will also enable us to assess, in a more timely manner, when there is a need to introduce further improvements to the legislation to take account of changing company dynamics.

Key measure	Costs	Benefits
Shareholder engagement/long term investment culture		
<p>Fostering shareholder engagement by enhancing the rights of proxies, and making it easier for companies to enfranchise the indirect owners of shares (where shares are held through an intermediary).</p>	<p>Provisions on proxies will introduce a new regulatory requirement, though one which in practice will only bite on companies with large, dispersed shareholdings. Costs may be of the order of £1.2m per year (assuming 50 members in each of 1,200 quoted companies appointing additional proxies at an AGM at a cost to the company of £20 per time).</p> <p>For quoted companies, the new ability for members to demand a scrutiny of polls may impose costs. It is difficult to assess, but assuming that one poll at an AGM for each of 1,200 quoted companies is required, at a cost of £1,000, total costs could be £1.2m.</p>	<p>Some elements of the new scheme are designed to make it easier for companies to enfranchise their indirect investors without the need for (as at present) complex legal arrangements. We have no evidence sensibly to estimate how many companies this will apply to or what saving it will produce.</p> <p>Overall a key plank in the overall promotion of shareholder engagement. Difficult to quantify the impact but it should help to align more closely, the interests of shareholders and their agents which, in turn, should reduce investment risk and impact favourably on the cost of capital.</p>
<p>Enabling companies to amend their articles, subject to shareholder approval, to default to electronic communications.</p>	<p>This is a facilitative measure. It is not anticipated that any costs, other than a small administrative burden to amend company articles, should be incurred.</p>	<p>The e-communications default facilitation is intended to (a) enhance the timeliness of company communications with shareholders, and (b) facilitate significant cost-savings. Sending paper communications, such as the annual report, can cost as much as £100,000-£400,000 per mailing for companies with large numbers of registered members. An industry working group looking into share dematerialisation and investor enfranchisement has suggested annual cost-savings in the region of £32-55m, although further analysis should refine the details of the cost benefits.</p>

Key measure	Costs	Benefits
<p>Providing clarity on the duties of directors, enshrining the principle of “enlightened shareholder value”, and amending provisions on conflicts of interest.</p>	<p>The clarified duties will be for the most part identical with the current legal position, but they will be more accessibly set out. There should therefore be no costs associated with the change.</p>	<p>The previous White Paper suggested that benefits accruing from greater clarity could be of the order of £65m per year (assuming 10% of private companies no longer require legal advice of £500). Though this has not been disputed by stakeholders, it may be towards the top end of the range.</p> <p>The figure includes benefits attributable both to the greater clarity and certainty which directors will have as to their existing duties, and greater exploitation by directors of corporate opportunities (commercial opportunities which they become aware of in the course of their company duties, but which the company itself does not propose to take forward), due to the clarified and slightly deregulated new law.</p>
<p>Who can be a director?</p> <p>At least one director must be a natural person, and no director may be under 16.</p>	<p>There are approx 64,000 corporate directors, but most of these boards also have natural persons as directors. The number of those with only corporate directors is small.</p> <p>Some 500 companies have directors under 16, but they will only have to appoint a replacement if the removal of the child director leaves them without the statutory minimum number of directors.</p> <p>Overall, therefore, these measures are likely to affect only a few hundred companies at most (though company formation agents will in future need to appoint a natural person as director for “off the shelf” companies).</p>	<p>Enforcement of legal obligations generally (and therefore compliance) will be improved by ensuring that every company has at least one director who is an adult, natural person.</p>

Key measure	Costs	Benefits
<p>Putting “derivative actions” on a statutory footing. These provide a means for shareholders, including minority shareholders, to act for the company in holding to account directors who have breached their duties.</p>	<p>It is possible but unlikely that the change will affect the number of cases brought. There may be some switching from one jurisdiction to another, but total numbers are low and the impact on the courts likely to be negligible.</p>	<p>Although the number of occasions on which these provisions are used, and hence the direct financial benefit of clarifying them, is small, they will provide an important discipline for directors and “back stop protection” for shareholders.</p>
<p>Auditor liability and audit quality.</p>	<p>The Government anticipates that there would be some direct costs, estimated at £1.8m, associated with these proposed reforms, primarily arising from legal and administrative compliance. Such costs relate solely to the new disclosure requirements.</p> <p>See separate RIA for further detail.</p>	<p>The Government believes that three key benefits will accrue from its reforms in this area. They are the:</p> <ul style="list-style-type: none"> • maintenance of a strong and complete audit market, characterised by (at least) existing levels of competition between audit firms; • an anticipated increase in competition between audit firms in key business sectors, as smaller audit firms seek appropriate opportunities for expansion; • further strengthening in the quality of the British audit.

Key measure	Costs	Benefits
<p>Company takeovers – implementation of the Takeovers Directive. The Bill will place takeover regulation and the takeover regulatory authority (the Takeover Panel) within a statutory framework.</p>	<p>Costs are likely to fall only on those companies with shares traded on a regulated market and result from such companies having to include various facts and figures on the control and structure of their shares in their annual reports and making a report to their shareholders at the companies’ AGMs. Cost per company in the first year is estimated to be between £400 and £800, total perhaps £1m pa.</p> <p>Costs and benefits are set out in the consultative document – Company Law: Implementation of the European Directive on Takeover Bids – published on the website www.dti.gov.uk/cld/current.htm</p>	<p>Principal benefits will result not from the UK’s implementation of the Directive but its implementation by other Member States, which should encourage cross-border takeover activity. There are a number of specific provisions in the Directive that should be helpful in freeing up the market and making it more transparent. Such provisions are, for the most part, already included in takeover regulation in the UK.</p>
<p>Better Regulation and a “Think Small First” approach</p>		
<p>Simpler law through:</p> <p>Separate model articles for private and for public companies, to ensure in particular that smaller companies are not inadvertently encumbered with unnecessarily complex rules.</p> <p>Restatement of law in simpler fashion.</p> <p>Greater accessibility by providing targeted and tailored advice.</p>	<p>There will be some costs of familiarisation. However, these are likely to fall almost exclusively on company advisors (particularly formation agents) rather than companies themselves.</p>	<p>Simpler law is crucial to shareholder engagement and to reducing agency costs. The point has been made to us very forcefully by SME representatives that simpler law which “fits small business reality” better will greatly increase business confidence in the overall regulatory environment (which should, not least, increase compliance). Based on feedback from SMEs and their representatives, we estimate cost savings of perhaps £30m pa. However, final figures are very much dependent on ultimate drafting of the bill and its regulations. The full benefits of simpler law will also depend crucially on the success of parallel non-legislative measures (accessibility and guidance).</p>

Key measure	Costs	Benefits
<p>The law on meetings and decision-taking within companies is currently predicated on the model of large (public) companies. The Bill will simplify the regime for smaller companies to bring it into line with their real needs. In particular, it will abolish the default requirement for Annual General Meetings for private companies, and make it easier for decisions to be taken by written resolution rather than in physical meetings.</p>	<p>There should be no costs arising from the majority of these measures, which are essentially permissive.</p>	<p>Discussions with stakeholders confirm that changes in this area are likely to produce some of the most significant deregulatory benefits, perhaps as much as £70m pa, on estimates of the numbers of small firms who may in future avoid the need for unnecessary meetings which they currently hold.</p> <p>Although at first sight this might seem to make it easier for companies to dispense with input from shareholders, in practice more streamlined and efficient mechanisms for taking shareholder views ought to increase effective shareholder engagement.</p>
<p>Dematerialise equities (i.e. removing the requirement for paper share certificates)</p>	<p>This would be a facilitative measure (although there would be implementation costs for those wishing to take advantage).</p>	<p>See separate RIA for further detail.</p>
<p>Abolition of the requirement for private companies to employ a Company Secretary.</p>	<p>It can be argued that the requirement to employ a Company Secretary ensures that there is at least one company officer who focuses on legal requirements, thus improving compliance and reducing risk of penalty.</p>	<p>For the majority of smaller companies, it is unlikely that the requirement adds any value to the position that would anyway apply.</p> <p>Analysis in the previous White Paper estimated benefits at £5m per year. Although difficult to quantify, this assumes a saving in paperwork of only £10 for 500,000 companies (the number who currently only have one shareholder) who may choose no longer formally to employ a secretary.</p>

Key measure	Costs	Benefits
Changes to the regime on offences and sanctions .	Changes are designed to clarify (rather than to widen or narrow) the scope of liability.	Clarification may, at the margin, enhance compliance, and potentially decrease the need for legal advice (in line with other “simpler law” measures).
Deregulation of requirements on maintaining register of members (in particular in respect of past shareholders)	No obvious costs	Commercial sensitivities mean it is difficult to get a feel for how onerous and costly companies find the current requirements. But ICSA suggest that for some large companies, at least, the savings will be very substantial. Direct savings could well be of the order of £5 – 10m pa.
Simplification of capital maintenance provisions , including abolition of the “financial assistance” rules for private companies, which currently prevent private companies from assisting with the purchase of their own shares, and clarifications to the rules on intra group transfers of assets.	No obvious costs	Based on estimates provided to the CLR, may save £20m pa in transaction costs which are currently incurred.
The registrar (Companies House)	Many of the proposed changes to the operations of the registrar are facilitative, and the detail of (for example) new filing arrangements will take time to implement. The changes will impose some additional costs on Companies House (and possibly on others, such as formation agents, in so far as they need to adapt to new forms etc), but it not easy to separate out costs arising directly from the changes in the Bill from those which will be incurred as a result of administrative changes already in train.	The changes are generally designed to promote swifter and clearer communication between companies, the registrar, and the outside world. In many cases they will facilitate the use of new e-technologies. Again, it is difficult to separate out specifically Bill-related impacts from others, but the general move to more efficient communications should bring great benefits.

Key measure	Costs	Benefits
Changes to the regime on reporting and accounting .	<p>Proposals to reduce filing times for private companies from the current 10 months could in principle impose costs. However, consultation responses from small business organisations suggest that the time-limit proposed – 7 months – will not adversely affect current work patterns.</p> <p>There will be new obligations on public quoted companies to publish material on websites. Given that almost all quoted companies will now have effective websites, the incremental costs should be small, perhaps £250 x 1,200 quoted companies = £300,000 pa.</p>	Changes to the timescale within which small companies produce accounts, and measures to increase transparency, will be of benefit to third-party small company users of those accounts.
Company charges	Policy options not yet clear	Policy options not yet clear
Implementation of major shareholding disclosure provisions in the Transparency Directive .	<p>The reduction in scope of the new regime, compared to the existing regime, is expected to reduce compliance costs.</p> <p>See separate RIA for further detail.</p>	<p>Benefits include a measure of deregulation (by excluding non-traded limited companies from the scope of the regime) and greater harmonisation of European disclosure requirements.</p> <p>See separate RIA for further detail.</p>

Key measure	Costs	Benefits
Making it easier to set up and run a company		
<p>Simplifications to the company formation process to make it easier to set up and run a company. Including the abolition of the requirement to have an initial “authorised share capital”, and abolition of the need for statutory declarations (legally attested signatures).</p>	<p>Simpler formation may encourage greater company numbers. This is not automatically a good thing (if it displaces alternative otherwise efficient business vehicles), but it is probable that it will lead to an overall increase in business activity.</p> <p>There have been some suggestions that excessively easy incorporation procedures could encourage the formation of companies for fraudulent purposes.</p>	<p>Savings are difficult to quantify – though even small benefits may produce large savings given the number of formations per annum. Experts have suggested that the potential for savings here is great; but since the majority of incorporations now happen through agents, we are uncertain how much reduction there will actually be in direct costs to companies.</p> <p>The removal of the requirement for statutory declarations should produce some direct savings (perhaps £5 x 100,000 incorporations per year = £500,000), but we believe the generally clearer procedures in the new Bill will produce additional savings, perhaps £2-4m pa in total.</p>
<p>Simplification of the law on company names.</p>	<p>No obvious costs.</p>	<p>Reduced risk of a company being required to change its newly-adopted name.</p>
<p>Simplification of the law on trading disclosures. Currently, companies are subject to separate regulatory regimes governing their legal name of incorporation, and the names which they choose to use when trading, respectively. The Bill will create a single set of regulation better adapted to the electronic age.</p>	<p>No obvious costs.</p>	<p>Direct savings will largely arise from removal of unnecessary requirements for displaying names in locations to which customers/suppliers have no access, and on the outside of all company premises. Numbers are unknown, but an assumption of a current cost of placing/maintaining names of £10 pa for some 800,000 live companies would produce savings of around £8m pa.</p>

Key measure	Costs	Benefits
<p>Reform law on directors' home addresses by giving directors the option of filing a service address for the public record (at present it is a requirement for their home address to be public).</p>	<p>No obvious costs.</p>	<p>Direct savings may be around £400,000 pa (on basis that currently 4,000 directors have sought orders preserving confidentiality for five years at a cost to them of perhaps £500). But more importantly this removes a real disincentive to those considering becoming directors of controversial companies.</p> <p>The current disincentive appears greatest in the biotechnology industry. Its removal may be a significant factor in helping retain and encourage the domestic biotech industry, with the benefits that flow from this.</p>
<p>Flexibility for the Future</p>		
<p>Power to reform company law in future by means of secondary legislation</p>	<p>No obvious costs.</p>	<p>Although this measure will be cost-neutral in itself, by ensuring that the law can in future be updated more quickly it should unlock significant benefits in future.</p>
<p>Investigations</p>	<p>No obvious costs.</p>	<p>Benefits will depend on if/how power is used, but cost-savings unlikely to be large (and will mostly accrue to Government).</p>