

BENEFICIAL OWNERSHIP TRANSPARENCY

In the wake of public outrage over the Panama Papers, and at a time when close to one hundred countries have committed to some form of beneficial ownership transparency,¹ knowing who owns or controls companies and other legal entities is fast becoming a new global norm.

The Financial Action Task Force (FATF) defines a ‘beneficial owner’ as:

“...the natural person(s) who ultimately owns or controls a customer and/or the natural person on whose behalf a transaction is being conducted. It also includes those persons who exercise ultimate effective control over a legal person or arrangement.”

The adoption of beneficial ownership transparency aims to prevent corruption and reduce impunity by making it harder to hide behind anonymous shell companies. Currently, anonymous shell companies are used to facilitate money laundering, fraud, terrorist financing, grand corruption, lawsuits by patent trolls, funding foreign elections, manipulating tenders and public procurement, and enabling criminal enterprises. Anonymous companies are all too familiar as part of grand corruption cases² and as dead ends for law enforcement when trying to bring criminal networks, terrorist financiers and corrupt officials to justice.

A lack of transparency over beneficial ownership fuels anonymity, which enables the corrupt to grow, move and hide illicit wealth. The absence of beneficial ownership information has created a void in the tools necessary to tackle corruption both nationally and internationally. Ensuring transparency over beneficial owners, for example through national registers, requirements in public procurement systems and by consolidating beneficial ownership information into a global register, will help end anonymous companies and the corrupt and criminal activity enabled by them.

All stakeholders have a key role to play in building clean systems. Transparency over government decision making can help increase public trust in the state, and enables civil society and the media to hold those governments to account over the choices they make. Businesses deserve to know who they are dealing with, and should be able to operate with confidence that contracts are being won by those with the best bid instead of the best contacts book.

BENEFICIAL OWNERSHIP COMMITMENTS AT THE ANTI-CORRUPTION SUMMIT

All 10 governments have signed up to establish or expand existing central or public **registers of beneficial ownership**. Public, central beneficial ownership registers will help law enforcement, journalists, and governments to trace the real beneficiary of companies incorporated in your country.

Governments can also follow the lead of **Colombia**, in committing to participate in the **Global Beneficial Ownership Register (GBOR)**³. This new global register will combine public beneficial ownership data from governments who already have or will have public registries, and also provide a platform for companies to self-disclose this crucial information or require their partners and suppliers to do so. The goal is to list the real owners of every company in every country. Ultimately, this kind of disclosure should be mandatory.

¹ The G20 countries have committed to High Level Principles on Beneficial Ownership Transparency; the 28 EU countries will all create central registries of beneficial ownership by the end of 2017 under the EU’s 4th Anti-Money Laundering Directive, and the 51 countries of the Extractive Industries Transparency Initiative all must ensure that companies disclose their beneficial owners under the new requirement 2.5 in the 2016 EITI Standard to be fully implemented by 2020.

² World Bank and UNODC Stolen Asset Recovery Initiative, *The Puppet Masters*, (2011), World Bank.

³ Transparency International, [Open Contracting Partnership](#) and [the B Team](#) are working with [Open Corporates](#), [Global Witness](#), [the ONE Campaign](#), and the [Web Foundation](#), to build the Global Beneficial Ownership Register.

Colombia's commitment to **facilitate access to beneficial ownership information for law enforcement** (local and foreign) without alerting the targeted companies and individuals will mean that investigations will be able to proceed without tipping off those who are complicit in concealing the identities of the corrupt.

A commitment from **Ukraine** to introduce **mechanisms to verify the accuracy of the beneficial ownership information to be** provided by companies by June 2017 provides a new approach to ensuring that governments collect accurate and quality data. This will reduce the risk of nominees being the named beneficial owners of companies, and make it easier to identify the source of potential or real corrupt and criminal activity.

Ensuring transparency of the ownership and control of all companies involved in property purchase and public contracting was a commitment of **Afghanistan, Argentina, France, Mexico, Nigeria, UK, and Ukraine**. This approach to transparency will help to put additional pressure on companies to be more transparent in order to qualify for government contracts and property purchases.

KEY ISSUES

Thresholds

FATF recommends that any person with over 25% of a company's shares should be considered a beneficial owner, but ultimately each country is able to choose their own threshold for ownership. The inconsistency in these thresholds can lead to uneven transparency across the world, and may prove a challenge when building databases such as the Global Beneficial Ownership Register.

Even under FATF's recommendation a company could reasonably have four or more owners, none of which would be considered a beneficial owner.

Verification

Once the person owning the relevant threshold of a company's shares has been identified, it is difficult to verify whether that person really is the person in control or benefitting from the company.

Where companies are required to self-report their beneficial ownership information, it is likely that corrupt individuals behind these companies will do what they can to continue to hide their true identities. The corrupt often use a complex system of layering that facilitates money laundering and add hurdles to efforts for full transparency. Public registers of beneficial ownership which require companies to self-report may have limited effectiveness.

Ukraine has already taken a leading role on this issue by committing to introduce mechanisms to verify the accuracy of the beneficial ownership information provided by companies.

Open Data standards

For beneficial ownership information to be an effective tool in tackling corruption around the world, there needs to be consistency in the standard of the data that is produced.

Beneficial ownership data must be easy to analyse and cross reference across different registers. It must also be machine readable, re-publishable, and free to be combined with other data. By adhering to this standard of open data, beneficial ownership information will be able to have maximum impact.

Access to data

Ensuring public access to beneficial ownership data provides a number of potential benefits: ability to have other actors involved in identifying false declarations (such as investigative journalists, business and civil society), and reducing the due diligence burden of companies by giving them a starting point for identifying who they are doing business with. In B20 workshops with companies in Kenya, China, India, France, the UK and the USA, companies have expressed their desire for access to this information to assist in risk management and due diligence.