

# #ACK CORRUPTION

## PROBLEM STATEMENT BRIEF



## BENEFICIAL OWNERSHIP TRANSPARENCY

The complexity and secrecy of modern ownership structures has led to a variety of anti-corruption efforts to increase transparency. A “beneficial owner” is the individual who ultimately owns, controls, or benefits from a company or other asset. Without beneficial ownership transparency, money laundering and bribery are easier to get away with and corruption is more difficult to investigate.

Governments employ a variety of methods to avert these risks. Many have established central beneficial ownership registries, which require all entities doing business in the country to report ownership structures. Some have also required that professional services firms like attorneys or tax advisors verify the listed ownership structures of their clients. In each case, the goal remains the same: ensure that beneficiaries of major assets are not hidden from the public.

The release of the [Panama Papers](#) and [Paradise Papers](#) in 2016 and 2017 shined a spotlight on the extensive use of anonymous companies for concealing beneficial ownership and corruption. As revealed by these leaks, anonymously-owned “shell” companies registered in tax havens were the getaway vehicles for tax evaders, criminals, and corrupt politicians. And these cases were merely the tip of the iceberg: most of the law firms had hundreds or thousands of clients who remained anonymous. Spurred on by these events, beneficial ownership transparency efforts have redoubled.

### INTERNATIONAL COORDINATION EFFORTS

International organizations have played a vital role in driving beneficial ownership transparency efforts. In 2014, the OECD released their Common Reporting Standard, which has helped facilitate cooperation and interoperability among country partners. The Financial Action Task Force (FATF), an independent organization originally established by the 1989 G-7 Summit, has also been foundational in contributing to these standards and measurement techniques.

For their part, NGOs have played a significant role in the fight against opaque ownership. The Tax Justice Network regularly releases a [Financial Secrecy Index](#), launched in 2009, which includes analysis of national beneficial ownership regimes. Open Ownership (OO) provides technical assistance to countries in meeting beneficial ownership-related [Open Government Partnership \(OGP\)](#) commitments. By February 2022, over 110 countries have [committed](#) to beneficial ownership transparency in at least one sector of their economy.

## CURRENT STATE OF PLAY: BENEFICIAL OWNERSHIP REGISTRIES

Centralized registries emerged in 2016 when Ukraine and the United Kingdom established their own. Beneficial ownership registers can now be accessed by the public in Armenia, Denmark, Estonia, Ghana, Indonesia, Nigeria, Poland, Portugal, Slovenia, Ukraine, Slovakia, the UK, Sweden, and Zambia among others, though some of these registries impose access requirements such as fees. In some other countries, including Argentina, Costa Rica, Uruguay, and soon the US, registers are not publicly accessible, but can be accessed by law enforcement bodies and are maintained by relevant public entities such as the Central Bank or a company registry. [would be good to have a sentence here which mentions the amendments to the FATF standard for BO]

In Southern Africa, beneficial ownership registries are rare: Botswana, Kenya, Seychelles, Zimbabwe and Zambia currently require disclosures. Of these, only Zambia makes its data public while Botswana's government is currently considering making their data public. South Africa, the region's biggest economy and most political influential country, only has a definition of BO in place requiring financial institutions to collect BO data as part of due diligence processes, and legislative amendments are underway to provide for a public BO register. As a result, investigative journalists and not-for-profit organizations pursuing illicit finance must use complex and indirect means to track down business owners in the region.

## APPENDIX:

### Case Study 1

- **Implementation of Nigeria's commitment to transparency** began at the sectoral level. Introducing this requirement at the sectoral level first, by collecting data on companies that own extractive licenses, provides a useful testing ground for the policy, procedures, and technology required. At the London Anti-Corruption Summit in 2016, Nigeria committed to implementing a fully public central beneficial ownership register, reiterating this commitment in both their EITI beneficial ownership roadmap and their 2018 OGP National Action Plan. Nigeria's EITI multi-stakeholder group (NEITI) set in motion a plan to deliver beneficial ownership transparency for the oil, gas, and mining sectors. NEITI worked with regulators in Nigeria's Mining Cadastral Office and Department of Petroleum Resources to include a beneficial ownership disclosure requirement in sectoral regulation and in 2019, the Beneficial Ownership register for the extractives sector was launched. In furtherance of Nigeria's commitment to a full economy register, the Companies and Allied Matters Act of 2020 was enacted with provisions that require the disclosure of persons with significant control. The Corporate Affairs Commission plans to release their full-economy register by July 2022 and establish a comprehensive regulatory framework to augment the provisions of beneficial ownership in the primary legislation

### Case Study 2

- **Beneficial ownership transparency helps detect and prevent conflicts** of interest in payment of EU Subsidies to companies with conflict of interest in Czech Republic. In 2018, Transparency International Czech Republic found that Prime Minister Andrej Babiš was the sole beneficiary of the two trust funds that owned shares of a Czech conglomerate Agrofert. Their discovery was possible thanks to Slovakia's free and public platform where ownership information of companies that receive public contracts or licenses is recorded. In 2019, Czech activists used the Slovakian beneficial ownership register to establish that the Prime Minister was the beneficial owner of a company receiving European Union subsidies. This is now under investigation by the European Commission for potential conflict of interest. Beneficial Ownership Registers thus have a valuable role to play in the oversight of public procurement to prevent self-dealing by politically connected individuals.

### PRINCIPLES & BEST PRACTICES:

1. Centralized registers that hold the ownership information of all legal entities (and arrangements) in a certain jurisdiction encourages greater transparency, even when not fully public.
2. A combination of approaches to Beneficial Ownership (the central registry approach, the "gatekeeper" or licensed intermediary approach, and the company approach) have proven effective.
3. Beneficial ownership disclosure laws when paired with effective disclosure systems and illicit enrichment laws (asset declarations and beneficial ownership disclosure) can be a powerful tool to detect and seize unexplained wealth.
4. Domestic Beneficial Ownership standards should be made applicable to foreign firms.
5. Imposing obligations on primary contractors with regard to controlling the performance of subcontractors helps to mitigate corruption risks.
6. Independent assessment and verification powers should be granted to ownership registers in order to check information provided by covered companies.
7. Leveraging international commitments and policy platforms and building on existing institutional frameworks to introduce reforms that are politically and technically challenging.

For further guidance and best practices, consult Open Ownership Principles, which set a global framework and recommendations for best practices for beneficial ownership transparency.