

# **A NEW GLOBAL STANDARD ON BENEFICIAL OWNERSHIP TRANSPARENCY**

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# RESPONSE TO FATF'S PUBLIC CONSULTATION ON REVISIONS TO RECOMMENDATION 24

## INTRODUCTION

For far too long, the corrupt and criminals have been able to hide behind secretive corporate structures without leaving much trace. Numerous investigative reports and scandals have shown that anonymous companies enable and fuel corruption, tax evasion, wildlife and arms trafficking, with devastating consequences to citizens, the rule of law and democracy. It is not a surprise, therefore, that beneficial ownership transparency – previously a niche concept – has advanced to the top of the global anti-corruption agenda.

Despite significant progress, however, not all key financial centres have taken the steps necessary for tackling corporate secrecy. In fact, Transparency International's analysis has shown that there are significant weaknesses in terms of ensuring transparency of beneficial ownership across the global network of Financial Action Task Force (FATF) countries.

As the global standard-setter on anti-money laundering, the FATF is the only international body with the mandate to bring all countries up to speed.

It can do so by requiring all countries to put in place the measures that would make financial crime investigations both more efficient and effective.

Transparency International and partners in 32 countries<sup>1</sup> recommend a revision of the FATF recommendation 24 and related guidance documents.

The new standard should require all countries to record and disclose beneficial ownership information in a register, in addition to ensuring that competent authorities can access existing data from financial institutions and designated non-financial businesses and professions. Data in the register should be independently verified by the register authority, which should have adequate powers to sanction non-compliance. The same beneficial ownership reporting and disclosure requirements should apply to foreign companies making investments, such as real estate purchases or opening a bank account. The new standard should also clearly define beneficial ownership, considering the money laundering risks posed by different types of legal entities. Finally, it should prohibit bearer shares and provide for strict regulations of nominee shareholders and directors.<sup>2</sup>

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<sup>1</sup> Signatories: Anti-Corruption Data Collective, Civic Leaders for Clean Transactions (CLCT) Integrity Fiji, Corruption Watch South Africa, Fundación Ciudadanía y Desarrollo – Ecuador, Fundación para el Desarrollo de la Libertad Ciudadana Panama (TI Panama), Institute for Democracy and Mediation – IDM Albania, The Daphne Caruana Galizia Foundation, Transparência e Integridade, Associação Cívica (TI Portugal), Transparencia Mexicana, Transparencia por Colombia, Transparency International, Transparency International Australia, Transparency International Azerbaijan, Transparency International Belgium, Transparency International Brazil, Transparency International Canada, Transparency International Czech Republic, Transparency International Germany,

Transparency International Greece, Transparency International EU, Transparency International Kazakhstan, Transparency International Mauritius, Transparency International Netherlands, Transparency International New Zealand, Transparency International Norway, Transparency International Russia, Transparency International Spain, Transparency International Solomon Islands, Transparency International Switzerland, Transparency International United Kingdom, Transparency International United States, Transparency International Zambia, Trinidad & Tobago Transparency Institute (TTTI).

<sup>2</sup> Transparency International, 2021. *What the global standard on beneficial ownership should look like: Five key*

This response provides detailed recommendations on the above-mentioned areas.

## RISK-BASED APPROACH FOR FOREIGN LEGAL PERSONS

### 1. Should countries be required to apply measures to assess the ML and TF risks to all types of legal persons created in the country and also to at least some foreign-created legal persons and take appropriate steps to manage and mitigate the risks?

Yes. An effective anti-money-laundering regime requires a robust and up-to-date understanding of how criminals abuse domestic and foreign legal persons to commit crimes. Criminals can exploit legal vehicles to, among other things, pay bribes, transfer embezzled funds, hide true ownership of assets and engage in tax evasion. Specific legal structures may entail different levels of risk. Understanding the risks associated with each type of legal person — by taking into account the requirements for company formation, reporting obligations, level of disclosure and transparency and business operations — will allow countries to establish the necessary mitigation measures and appropriate regulatory environment. Given the transnational nature of money laundering and many predicate offences, analysing the risks posed by foreign legal persons is also important.

### 2. What constitutes a sufficient link with the country? How should countries determine which foreign-created legal persons have a sufficient link with the country? Is there an alternative standard to “sufficient link” that could be used? What are the practical issues met/envisaged regarding the identification and risk assessment of foreign created legal persons?

A sufficient link could be a foreign company with investments in the country. Foreign investment can take place in many different ways. A foreign

company may sell a product, bid for government contracts, invest in real estate or domestic companies, open bank accounts, or even participate in art auctions. Countries have different rules and requirements on what information a foreign company needs to disclose to make an investment.

For some (but not necessarily all) of these activities, foreign companies already have to adhere to various requirements, including: (i) entering contractual engagements with a local representative to distribute, market and sell the company's products; (ii) establishing a representative/liaison office; (iii) registering an establishment or branch office; (iv) registering a separate legal entity (subsidiary or affiliated company); (v) registering with the tax agency, the central bank, the ministry of economy and others.

This does not necessarily mean, however, that information on the beneficial owner or even shareholders of these companies is collected. Very often, foreign companies only need to provide the name of a manager or representative in the country, and there is no record whatsoever of who the beneficial or legal owners are. This information is usually collected by authorities where the company was incorporated; But it could be challenging to access if, for example, incorporation happened in a secrecy jurisdiction.

Countries should therefore require foreign companies to follow the same rules on beneficial ownership disclosure that apply to domestic companies in order to invest in the country, including to open a bank account or purchase real estate.

## MULTIPRONGED APPROACH TO COLLECTION OF BENEFICIAL OWNERSHIP INFORMATION

### 3. (a) What do you see as the key benefits and disadvantages of a BO registry, and (b) what are the alternative approaches to registries, such as BO information held by companies, FIs, and DNFBPs, and their key benefits and disadvantages?

**3.(a) Key benefits of beneficial ownership registers:** The incorporation of companies and

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*fixes.* <https://www.transparency.org/en/news/fatf-consultation-global-standard-company-beneficial-ownership-transparency-key-fixes>

attesting their ability to function has been the responsibility of the state across all countries in the world. All countries have some sort of register that collects at least some information about companies incorporated in their borders. The structure of these registers (online, physical, centralised or decentralised) and the type of information they collect and disclose varies greatly. Still, there is a common understanding that authorities should collect and hold some information. It should be the same with beneficial ownership information, which is important to understanding the control and ownership structure of companies, the risks they pose and how they function.

Countries may decide on whether to record beneficial ownership information in existing company registers or create separate, dedicated beneficial ownership registers depending on their context.

Research conducted by Transparency International in 2019 showed that the type of mechanism available in a country to ensure that competent authorities have direct access to beneficial ownership information directly impacts the ability of authorities to de facto accessing adequate and accurate beneficial ownership data in a timely manner. By relying on companies themselves, financial institutions and DNFBPs, authorities are unlikely to have timely access to adequate, accurate and up-to-date information (see challenges below). We found, however, that authorities are more likely to have timely access to information in countries where beneficial ownership information is available in a register.<sup>3</sup>

The benefits of a register approach include:

- direct, timely and unrestricted access by competent authorities
- the ability of authorities to use the register for proactive investigations once they can freely search the register and do not need to request specific information in a reactive manner
- more control over companies' compliance with the rules, ensuring that beneficial ownership information is effectively available
- no risk of alerting or tipping-off companies and beneficial owners, as authorities do not need to request information and can access it directly

- more control over the type of information that is recorded and disclosed
- more control over cases that could expose people at risk
- the ability to use data for analysing money laundering risks and therefore improving policies, supervision and enforcement

If registers are open to the public, the benefits are even greater:

- Foreign competent authorities have direct access and will not need to resort to lengthy international cooperation requests.
- Obligated entities and other businesses can use the data in due-diligence processes, to vet business partners and suppliers, and make decisions on investments.
- Other government bodies not directly tasked with anti-money laundering — such as auditors, procurement officials, competition authorities, anti-corruption agencies, election-management bodies and environmental agencies — can access and use the information to detect conflicts of interest, fraud and other wrongdoing.
- Civil society and journalists can scrutinise the data, revealing conflicts of interest and wrongdoing as well as improving the accuracy of the data.

**Key disadvantages:** There are no disadvantages to the register approach. There are challenges that need to be mitigated to ensure the register is useful and reliable. Most of these challenges involve the establishment of the register and the regulatory and institutional framework governing it. They include:

- Technical assistance: Some countries are still digitalising their company registers and lack the expertise and know-how to establish an online, central beneficial ownership register or even to start collecting information to include in existing company registers. These countries need support to effectively go through this transition.
- The role of registers and quality of information: Existing company registers usually function as a repository of information and documents, and the information provided by legal entities upon

<sup>3</sup> Martini, M. 2019. *Who is behind the wheel? Fixing the global standards on company ownership*. Transparency International. [https://www.transparency.org/en/publications/who-is-](https://www.transparency.org/en/publications/who-is-behind-the-wheel-fixing-the-global-standards-on-company-ownership)

[behind-the-wheel-fixing-the-global-standards-on-company-ownership](https://www.transparency.org/en/publications/who-is-behind-the-wheel-fixing-the-global-standards-on-company-ownership)

registration is rarely verified. If registers are to assume a more proactive role in anti-money laundering efforts, their functions and resources must be adapted accordingly. Beneficial ownership registers should have the mandate and sufficient human, technical and financial resources to collect, verify and maintain relevant information. This should include the power to request information from companies and other authorities and to sanction legal entities for non-compliance (see questions 5, 9, and 11).

There is growing consensus in the international community on the importance of beneficial ownership registers in tackling financial crimes. FATF's report on best practices on beneficial ownership transparency highlights that authorities are more likely to have timely access to information in countries with a beneficial ownership register as part of a multi-pronged approach where information is also available from other sources.<sup>4</sup>

Earlier this year, a report published by the UN High Level Panel on International Financial Accountability, Transparency and Integrity (FACTI Panel) called for an international anti-money-laundering standard requiring all countries to create a central register of beneficial ownership.<sup>5</sup>

Recently, the G7 also recognised the importance of beneficial ownership registers for tackling wildlife and other crimes. The G7 Finance Ministers agreed to implement and strengthen registers of beneficial ownership information in their respective jurisdictions.<sup>6</sup>

The political declaration of the first-ever UN General Assembly Special Session (UNGASS) Against Corruption also highlights the importance of promoting beneficial ownership disclosure and transparency through registers.<sup>7</sup>

<sup>4</sup> FATF, 2019. Best Practices on Beneficial Ownership for Legal Persons, FATF, Paris. <https://www.fatf-gafi.org/media/fatf/documents/best-practices-beneficial-ownership-legal-persons.pdf>

<sup>5</sup> FACTI, 2021. Financial Integrity for Sustainable Development: Report of the High Level Panel on International Financial Accountability, Transparency and Integrity for Achieving the 2030 Agenda. [https://uploads.ssi.webflow.com/5e0bd9edab846816e263d633/602e91032a209d0601ed4a2c\\_FACTI\\_Panel\\_Report.pdf](https://uploads.ssi.webflow.com/5e0bd9edab846816e263d633/602e91032a209d0601ed4a2c_FACTI_Panel_Report.pdf)

<sup>6</sup> G7 Finance Ministers & Central Bank Governors Communiqué, 5 June 2021, London, United Kingdom <https://www.gov.uk/government/publications/g7-finance->

### 3.(b) Information held by companies.

Companies should certainly be required to understand their own ownership and control structure, beyond legal ownership, and maintain this information. However, relying on information held by companies themselves should not be considered a mechanism for authorities to gain access to beneficial ownership information for numerous reasons, including:

- **Tip-off risks.** If competent authorities need to request information on beneficial owners from companies themselves, they may alert the company about a potential investigation, which could lead the company or beneficial owners to destroy evidence or move assets.
- **Limits to proactive investigations.** The reliance on information held by companies prevents proactive investigations. Authorities already need to have suspicions about a company when opening an investigation and will seek beneficial ownership information only to confirm or gather more evidence.
- **Challenges to ensure compliance.** The company-dependent approach makes it difficult for authorities to verify whether companies are complying with the requirements and assess the quality and accuracy of information. This is particularly problematic in company-formation centres where the number of existing companies makes oversight difficult, expensive and time-consuming. One example is Hong Kong, where there are over 1.38 million registered companies and 150,000 new companies are incorporated every day.<sup>8</sup> These companies may do business in Hong Kong or elsewhere, which adds to the complexity and challenges for domestic and foreign authorities to access information. On top of that, the FATF mutual evaluation review (MER) acknowledges

[ministers-meeting-june-2021-communicue/g7-factsheet-beneficial-ownership](https://www.fatf-gafi.org/media/fatf/documents/mer-hong-kong-china-2019.html)

<sup>7</sup> Martini, M., 2021. UNGASS 2021: Bold actions to stop the flows of dirty money or more of the same?, Transparency International.

<https://www.transparency.org/en/blog/ungass-2021-beneficial-ownership-transparency-political-declaration-or-same>

<sup>8</sup> FATF, 2019. *Mutual Evaluation Report Hong Kong, China.* <https://www.fatf-gafi.org/publications/mutualevaluations/documents/mer-hong-kong-china-2019.html>

that money-laundering syndicates may “abuse the efficient and open business environment which allows easy formation of shell companies to launder proceeds of crime”.

### **3.(c) Information held by financial institutions and DNFbps:**

The requirement that financial institutions and DNFbps identify and collect their clients’ beneficial ownership information as part of due-diligence processes is an important pillar of a strong anti-money-laundering framework. However, these obliged entities should not be the only source of beneficial ownership information available to competent authorities. There are several challenges and disadvantages of this mechanism as the main source of information:

- Information will only be available if the relevant legal entity has established or maintained a business relationship with a financial institution or DNFbp.
- Competent authorities must be aware of the relationship between the legal person and financial institutions or DNFbps.
- Financial institutions and especially DNFbps are not always subject to registration or licencing requirements, which creates challenges for authorities in identifying and contacting relevant entities and professionals.
- A legal entity might have business relationships with financial institutions and DNFbps in countries different from the one where it was incorporated, making it harder for authorities to access information.
- Authorities need to request information, and the procedures for such requests may cause delays. For instance, many countries require a court order, which may hamper timely access and limit intelligence work or more exploratory investigations. In some countries, access to data is only possible in criminal investigations. In cases where the financial institution or DNFbp is in a foreign country, authorities will need to request assistance from foreign authorities to access the information.

Another set of challenges is related to the adequacy and accuracy of information collected by financial institutions and DNFbps, including:

- Financial institutions and DNFbps often record beneficial ownership information without conducting any independent verification. When they do carry out checks, financial institutions and DNFbps rely on information recorded in company registers.
- Financial institutions and DNFbps may not monitor clients on an ongoing basis.
- Financial institutions and DNFbps may lack the understanding and knowledge to properly conduct due diligence and identify the beneficial owners of complex legal structures.
- Financial institutions and DNFbps may not be adequately regulated or supervised.

FATF mutual evaluation reviews illustrate some of the challenges in countries that rely on beneficial ownership information collected by financial institutions and DNFbps as the main source of information available to competent authorities.

For instance, Panama adopted a law to establish a central beneficial ownership register in 2020, but it has not yet been implemented. Beneficial ownership information continues to be available only from financial institutions and DNFbps, typically through corporate services providers, such as lawyers who function as resident agents for companies established in Panama (all companies incorporated in Panama require a resident agent). Resident agents have no legal obligation to verify or monitor a customer’s activity in order to detect changes in beneficial ownership. The information they hold and make available to competent authorities on request is often not reliable and up-to-date. The rules also require competent authorities to tell resident agents why they need the information, which could tip off their targets. Finally, while resident agents are supposed to register with the country’s FIU for supervision, a review found that only 522 out of the 4,216 resident agents had done so, representing 12 per cent of the total.<sup>9</sup>

For more examples of the challenges faced by competent authorities to access beneficial ownership information in countries where the information is only available from financial

<sup>9</sup> GAFILAT, 2018. *Mutual Evaluation Report of the Republic of Panama*. <https://www.fatf->

[gafi.org/media/fatf/documents/reports/mer-fsrb/MER-GAFILAT-Panama-Jan-2018.pdf](https://www.fatf-)

institutions, DNFBPs and companies themselves, please refer to the table in annex 1.

**4. What are the key attributes and role regulators play in ensuring that a BO registry has adequate, accurate and up-to-date BO information available for competent authorities? Does this make a difference if BO information is held by a BO registry and alternative approaches to registries (e.g. BO information held by companies, FIs, and DNFBPs)?**

Regulators have an important role to play to ensure that BO registers have adequate, accurate and up-to-date BO information. A country's legal and institutional framework should enable regulators to collect adequate, accurate and up-to-date information in beneficial-ownership registers and issue deterrent sanctions against individuals or entities that fail to provide complete and accurate information. Regulators should also issue coherent rules when it comes to information held by companies, financial institutions and DNFBPs to make sure that they can meaningfully complement the register.

Particular attention should be given to ensuring the adequacy of beneficial ownership information. More information on the accuracy and up-to-dateness of beneficial ownership information can be found under questions 5, 9 and 11.

An adequate legal definition of beneficial ownership establishes the framework from which all legal responsibilities and obligations emerge. A strong and clear definition assists relevant stakeholders, such as competent authorities and entities with reporting obligations, to understand the scope of their duties. Weak definitions lead to gaps in the regulatory and enforcement framework and to uncertainty about the duties and obligations of entities with reporting obligations.

An adequate definition of beneficial ownership in national legislation should focus on the natural (not legal) persons who actually own and take advantage of the capital or assets of the legal person, rather than just the persons who are legally (on paper) entitled to do so. It should also cover people who

exercise de facto control, regardless of whether they occupy formal positions or are listed in the corporate register as holding controlling positions.

There should be a single definition of beneficial ownership in a given jurisdiction that applies to company registration, customer due diligence and any other sectoral disclosure requirements.

Regulators should specify and provide guidance on arrangements they consider direct or indirect control over an entity. They should include, at a minimum, the right to appoint or remove members of the board or similar officers of the corporate entity; the ability to exert significant influence on the decisions taken by the corporate entity; links with family members of managers, directors or those owning or controlling the corporate entity; and the use of formal or informal nominee arrangements.

Regulators opting to establish a threshold for control-through ownership should not automatically adopt the "25 per cent plus one" threshold that appears in FATF guidance documents and has been implemented in several countries. It is important that jurisdictions determine the ownership threshold based on an assessment of the money-laundering risks posed by different types of legal entities (as discussed under question 1). Some sectors or legal vehicles may require a lower threshold to prevent and detect financial crimes. This is the case, for instance, for alternative investment funds. From an anti-money-laundering perspective, it is important to understand the identities of end-investors who benefit financially from the funds (as investment funds are comprised of pooled investments made by these individuals) but are not necessarily in direct control.<sup>10</sup> In any case, a specified percentage shareholding or ownership interest should never automatically determine the beneficial owner; it should be one factor among many taken into account by authorities, financial institutions and DNFBPs.

Financial institutions and DNFBPs should be required to have a full understanding of the control structure of a legal entity or arrangement and of the nature and extent of control exercised by the beneficial owner(s). Registers should also include detailed information of the control structure of a legal entity and an explanation of the nature and extent of control exercised by the beneficial owner.

<sup>10</sup> Szakonyi, D.; Martini, M., 2021. *In the Dark: Who is behind Luxembourg's 4.5 trillion-euro investment funds industry?*, Transparency International. [https://www.transparency.org/en/publications/in-the-dark-](https://www.transparency.org/en/publications/in-the-dark-who-is-behind-luxembourgs-4-5-trillion-euro-investment-fund-industry)

[who-is-behind-luxembourgs-4-5-trillion-euro-investment-fund-industry](https://www.transparency.org/en/publications/in-the-dark-who-is-behind-luxembourgs-4-5-trillion-euro-investment-fund-industry)

Regulators should not permit senior managers to be identified as beneficial owners in the register or as part of due diligence conducted by financial institutions and DNFBPs. In exceptional cases, where the BO cannot be identified, and sufficient information is already provided to a competent authority like the case of a publicly traded company, the company should provide an explanation detailing why there is no beneficial owner or why the beneficial owner could not be identified. The justification should be recorded in the register and kept by financial institutions and DNFBPs. In these cases, senior managers should be clearly identified as managers and not as the beneficial owner in both the register and on customer due diligence records. When the beneficial owner cannot be identified, financial institutions and DNFBPs should consider submitting a suspicious transaction report and ending the relationship.

### **5. How should the accuracy of BO information disclosed to the BO Registry be confirmed?**

Beneficial ownership registers should be required to independently ascertain and verify the information disclosed by legal entities. This means registers need sufficient powers and resources to verify the information, request documents and other information from companies and sanction non-compliance.

At a minimum, in order to confirm the identity of the beneficial owner, the register should record key information about the beneficial owner as well as the legal entity, including:

- name of the beneficial owner
- date of birth
- identification number
- address
- place of residence
- nationality
- information on how control is exercised
- name of the person making the declaration
- detailed information on legal owners
- commercial address
- information on shareholders and directors

This information should be checked against original documents (such as digital IDs and passports). A more extensive verification process should be in place also, which is discussed in detail under question 9.

### **6. What role should the private sector play, if any, in ensuring that the BO information is adequate, accurate and up-to-date? What lessons should be learned from private sector use of existing registries?**

The private sector, and obliged entities in particular, have an interest in using data from company and beneficial-ownership registers on their customer due diligence and know-your-customer requirements. However, current use of this data may be limited by the accessibility and reliability of registers. Many registers are not accessible to obliged entities and only a few registers have established mechanisms to verify the information provided by legal entities.

While government authorities should be responsible for ensuring the accuracy of information, the private sector can still play a role in improving the accuracy and up-to-dateness of the data. They can formally report discrepancies when the data collected as part of their due-diligence process does not match the data in the register.

### **7. What effective mechanisms (aside from a BO registry) would achieve the objective of having adequate, accurate and up-to-date BO information for competent authorities? What conditions need to be in place for authorities to rely on financial institutions and DNFBPs to hold BO information? How could BO information held by obliged entities as part of their CDD be utilised in this regard?**

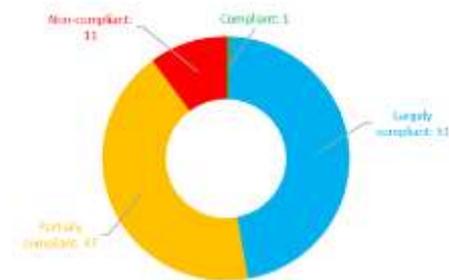
Without a state-run beneficial ownership register, it is not possible to achieve the objectives set in the FATF recommendations — for timely access to adequate, accurate and up-to-date beneficial-ownership information.

Since 2003, when the FATF published its first recommendations, jurisdictions have had great flexibility on the mechanisms they use to make beneficial-ownership information available to authorities. The overwhelming majority of them have been relying on financial institutions and DNFBPs almost exclusively. A 2019 review by Transparency International showed that reporting entities were the main source of beneficial-ownership information available to authorities — usually on request — in nearly 85 per cent of the

jurisdictions assessed. Competent authorities in these jurisdictions stated that they do not have access to beneficial ownership information in a timely manner and that this significantly impacts their ability to investigate money laundering and predicate crimes and respond satisfactorily to international cooperation requests.

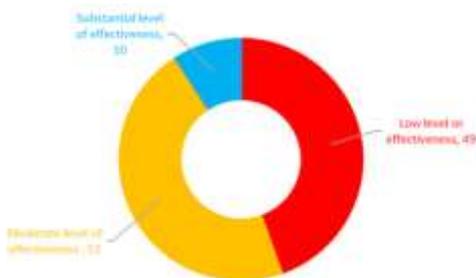
This is evident also from an analysis of jurisdictions compliance with FATF recommendation 24, where it becomes clear that technical compliance (where reliance on a single mechanism would be considered sufficient) does not lead to an effective regime. A system is effective when its defined outcomes are achieved; thus, it is crucial to observe the difference between the implemented measures and their impact.

**Figure 1. FATF - technical compliance Recommendation 24**



Source: TI based on FATF Mutual Evaluation Reviews, July 2021

**Figure 2. FATF Effectiveness rates (IO5)**



Source: TI based on FATF Mutual Evaluation Reviews, July 2021

Note: No jurisdiction showed 'High level of effectiveness'.

Information collected by reporting entities is an important part of the anti-money-laundering framework and can be key in identifying beneficial owners of legal entities, but it is not sufficient to ensure competent authorities have timely access to accurate and reliable beneficial-ownership information. It should be one source of information in a comprehensive system that makes information directly available to authorities through registers.

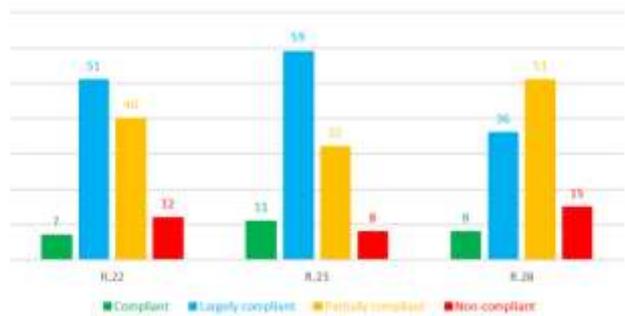
If competent authorities rely more on financial institutions and DNFBPs, significant reforms will be

needed to address the challenges mentioned under question 2.

First, jurisdictions will need to significantly improve the anti-money-laundering obligations that apply to financial institutions and DNFBPs and strengthen their supervision. This would ensure that the beneficial-ownership information available from financial institutions and DNFBPs is reliable, accurate and up-to-date.

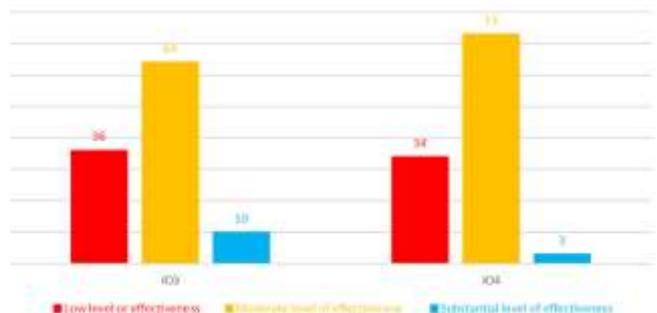
This is particularly the case for DNFBPs. As the graphs below demonstrate, jurisdictions' compliance with FATF recommendations related to DNFBPs (Recommendations 22 and 23) and their supervision (Recommendation 28) as well as their effective implementation (IO3 and IO4) is very poor across the FATF network. This means that there is no guarantee that these entities and professionals are effectively regulated or consistently complying with their anti-money-laundering obligations.

**Figure 3. Jurisdictions' compliance with FATF Recommendations 22, 23 and 28**



Source: TI based on FATF Mutual Evaluation Reviews, July 2021

**Figure 4. Jurisdictions' effective implementation of FATF Recommendations (IO3 and IO4)**



Source: TI based on FATF Mutual Evaluation Reviews, July 2021

Note: No jurisdiction showed 'High level of effectiveness'.

In addition, recent studies and reports from investigative journalists have raised serious questions about financial institutions and DNFBPs' compliance with anti-money-laundering rules (for example, the Panama Papers and Laundromats). A study conducted by Sharman et al. assessed whether corporate service providers complied with customer-due-diligence rules, finding that corporate service providers failed to request any form of photo identification from beneficial owners in the majority of cases.<sup>11</sup> The extremely low number of suspicious transaction reports submitted by DNFBPs in the majority of countries also raises questions about their ability to identify wrongdoing.

In order to mitigate the challenges of reliance on financial institutions and DNFBPs, countries would also need to ensure that:

- All legal entities always have an established relationship with financial institutions and DNFBPs in their country of incorporation (for example, companies would be required to open bank accounts in their country of incorporation).
- Financial institutions and DNFBPs are licensed and registered for anti-money-laundering supervision in the country of incorporation or where the relationship happens so that competent authorities can easily identify them.
- Jurisdictions dedicate sufficient resources to train and provide guidance to financial institutions and DNFBPs.
- Financial institutions and DNFBPs are effectively supervised and subject to dissuasive sanctions.
- A state oversight agency exists to oversee self-regulatory bodies, when supervision of DNFBPs is carried by them.
- A clear timeframe exists for financial institutions and DNFBPs to comply with a request from competent authorities, as well as a range of sanctions in cases of non-compliance.

<sup>11</sup> Findley, M., Nielson, D., & Sharman, J. C. 2012. *Global Shell Games: Testing Money Launderers' and Terrorist Financiers' Access to Shell Companies*. Griffith University Centre for Governance and Public Policy. <https://www.gfintegrity.org/wp-content/uploads/2014/05/Global-Shell-Games-2012.pdf>

- Barriers for competent authorities to access beneficial-ownership data, such as the need for a court order, are removed.

Moreover, to ensure that beneficial ownership information is available to competent authorities and without delay or risks of tipping off the client, countries should set up bank-account registers with beneficial-ownership information. These bank account registers should be accessible to competent authorities without requesting access to the information from financial institutions. This is a requirement under the 5th EU anti-money laundering directive, for example.

Information collected by notaries could also be included in a register that can then be accessed directly by competent authorities, as is the case in Spain.

## **8. How can the compliance burden on low-risk companies be reduced, without creating loopholes that could be exploited by criminals?**

There is no evidence, to the best of our knowledge, indicating a significant compliance burden on low-risk companies required to identify and report their beneficial owners. On the contrary, available evidence shows that a beneficial-ownership register is not costly for low-risk companies. For instance, a review of the implementation of the PSC Register (the UK beneficial ownership register) in 2019 showed that 95 per cent of surveyed businesses felt the process of complying with the PSC register had not had an impact at all on the way their business operates.<sup>12</sup> Four per cent stated that the effect was minimal and only 1 per cent said compliance was a burden.

The review also shows that the financial cost of compliance with the PSC register was relatively small, varying according to the business size and the complexity of ownership structure. Companies were estimated to spend on average 337 with the entire compliance process, starting with familiarisation with the register's requirements, through the identification of beneficial owners, to the collection, submission and maintenance of their data. The

<sup>12</sup> United Kingdom Department for Business, Energy & Industrial Strategy. 2019. *Review of the Implementation of the PSC Register*.

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/822823/review-implementation-psc-register.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/822823/review-implementation-psc-register.pdf)

median overall cost of compliance with the register was 147, a trivial figure in the business world.

Special attention should be given to requirements targeting non-for-profit organisations and the unintended consequences it may have. In countries where registration requirements for non-for-profit organisations are in place, information on the individuals legally responsible for the organisation (CEO or board members) is often available, regardless of beneficial ownership disclosure requirements. In countries where beneficial ownership disclosure rules are in place and apply to non-for-profit organisations, there could be a lack of understanding and clarity regarding who the beneficial owner should be. It should be made clear that the beneficial owner of a non-for-profit organisation will never be the financial contributors (donors) or financial beneficiaries (group of individuals who benefit from services provided by the organisation).

## ADEQUATE, ACCURATE, AND UP-TO-DATE INFORMATION

### 9. Who should play a role in the verification of BO information? How effective is the framework on discrepancy reporting? What are the possible verification approaches that can balance the need for accuracy and compliance cost?

Primary responsibility for verifying beneficial-ownership information should lie with the register authority (or public body responsible for collecting beneficial ownership information). The law should mandate the register authority to independently verify information provided by legal entities. Adequate powers and resources should be given to the authority to check the information provided by legal entities, request documents, carry out inspections and sanction non-compliance.

The verification process involves ensuring that people in the register are who they say they are (authentication), that those persons have agreed to be involved in a legal entity (authorisation), and that all the registered data is valid (for example, the address exists, the date of birth is valid and the purpose of the company is accurate).

In addition to collecting documentation that confirms the identity of the beneficial owner and company legal representatives, register authorities

should also rely on other mechanisms to verify information, including:

- electronic forms that include as many preselected fields as possible, which can serve to validate and constrain responses to be entered; (for example, nationality, address, postal code and date of birth)
- cross-checking information against existing government databases and registers (such as tax registers, citizenship registers, and land and vehicle registers). In Austria, Belgium and Denmark, for example, registers automatically cross-check the information on beneficial owners, shareholders and directors against other national databases, including the address registers and national-identification registers.
- vetting information against sanctions lists and adverse media.

Moreover, register authorities should conduct additional checks based on risk factors (see below) to ensure information is up-to-date and identify potential red flags, including inspections at the premises of legal entities. Register authorities should also be required to report any suspicion to the country's financial intelligence unit (FIU).

Quality and accuracy can be further improved through the establishment of discrepancy reporting requirements and the publication of beneficial-ownership data to allow other users, such as journalists and civil society, to scrutinise the register.

Data should be online and collected and structured in a way that enables the information to be easily crosschecked against other databases.

Countries should require that financial institutions and DNFBPs, as well as competent authorities, report discrepancies to the register if the information recorded in the register differs from the information collected during due diligence or investigations. A "red-flag system" should be in place to alert users that there is a discrepancy report under analysis until the inconsistency is resolved. The requirement for financial institutions and DNFBPs to report discrepancies is relatively new, and there is limited publicly available information on how it works in practice. Data from Germany for the first six months of 2020, obtained through a parliament request, shows that 2,610 discrepancy

reports were submitted to the country's beneficial ownership register.<sup>13</sup>

Other verification approaches include the involvement of professionals with anti-money-laundering obligations who may be engaged in the company-formation process, such as notaries, corporate service providers and lawyers. These professionals may be required to undertake due diligence, including the identification and verification of the beneficial owner. Given the several challenges mentioned under questions 1 and 3, we believe such an approach will only be effective if beneficial-ownership information is still recorded in a register and the register authority maintains certain obligations to verify the information, particularly to ensure that the information remains up-to-date.

This type of approach is in place in countries like Spain, where notaries have to verify the beneficial ownership provided by legal entities and include the information in a register that is accessible to competent authorities. In Slovakia, the register of public sector partners, which includes beneficial ownership information of legal vehicles that have a relationship with the state, relies on so-called authorised partners—attorneys, public notaries, auditors, tax advisors or a bank—to authenticate the data. An authorised person authenticates data by comparing it with the data available through public registers and originals of public documents. Once the authorised partner verifies the veracity of the information, the data is recorded in a publicly accessible register, allowing other users to also scrutinise the information.

#### **10. Should BO registries (where they exist) follow a risk-based approach to verifying of BO information?**

All beneficial ownership registers should establish verification mechanisms to confirm the identity of the beneficial owner and confirm the accuracy of the information provided. In addition to these checks, beneficial ownership registers should follow a risk-based approach to determine if further checks are necessary, identifying potential red flags that may trigger additional scrutiny.

Potential red flags include: beneficial owners who are politically exposed persons (PEPs); beneficial owners who are based or residing in foreign

jurisdictions; legal entities registered at the same address as several other entities; entities whose directors represent several other entities; and frequent change of the beneficial owner. In Latvia, for example, the beneficial ownership register verifies the address of registration during incorporation; if the address is already listed by other companies, the register sends it to the Revenue Authority for further checks.

#### **11. How frequently should disclosed BO information be updated or re-confirmed (e.g. annually, within a set period after a change is made)?**

Beneficial ownership information should be updated promptly, and no later than 14 calendar days following any change in beneficial owner. All companies should be required to confirm their ownership status on an annual basis.

### **ACCESS TO INFORMATION**

#### **12. Should access to a BO registry or another mechanism be extended beyond national (AML/CFT) competent authorities (e.g. to AML/CFT obliged entities such as financial institutions and/or DNFBPs)?**

Yes. There is great value in expanding access to a beneficial ownership register beyond national competent authorities.

Money laundering very often includes a cross-border element. Ensuring that foreign competent authorities have easy, direct and timely access to information about legal entities and their beneficial owners is instrumental to effectively curb financial crime. If beneficial-ownership registers limit access to national competent authorities, foreign competent authorities will always have to resort to lengthy international cooperation processes. This also means registers can only be used in a reactive manner and will not support proactive transnational investigations.

Access to beneficial-ownership registers should also be extended to obliged entities, such as financial institutions and DNFBPs. While obliged entities

<sup>13</sup> Trautvetter, C. 2021. *Geldwäschebekämpfung In Deutschland: Probleme, Lösungsvorschläge und Beispielfälle*. Transparency International Deutschland. [https://www.transparency.de/fileadmin/Redaktion/Publikat](https://www.transparency.de/fileadmin/Redaktion/Publikationen/2021/Studie_Geldwa_sche-in-Deutschland_210706.pdf)

[ionen/2021/Studie\\_Geldwa\\_sche-in-Deutschland\\_210706.pdf](https://www.transparency.de/fileadmin/Redaktion/Publikationen/2021/Studie_Geldwa_sche-in-Deutschland_210706.pdf)

should be required to undertake their own analysis during customer due-diligence checks, beneficial-ownership registers can serve as important sources of information. Moreover, obliged entities can also help detect potential inaccuracies in the registered data.

Other private sector entities may also benefit from access to beneficial-ownership registers. Companies have used beneficial ownership and company data to vet business partners and suppliers and make decisions on investments, for example.

Public and open registers also allow civil society organisations, academics and journalists to scrutinise the data. They can identify and expose conflicts of interest, potential corruption, tax evasion or other wrongdoing; and also undertake higher-level assessments to improve frameworks and registers so that beneficial ownership data serves as a useful tool against financial crime. For example, bulk analysis undertaken by civil society in the UK improved how Companies House, the national registrar of companies, collected data. The analysis also identified approximately 4,500 companies that listed other companies as the Persons of Significant Control (PSC) in situations where this was not permitted. Companies House took action against these companies.<sup>14</sup>

For more examples of how public beneficial ownership registers have helped to identify potential crimes, please refer to annex 2.

### **13. What measures should be taken to address concerns relating to privacy, security and potential misuse of BO information, arising from access to BO information?**

Legal persons are needed to operate complex businesses, collect capital and limit the risks and liability of individuals. They were never created to hide ownership in business or other enterprises. Company incorporation does not provide the right to privacy. Individuals who create legal structures are actively choosing to benefit from them and take

advantage of things like limited liability. Individuals could if they wanted trade in their own name and avoid the public reporting obligations that come with legal structures.

Requirements to disclose the beneficial owner of companies should strike a balance between privacy and public interest. All relevant information concerning the legal entity should be disclosed. Personal information, such as the home address or identification number of the beneficial owner, should not be made available to the public. The law should make clear what personal data is collected and how it is used, shared and secured.

Privacy and security concerns should also be treated differently. Beneficial ownership transparency laws should ensure that exceptions are in place for cases that pose a significant risk of harm. Requests for exceptions should be verified by an independent body and the beneficial owner should be able to appeal a denied request.

For example, in the UK, the law provides that under exceptional circumstances, where individuals who, due to the activities of the company, are at serious risk of violence or intimidation, can apply for their details to be protected. Between April 2016 and December 2018, Companies House received only 903 applications from beneficial owners (Persons of Significant Control) to protect their details from disclosure on the public register, and 474 were successful.<sup>15</sup> If we consider the number of companies incorporated in the UK (more than 4.5 million in June 2020)<sup>16</sup>, the number of requests is extremely low.

<sup>14</sup> Global Witness, 2018. *The Companies we Keep: What the UK's open data register actually tells us about company ownership*.

<https://www.globalwitness.org/en/campaigns/corruption-and-money-laundering/anonymous-company-owners/companies-we-keep/#chapter-6/section-0>

<sup>15</sup> United Kingdom Department for Business, Energy & Industrial Strategy. 2019. *Review of the Implementation of*

*the PSC Register*.

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/822823/review-implementation-psc-register.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/822823/review-implementation-psc-register.pdf)

<sup>16</sup> UK Government Official Statistics. 2021. *Incorporated companies in the UK April to June 2020*

<https://www.gov.uk/government/statistics/incorporated-companies-in-the-uk-april-to-june-2020/incorporated-companies-in-the-uk-april-to-june-2020>

## BEARER SHARES AND NOMINEE ARRANGEMENTS

### 14. Should issuance of new physical bearer shares without any traceability be prohibited?

Yes. Bearer shares are used by criminals to move, hide and launder illicit assets. They are company shares that exist in a certificate form, so whoever is in physical possession of the bearer shares is deemed to be the owner. As the transfer of shares requires only the delivery of the certificate from one person to another, they allow for anonymous transfers of control and pose serious challenges for money-laundering investigations.

Countries should prohibit the issuance of new bearer shares without traceability.

### 15. Should existing physical bearer shares be immobilised or converted?

Yes. States should implement measures to identify the beneficiary of the shares, such as requiring bearer shares to be converted into registered shares (dematerialisation) or requiring bearer shares to be held with a regulated financial institution or professional intermediary (immobilisation).

### 16. With regard to nominee arrangements, what are the benefits and disadvantages of requesting nominees' directors and stakeholders to declare their status? Are there alternative equivalent measures that would offer the same level of transparency?

In countries where they are permitted, nominee shareholders and directors should be licensed and subject to anti-money-laundering requirements, including the identification of beneficial owners, and required to keep records of their clients for a certain period. Moreover, nominee shareholders and directors should be obliged to disclose the identity of the beneficial owner who nominated them.

## Signatories

1. Anti-Corruption Data Collective
2. Civic Leaders for Clean Transactions (CLCT) Integrity Fiji
3. Corruption Watch South Africa
4. Fundación Ciudadanía y Desarrollo – Ecuador
5. Fundación para el Desarrollo de la Libertad Ciudadana Panama (TI Panama)
6. Institute for Democracy and Mediation – IDM Albania
7. The Daphne Caruana Galizia Foundation
8. Transparência e Integridade, Associação Cívica (TI Portugal)
9. Transparencia Mexicana
10. Transparencia por Colombia
11. Transparency International
12. Transparency International Australia
13. Transparency International Azerbaijan
14. Transparency International Belgium
15. Transparency International Brazil
16. Transparency International Canada
17. Transparency International Czech Republic
18. Transparency International Germany
19. Transparency International Greece
20. Transparency International EU
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24. Transparency International New Zealand
25. Transparency International Norway
26. Transparency International Russia
27. Transparency International Spain
28. Transparency International Solomon Islands
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*This document was produced with the financial assistance of the European Union. The contents of this document are the sole responsibility of Transparency International and can under no circumstances be regarded as reflecting the position of the European Union.*

**ANNEX**

**1. Examples of challenges faced by competent authorities in countries that relied on FIs and DNFBPs as a source of beneficial ownership information at the time of the mutual evaluation review (MER) was conducted**

<b>COUNTRY</b>	<b>CHALLENGES FATF MER</b>
<b>Australia</b>	Law enforcement authorities said their best source of beneficial ownership information was reporting entities. They must first discover, however, “which reporting entity has a business relationship with the legal person or arrangement at stake, and that the legal person or arrangement has established a business relationship with a reporting entity”, which may delay the process and hamper investigations.
<b>Austria</b>	Until recent reforms of the country’s beneficial ownership transparency framework, law enforcement’s main sources of information were financial institutions and DNFBPs, such as lawyers, notaries and tax advisors. For this reason, beneficial ownership information was only available if a legal entity was a client of an entity or professional with anti-money-laundering obligations.
<b>Canada</b>	<p>“While the legal powers available to LEAs [law enforcement agencies] are comprehensive and sufficient, the instances in which LEAs were able to identify the beneficial owners of Canadian legal entities or legal arrangements appear to have been very limited”.</p> <p>The process of linking a specific financial institution with a legal entity or partnership in an investigation is not always timely, particularly in cases involving small or provincial financial institutions or DNFBPs. The report also stressed that it is not possible for law enforcement agents to check with each financial institution and DNFBP individually to see whether it holds relevant information. The identification of the relevant financial institution or DNFBP often requires other potentially lengthier methods, such as surveillance.</p>
<b>Isle of Man</b>	In the Isle of Man, trust and corporate service providers are one of the main sources of beneficial ownership information. Even with the adoption of a beneficial ownership register, service providers will continue to play an essential role in obtaining and reporting beneficial ownership information of their clients. However, the report finds that the requirements placed on these service providers are not sufficient to ensure adequate, accurate and current beneficial ownership information, particularly because of the conditions under which these professionals operate. For example, the non-face-to-face nature of many relationships, the extensive use of professional intermediaries, and the tendency of trust and corporate service providers to downplay risk — and therefore not apply customer due-diligence measures that are commensurate with real risk — have an impact on the quality and accuracy of the data available to authorities.
<b>United States</b>	“[L]ack of timely access to adequate, accurate and current beneficial ownership (BO) information remains one of the fundamental gaps in the US context. (...) While authorities did provide case examples of successful investigations in these areas, challenges in ensuring timely access to and availability of BO information more generally raise significant concerns, bearing in mind risk and context. However, as there are no legal requirements to record BO information (as defined by the FATF), LEAs must often resort to resource-intensive and time consuming investigative and surveillance techniques. As a result, concerns remain about the ability of competent authorities to access accurate BO information in a timely manner”.

## 2. Examples of the impact of public beneficial ownership registers

The table below includes a non-exhaustive list of cases where data from public beneficial ownership registers may have helped to uncover potential wrongdoing or initiate investigations.

CASE STUDY – SUMMARY	SOURCES
<p><b>Italian mafia in Luxembourg</b>                      Law enforcement agencies and prosecutors from multiple countries have for decades fought Italy's most financially powerful mafia, 'Ndrangheta, with successes and setbacks along the way. Data retrieved from Luxembourg's beneficial ownership register marked a stand against this form of organised crime, by revealing corporate ownership patterns that, although not illegal per se, helped to fill the gaps of what anti-mafia investigators knew. Young people from the impoverished Italian region of Calabria – the birthplace of 'Ndrangheta – move to Luxembourgish cities, where the Italian mafia is thought to be already entrenched. There, these young people open legal entities in the catering business and nominate allegedly top-ranked mafiosi and their scions as administrators of these businesses. Through bank accounts of restaurants, ice shops and bars, the mafiosi are believed to launder the proceeds from 'Ndrangheta's well-established drug trafficking activities. As these businesses are normally short-lived, they manage to remain off the radar of financial authorities and anti-mafia prosecutors. The corporate ownership patterns revealed by Luxembourg's beneficial ownership register data opened a new front of investigations for anti-mafia prosecutors, who previously were not able to track 'Ndrangheta's capital and activities once they entered Luxembourg. More scrutiny is certainly needed but the Grand Duchy, understood as a transit country for 'Ndrangheta's cocaine trafficking until recently, might well be another base for mafiosi's businesses, similar to Germany, Belgium and Holland.</p>	<p>OCCRP <a href="#">article</a> 'The Secret Luxembourg Base of Italy's 'Ndrangheta Mafia', 15 February 2021</p> <p>IrpiMedia <a href="#">article</a> 'Come la 'ndrangheta è arrivata in Lussemburgo' (available in Italian only), 11 February 2021</p> <p>Tageblatt <a href="#">article</a> 'Santo Rumbo / „OpenLux“-Recherche: Name eines italienischen Mafioso taucht im Luxemburger Handels- und Firmenregister auf' (available in German only), 12 February 2021</p>
<p><b>Argentina's former president and the wind farm scandals</b>                      Mauricio Macri, the president of Argentina from 2015 to 2019, has been in the spotlight for alleged fraud in deals involving wind farms in the South American country. The ongoing probe into the scandal moved forward in February this year thanks to data retrieved from Luxembourg's beneficial ownership register. In a nutshell, before Macri's mandate, Argentinian authorities granted a Spanish company a concession to build and operate four wind farms in Argentina. Five years later, only one of these farms was operational. Indebted, the Spanish company sold off its concessions to two companies — Sidsel S.A. and Sideli S.A. — which, according to reports by the local media in 2018, were linked to Macri's family. At the time, journalists revealed that the Macri family's trusted accountant set up these companies and that Sideco, a large business group belonging to the Macris, held a small percentage of Sidsel S.A. and Sideli S.A. A short time after Macri took office, two other wind farm concessions were awarded to the same Spanish company, which, a little before going bankrupt, once again sold its concessions to one of the companies allegedly held by the Macris. Soon after, Sidsel S.A. and Sideli S.A. sold their six concessions, a transaction believed to have earned millions for the Macris. Investigations in 2019 confirmed that Sideco indeed owned 15 per cent of Sideli S.A. However, the beneficial ownership of the latter's majority shareholder was still unknown. Later that same year, investigators found out that, through a chain of companies set up in Argentina and in Spain, Sidsel S.A. and Sideli S.A. were actually managed by a Luxembourg company named Rainbow Finance, but they could not determine the natural persons behind the Luxembourg business. This only changed more than a year and a half later through the disclosure of corporate ownership in the Grand Duchy as mandated by EU policy. Data from Luxembourg's beneficial ownership register showed that, while Mauricio was still the president of Argentina, his brother, Gianfranco Macri, set up an offshore company in Luxembourg, which in turn invested in Rainbow Finance and is thought to have facilitated the wind farm deals. Now, the president's brother is under investigation for investing in both Sideli S.A. and Sidsel S.A. through his offshore company in Luxembourg, thus benefitting from the profitable wind farm deals. Macris spokesperson denies that the family has engaged in wrongdoing and claims Gianfranco's overseas company only exists to avoid red tape and give Gianfranco flexibility businesswise.</p>	<p>OCCRP <a href="#">article</a> 'Gone with the Wind: Argentina's Former First Family Used Luxembourg Companies to Reap \$70 Million', 12 February 2021</p> <p>PERFIL <a href="#">article</a> 'Sin licitación, el Grupo Macri compró y luego revendió seis parques eólicos' (available in Spanish only), 07 January 2018</p> <p>PERFIL <a href="#">article</a> 'Parques eólicos: un entramado societario que termina en Luxemburgo' (available in Spanish only), 01 July 2019</p> <p>La Nación <a href="#">article</a> 'OpenLux: Gianfranco Macri controló desde Luxemburgo el negocio de los parques eólicos' (available in Spanish only), 12 February 2021</p>

Luxembourg BO register

Luxembourg BO register	<p><b>Lebanon's central bank chief's offshore assets</b></p> <p>While Lebanon faces an enormous economic recession, with its GDP plummeting by nearly 40 per cent in only two years and more than half the population likely below the national poverty line, Riad Salamé, the chief of Lebanon's central bank, <i>Banque du Liban</i> (BdL) since 1993, is currently being investigated in his country for allegedly amassing an offshore wealth through illicit means in abuse of his position, an investigation his lawyer sustains is politically motivated. He is also under investigation in two other countries – Switzerland and France – for potential money-laundering. In Switzerland, Riad is thought to have hired a brokerage firm beneficially owned by his brother, Raja Salamé, as an intermediary in central bank sales of government bonds. Raja's company is estimated to have earned US\$330 million in commissions from this deal, moving part of the proceeds to Swiss accounts held by Riad Salamé himself. Salamé is alleged to have used a portion of this money to buy real estate assets in France, the UK, Germany and Switzerland. Beneficial ownership information from the Panama Papers, Swiss Leaks and more recently retrieved from Luxembourg's register was crucial to determining that Riad Salamé was behind a number of offshore companies managed by his entourage, that is, the one benefitting from these companies' real estate deals. The origin of Riad's assets is still unclear and yet to be determined by ongoing investigations and due legal proceedings, but their existence is no longer a secret thanks to Luxembourg's beneficial ownership register. Salamé Riad denies wrongdoing and claims he amassed his private wealth before joining the central bank.</p>	<p>OCCRP <a href="#">article</a> 'Lebanon's Offshore Governor', 11 August 2020</p> <p>New York Times <a href="#">article</a> 'As Lebanon collapses, the man with an iron grip on its finances faces questions', 17 July 2021</p> <p>L'Orient-Le Jour <a href="#">article</a> 'Nouvelles révélations sur le patrimoine de Riad Salamé en France' (available in French only), 24 July 2021</p> <p>Official document – <a href="#">investigation</a> into possible financial crimes by Riad Salamé (available in French only), 15 July 2021</p>
	<p><b>New evidence in years-long investigations of a Brazilian politician</b></p> <p>Aécio Neves is a prominent political figure in Brazil, having occupied several high-level public offices since the 1980s. He currently faces charges of corruption and obstruction of justice. Aécio and his kinsmen have been investigated for bribery and the use of offshore companies to hide allegedly ill-gotten wealth. One of these investigations probes his potential participation in a bribery scheme involving a giant mixed-economy energy company in Brazil, which could have been facilitated by an offshore company in Liechtenstein beneficially owned by Aécio's mother Inês Neves. This investigation faced numerous setbacks during the last decade due to lack of material evidence, being closed and reopened several times. A new piece of evidence retrieved from Luxembourg's beneficial ownership register in early 2021 may however kick-start a new phase in investigative efforts as well as in ongoing charges against him. By analysing data from the register, journalists discovered that Aécio's mother is not only the beneficial owner of an offshore company in Liechtenstein but, since 2018, has also been the sole shareholder of an overseas company in Luxembourg. Aécio and his family have never said whether the Luxembourg company has been declared to the Brazilian revenue service and the country's central bank, as required by local law. According to the family's lawyer, the Luxembourg company's sole purpose was to transfer a property in France, which has never happened. Brazilian prosecutors, that for many years probed into Aécio and his family's purported shady conduct, only now -- and due to journalists' work with Luxembourg's BO register data -- came to know about the company. They now have the chance to look into this new piece of evidence and conclude whether there was wrongdoing, which Aécio and his family deny.</p>	<p>piauí <a href="#">article</a> 'Documentos inéditos revelam outra empresa de mãe de Aécio Neves em paraíso fiscal' (available in Portuguese only), 11 February 2021</p> <p>OCCRP <a href="#">article</a> 'Luxembourg Companies Add Evidence for Brazilian Investigations Into Corruption, Crime', 11 February 2021</p> <p><a href="#">Indictment</a> against Aécio Neves (available in Portuguese only), 2017</p>
	<p><b>Venezuelan 'Bolichicos' in Luxembourg's haven</b></p> <p>As a member of "Bolichicos" – a group of privileged Venezuelan men closely tied to the governments of Hugo Chávez and Nicolás Maduro – Alejandro Betancourt allegedly made a fortune through obscure oil and electricity contracts with the Venezuelan government. Now, the US government is investigating many of his companies and business partners for money laundering through banks in the US. American authorities have struggled to link funds sent abroad to the group, but journalists have uncovered at least four firms on the Luxembourg beneficial ownership register that are controlled by Betancourt. These firms are connected to several other companies controlled by Betancourt and his business partner and that are under investigation for money laundering. Authorities have now new information that could help them to follow the money and identify the individuals behind it.</p>	<p>OCCRP <a href="#">article</a> 'Jet-Setting Venezuelan Businessman in Corruption Probe Linked to Luxembourg Firms', 11 February 2021</p>

<a href="#">Luxembourg BO register</a>	<p><b>Son of Russian Railways Official's real estate deals in Europe</b>                  State-owned Russian Railways is one of the largest transport companies in the world. Since 2003, Oleg Toni has been its deputy managing director. Recent revelations from the Luxembourg beneficial ownership register raises questions about whether Oleg's official income is sufficient to finance his family's deals offshore. Journalists revealed that, since 2003, the Toni family has purchased properties all around Europe worth millions of euros, such as the neo-Gothic Chateau Montapot in France. Sergei Toni, Oleg's son, appears as the beneficial owner of seven companies registered in Luxembourg, which control at least €50 million in real estate and other assets. Although there is no specific evidence of illicit activities, the ownership of assets through anonymous companies raises several suspicions. Sergei Toni's source of wealth and funds is unclear, given that he appears to have no official activity or income. Additionally, the fact that the properties seem to have been financed through loans by anonymous companies also raises red flags. Now that the family has been connected to this extensive list of companies and assets, authorities should investigate any potential corruption or wrongdoing behind these investments.</p>	<p>OCCRP <a href="#">article</a> 'Son of Russian Railways Official Owns European Real Estate Empire', 10 February 2021</p> <p>Reuters <a href="#">Special Report</a> 'Russian Railways paid billions to secretive private companies', 23 May 2014</p>
	<p><b>Russian oligarchs and the US real estate market</b>                  Boris Rotenberg is a childhood friend of Vladimir Putin and one of Russia's best-known oligarchs. His wealth came from business deals for the state-owned energy company Gazprom and the 2014 Sochi Winter Olympic games—contracts awarded to him by Putin, according to US authorities. In 2014, Rotenberg was among those in Putin's inner circle whom the US sanctioned, as a response to Russia's invasion of Ukraine's Crimean Peninsula. As a result, all of Rotenberg's known US assets were frozen, but recent investigations show that he could have been using relatives and offshore companies to hide his capital. TI-Russia and OCCRP revealed that Rotenberg's wife, Karina Rotenberg, had been using her maiden surname, Gapchuk, to register assets. Karina would not necessarily be subject to the same sanctions as her husband, but the Rotenberg surname would certainly have raised red flags by financial institutions and others involved in transactions. Once the link to her maiden name had been established, journalists discovered several properties in the US that are likely connected to the family. Journalists also found that she is the beneficiary of a Luxembourg company that was established in partnership with Boris before the US sanctions were introduced.</p>	<p>US Department of the Treasury <a href="#">press release</a>, 20 March 2014</p> <p>OCCRP <a href="#">article</a> 'Georgia On Their Minds', 27 January 2020</p>
<a href="#">Slovakia BO register for public</a>	<p><b>Czech Prime Minister found in conflict of interest over EU subsidies in EC audit</b>                  In April 2021, Czech Republic's Prime Minister, Andrej Babiš, was found to have violated both local and EU regulations on conflicts of interest, as part of a years-long audit conducted by the European Commission. The audit concluded that while Babiš "was actively involved in the implementation of the EU budget in the Czech Republic", he indirectly controlled the group Agrofert, an enormous conglomerate that received millions of euros in EU subsidies that now ought to be returned. Tracking Babiš' effective control over the group Agrofert was not an easy task. Prior to a ban on the payment of EU subsidies to companies with conflicts of interest in the Czech Republic in 2017, Babiš, who was until then the sole shareholder of the conglomerate, moved his assets to two trusts that, as far as anyone could tell, started running the Agrofert group as of this transition. This notion changed in 2018, when Transparency International's chapter in the Czech Republic scrutinised data from the Slovak Register of Public Sector Partners, a free and public platform for beneficial ownership information of companies awarded public contracts or licences. They found that Babiš remained the beneficial owner of the group Agrofert. This information, later confirmed with the help of the UK's beneficial ownership register, triggered the EU audit. The audit then confirmed that the Czech Prime Minister exercised de facto control over the two trusts Babiš himself set up to administer the group Agrofert, by for instance appointing and dismissing the trusts' actors, defining its functioning, etc.</p>	<p>European Commission <a href="#">audit</a> report, 23 April 2021</p> <p>Transparency International <a href="#">press release</a> 'Andrej Babiš is our controlling person (beneficial owner), says Agrofert', 22 June 2018</p>

<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Denmark BO register</p>	<p><b>Suspicious assets and the clients of Danish bank revealed</b>                  Andelskasse bank was a small Danish financial institution that reportedly laundered US\$647 million between October 2017 and September 2018. Suspicious that Andelskasse had not conducted sufficient anti-money-laundering checks on its customers led the state to take over the bank and open an investigation. The investigation revealed “serious AML breaches”, – contributing to the state’s decision to withdraw the bank’s license. Following the investigation, Danish media outlet Børsen gained access to a list of high-risk legal entity clients of the bank. Journalists used the Danish beneficial ownership register to identify the owners of these legal entities. Many appeared to be linked to suspicious activity or were under investigation for money laundering offences in their countries, raising serious concerns about the extent to which the bank had adequately identified the beneficial owners of their customers, conducted necessary due diligence and reported suspicious transactions to authorities. Among the individuals identified were Russian billionaires Andrei Filatov, Nikita Mishin and Konstantin Nikolaev. They are frequent business partners of Leonid Levitin, the brother of Putin’s assistant, who seems to have made a fortune with the help of offshore companies, according to a recent investigation by IStories. Nikolaev also gained some fame last year when it emerged that he had provided funding to Maria Butina, who in the United States was convicted of conspiracy to act as an agent of the Russian government. Data from the beneficial ownership register revealed that the trio were the real owners of “Leverret Holdings Aps,” a company legally owned by another company in Cyprus, which in turn was owned by a third company in the Bahamas. Another individual of interest was Italian-Nigerian billionaire Gabriele Volpi, who made his fortunes by operating various ports and providing services to the African oil industry. He is being investigated for tax evasion and money laundering in Italy, according to Italian media outlet Il Secolo XIX. In Denmark, data from the beneficial ownership register shows Volpi as the main beneficiary of a company with a complex ownership structure that, among other things, was used to hold assets like private aircraft.</p>	<p>Børsen <a href="#">article</a>, ‘En fyrste, spionforbindelser og en hvidvaskmistænkt: Mød milliardærerne bag andelskassens danske kunder’ (available in Danish only), 12 April 2019</p> <p>Finans <a href="#">article</a>, ‘Københavns Andelskasse sigtet for hvidvask for rekordstort beløb’ (available in Danish only), 20 September 2019</p> <p>IStories <a href="#">article</a>, ‘Assistant brother or brother’s assistant?’, 12 May 2021</p> <p>New York Times <a href="#">article</a>, ‘Billionaire Backer of Maria Butina Had Russian Security Ties’, 21 September 2018</p> <p>U.S. Immigration and Customs Enforcement <a href="#">Notice</a> regarding Mariia Butina, 25 October 2019</p> <p>Il Secolo XIX <a href="#">article</a>, ‘Soldi svizzeri, processate Volpi per riciclaggio: svolta dei pm sul patron della Pro Recco’ (available in Italian only), 18 December 2017</p>
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">United Kingdom BO register</p>	<p><b>Azerbaijan’s high-level public official and his family’s unexplained wealth</b>                  Transparency International UK, Finance Uncovered and OCCRP used UK beneficial ownership data and leaked data from Cayman National Bank’s Isle of Man branch to reveal the real estate and business empires of Anar Mahmudov and Nargiz Mahmudova, the children of Eldar Mahmudov, Azerbaijan’s Minister of National Security between 2003 and 2015. Anar Mahmudov opened his first company when he was just 16. Now, at the age of 36, he is linked to companies that, in 2012, took in more than US\$65.9 million, as well as properties in Lithuania, Spain and the UK. His sister Nargiz lists a flat on the shores of Lake Geneva as her address and is also the owner of a historical building in Mallorca, Spain. The joint investigation identified over €100 million worth of companies and real estate jointly held by the family. The family have offered different explanations for the origins of their fortune, from a wealthy ancestor to a successful aunt. Clearly, their father’s official government salary of no more than €1,500 per month does not seem to be a sufficient for building such an empire. The true ownership of these assets was obscured by a network of companies spanning from St. Kitts and Nevis to the Isle of Man, ending in UK registered businesses. The UK beneficial ownership register helped to shine a light on the deals of the family. Authorities must now investigate the source of wealth of these investments.</p>	<p>Transparency International <a href="#">feature</a> ‘Who is opening the gates for kleptocrats’, 11 June 2020</p> <p>TI UK <a href="#">press release</a> ‘Family of former Azeri security minister own UK assets worth £50m’, 31 May 2020</p> <p>OCCRP <a href="#">investigation</a> ‘Dethroned Azerbaijani Elites Made Big Investments in Europe’, 20 May 2020</p>

<a href="#">United Kingdom BO register</a>	<p><b>Nephew of Turkmenistan's president profits off food imports using UK companies</b>                  Since 2016, Turkmenistan has suffered severe food shortages amidst an economic meltdown, with citizens queuing daily to receive small portions of food. President Gurbanguly Berdimuhamedov signed that same year a decree instructing the country's Ministry of Trade and Foreign Economic Relations to approve food import contracts with seven specific foreign companies worth nearly US\$60 million. While the stated purpose of these imports was to increase the supply of food, a May 2021 investigation by the OCCRP suggests the decree made it possible for those in the president's inner circle to use offshore companies to hide conflicts of interest and be granted the contracts while maintaining anonymity. Key to this investigation was beneficial ownership data from the UK's beneficial ownership register. This data revealed that two of these specific companies authorised by Berdimuhamedov's decree to import food, both of them incorporated in the UK, were in fact beneficially owned by the president's nephew and his close business associate. Berdimuhamedov's nephew appeared in the UK database as the beneficial owner of the company that got the largest of these seven contracts — a firm with no demonstrated experience with food imports. While Berdimuhamedov's nephew seems to enjoy a lavish lifestyle, sharing on social media luxurious cars, watches and properties, the food crisis has grown worse in Turkmenistan, with local media outlets reporting monthly rations in the capital city of the country's largest province as meagre as one chicken quarter, one litre of vegetable oil and 250 grams of sugar per household, regardless of its size.</p>	<p>OCCRP <a href="#">article</a> 'As Turkmenistan's People go Hungry, President's Nephew Profits off Food Imports', 13 May 2021</p>
	<p><b>Authorities detected illegal wildlife trafficking using beneficial ownership register</b>                  In 2010, the European Union banned exports of European eels, which had been declared critically endangered. The ban, combined with a decline in Japanese species, caused a shortage in the market, driving prices up. It is therefore not a surprise that trafficking in eel is considered one of the world's biggest wildlife crimes. Europol estimates that as many as 100 tonnes of fish are illegally trafficked from Europe to Asia each year. In an effort to stop eel smuggling, the UK Border Force seized a consignment of glass eels, which the trafficker had attempted to smuggle to Hong Kong. The National Crime Agency (NCA) found a connection between the named recipient of the consignment and a company registered in the UK. Using the UK beneficial ownership register, authorities soon discovered the identity of the individual behind the company and used further evidence, including information related to his personal and business bank account records, to establish his involvement. With this information, the NCA established that the UK company and its beneficial owner were trafficking eels for over two years, selling over 1,775 kilograms of eels valued at £53million (US\$73.4 million) at the point of sale, which led to his eventual conviction for the illegal importation and movement of a protected species by the Crown Prosecution Service.</p>	<p>G7 <a href="#">factsheet</a> – beneficial ownership, June 2021</p> <p>Sustainable Eel Group <a href="#">article</a> 'EUROPOL announce 15 million endangered eels have been seized in world's greatest, yet least known, wildlife crime', 27 June 2019</p>
	<p><b>Azerbaijan's couple unexplained wealth</b>                  In 2018, the United Kingdom introduced a new mechanism — unexplained wealth order (UWO) — to enforce better control over assets held by foreigners that could be connected to criminal activity. Under this mechanism if a person cannot explain the source of their wealth, the courts can fast-track the seizure of their assets, regardless of whether a predicate crime has been proven or not. The first UWO to be applied in the UK was issued to Zamira Hajiyeva, married to Jahangir Hajiyev, the former chairman of the International Bank of Azerbaijan, who is currently serving a 15-year prison sentence in Azerbaijan for abusing his position. Mrs Hajiyeva lived a very luxurious life in the UK that could hardly be afforded by her family's officially declared income. British authorities issued two UWOs against her after identifying Zamira Hajiyeva as the beneficiary of two luxurious properties that were acquired through secretive and complex beneficial ownership structures. The information available in the UK beneficial ownership register helped investigators to link her to one of the properties. Beneficial ownership data also helped investigators to provide the court with evidence suggesting that Zamira's husband is registered as the beneficiary of a company that used a US\$42.5 million loan to buy a Gulfstream jet, further indicating that the couple had a pattern of spending that seemed above their known source of income. Hajiyeva challenged the orders, but her motions were dismissed by the High Court in London.</p>	<p>BBC <a href="#">article</a> 'Zamira Hajiyeva: How the wife of a jailed banker spent £16m in Harrods', 28 May 2019</p> <p>OCCRP <a href="#">article</a> 'What is 'Unexplained Wealth?', 20 April 2021</p> <p>OCCRP <a href="#">article</a> 'Explaining the U.K.'s 'Unexplained Wealth Order?', 20 April 2021</p> <p>TI UK <a href="#">article</a> 'Identities revealed in first UWO case', 10 October 2018</p>

<a href="#">United Kingdom BO register</a>		<p>TI UK <a href="#">article</a> 'High Court dismisses challenge from first unexplained wealth order respondents', 5 February 2020</p>
	<p><b>British shell companies and the Beirut Blast</b></p> <p>In 2020, a tragic explosion at the Beirut port killed 217 people, injured 7,000 and left over 300,000 houseless. The blast was caused by a large store of unstable ammonium nitrate, which had been confiscated and offloaded from a Moldovan flagged ship. A year has passed since the explosion, and no one has been held accountable. There are still many open questions about who the owners of the ship and the explosives are – but information in the UK beneficial ownership register may put authorities closer to an answer. Investigative journalists and civil society pieced together some disturbing details about the explosion, connecting the company that owned the abandoned ammonium nitrate to businessmen sanctioned by the US for ties to Syrian President Bashar al-Assad. Allegedly, these businessmen tried to cover their tracks by not declaring themselves as the owners of Savaro Ltd, the company reportedly owning the explosives, even if rules in place in the UK required all companies to declare the real individuals behind companies. Data in the UK beneficial ownership register shows a Cypriot woman, Marina Psyllou, as the director and beneficial owner of the company. Psyllou, however, denied being the final owner. Evidence available from the Panama Papers and Offshore Leaks shows Marina as the registered office in several other companies, suggesting she could de facto be a nominee. The episode demonstrates the importance of ensuring that register authorities are mandated to independently verify the information in the register. Nonetheless, the register data was still useful to find other possible connections that could lead to the real owners of Savaro. The company shared the same UK address with two other companies that, according to data in the UK beneficial ownership register, were owned by two businessmen sanctioned for ties to the Syrian regime. All three companies shared directors, had their filing forms signed by the same person and changed their address on the same day. The name and signature of Savaro Ltd.'s beneficial owner appears on all three change of address forms. Authorities should now investigate whether false information has been provided to the UK register and if the sanctioned individuals were the real owners of the company involved in the Beirut blast.</p>	<p>Reuters <a href="#">article</a>, 'Beirut blast chemicals possibly linked to Syrian businessmen - report, company filings', 17 January 2021</p> <p>Open Ownership <a href="#">report</a> 'Early impacts of public registers of beneficial ownership: United Kingdom', April 2021</p> <p>Offshore Leaks search result for '<a href="#">Marina Psyllou</a>', accessed 11 August 2021</p>

