



**United  
Nations**

Department of  
Economic and  
Social Affairs

CEPA strategy guidance note on

## **Registries of beneficial ownership**

October 2024

The [United Nations Committee of Experts on Public Administration \(CEPA\)](#) has developed a set of principles of effective governance for sustainable development. The essential purpose of these voluntary principles is to provide interested countries with practical, expert guidance on a broad range of governance challenges associated with the implementation of the 2030 Agenda. CEPA has identified 62 commonly used strategies to assist with the operationalization of these principles. This guidance note addresses registries of beneficial ownership, which are associated with the principle of transparency and can contribute to strengthening the accountability of institutions. It is part of a series of such notes prepared by renowned experts under the overall direction of the CEPA Secretariat in the Division for Public Institutions and Digital Government of the United Nations Department of Economic and Social Affairs.

In reading this guidance note, individuals in government ministries and agencies who are less familiar with the topic will be able to understand the fundamentals. Those who have perhaps taken initial steps in this area with limited follow-through or impact will be able to identify how to adjust elements of their practice to achieve better results and to better embed and institutionalize the strategy in their organizations. Those who are more advanced in registries of beneficial ownership will be able to recognize the practices which contribute to their success.

## Understanding the strategy

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Beneficial ownership transparency (BOT) involves making information on “beneficial owners” available to authorities and other stakeholders, often including the general public. Beneficial owners are the natural persons who ultimately and effectively own, control or benefit from companies and other legal persons and arrangements.<sup>1</sup>

BOT helps strengthen public sector transparency, supports national security initiatives and is important to counter corruption and other financial crimes. Without sufficient ownership information, corporate abuses and financial crimes can be harder to detect and it can be easier for individuals to exploit corporate vehicles for illegitimate or illegal purposes. As illustrated in Figure 1, for example, a firm could have won a government contract by paying a bribe to an offshore entity that is secretly owned by a corrupt official. Alternatively, a secret firm could hide a conflict of interest between the official awarding the contract and the beneficial owner who won the bid. Ill-gotten money will likely be laundered through secretive bank accounts and other entities. Without BOT any asset recovery becomes impossible, as authorities are unaware of the wealth held by criminals. By discouraging and helping to detect cases of corruption and conflicts of interest, especially in relation to government procurement, licenses and subsidies, BOT can help to promote the accountability of institutions at all levels.

### Beneficial ownership transparency and the Sustainable Development Goals

Beyond addressing individual cases of corruption, BOT can have a substantial impact on implementation of the 2030 Agenda by helping authorities systematically identify, investigate and prosecute tax evasion and avoidance, as well as corruption and money laundering that result in the loss of public funds and government revenues. Illicit financial flows have a dire effect on state resources, including the loss of tax revenues, which are needed to finance the SDGs.<sup>2</sup> The United Nations Commission on Trade and Development’s Economic Development in Africa Report 2020 noted that Africa alone loses an estimated USD88.6 billion annually through illicit capital flight.<sup>3</sup>

In addition, in 2023, the State of Tax Justice Report estimated that globally, USD311 billion was lost to corporate tax abuse and USD169 billion was lost to offshore tax evasion.<sup>4</sup> The 2023 Financing for Sustainable Development Report explained that the global loss of

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<sup>1</sup> The term “legal person” refers to any entity other than a natural person that can establish a permanent customer relationship with a financial institution or otherwise own property. This can include companies, corporate bodies, foundations, partnerships or associations and other relevantly similar entities. “Legal arrangements” refers to trusts and other similar legal arrangements, which may include but are not limited to fiducie, certain types of Treuhand, fideicomiso and Waqf. See FATF (2012-2023), *International Standards on Combating Money Laundering and the Financing of Terrorism & Proliferation*, Paris, France, [www.fatf-gafi.org/en/publications/Fatfrecommendations/Fatf-recommendations.html](http://www.fatf-gafi.org/en/publications/Fatfrecommendations/Fatf-recommendations.html).

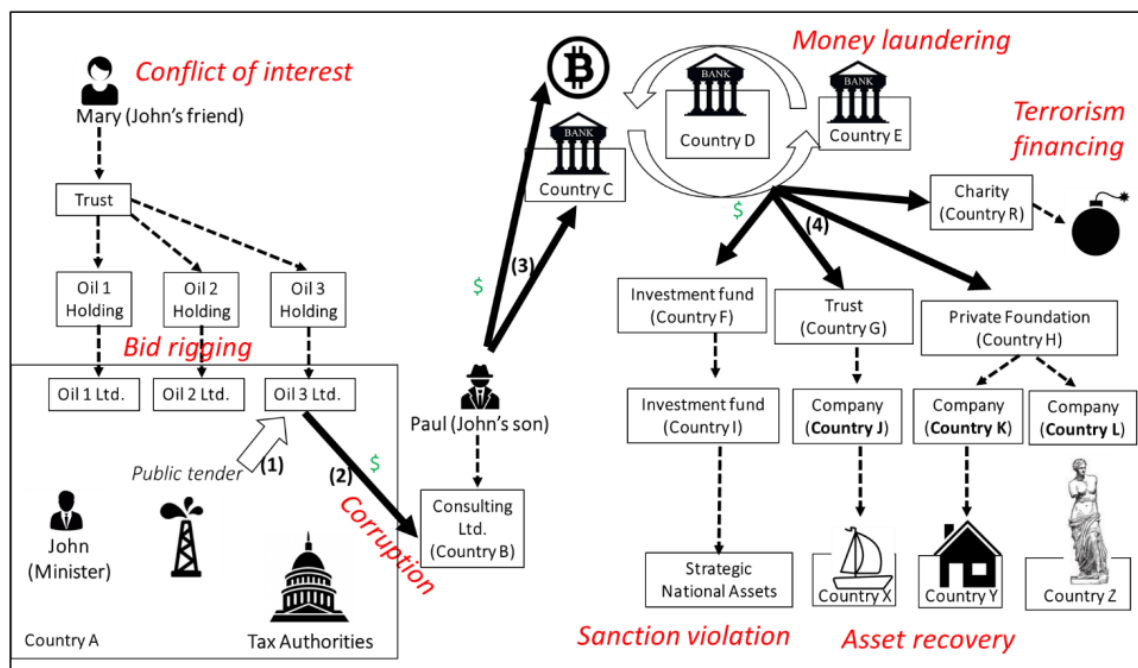
<sup>2</sup> There is no universal definition of illicit financial flows. Some argue tax avoidance should not be included.

<sup>3</sup> Available from <https://unctad.org/news/africa-could-gain-89-billion-annually-curbing-illicit-financial-flows>.

<sup>4</sup> Available from <https://taxjustice.net/wp-content/uploads/2023/08/State-of-Tax-Justice-2023-Tax-Justice-Network-English.pdf>.

corporate income tax revenue was estimated at USD969 billion (in 2019), due to profit shifting by multinationals.<sup>5</sup> The prevention of these illicit activities, together with the asset recovery enabled by BOT, can put countries in a better position to reduce poverty and hunger, promote good health and well-being, provide quality education, clean water and sanitation, reduce inequalities and advance many other economic and social objectives.

**Figure 1. Schematic illustrating illicit activity enabled by ownership secrecy**



Source: Knobel, A., "Transparency of asset and beneficial ownership information," FACTI Panel Background Paper, 4 July 2020.

A specific benefit is the promotion of fair market conditions by allowing investors to know who they are doing business with and at the same time help firms maintain a good reputation. BOT for all entities in the full value chain can also help discourage abusive practices that exploit gaps in the regulation and enforcement of labour standards, human rights and environmental protection by both foreign and domestic firms, helping to achieve SDGs 8, 9 and 12.

BOT can also help authorities and other stakeholders protect the environment. According to the World Ocean Review, illegal, unreported and unregulated fishing may account for up to 33 percent of the world's total catch.<sup>6</sup> Information on beneficial owners of the companies owning and operating fishing vessels could be used to reduce illegal fishing or prosecute those responsible for it. BOT could have a similar impact on activities that affect the protection and

<sup>5</sup> United Nations, Inter-agency Task Force on Financing for Development, *Financing for Sustainable Development Report 2023: Financing Sustainable Transformations* (New York: United Nations, 2023), available from <https://developmentfinance.un.org/fsdr2023>.

<sup>6</sup> Available from <https://worldoceanreview.com/en/wor-2/fisheries/illegal-fishing/>.

management of terrestrial ecosystems such as forests and wetlands, helping to advance SDGs 13 and 14.

As for climate change, Oxfam reported that in 2019 the richest 1 percent of the population were responsible for the same number of emissions as 5 billion people.<sup>7</sup> BOT can help identify and hold to account the beneficial owners ultimately responsible for emissions, including those indirectly benefiting from investments in extractive industries. BOT can help mitigate risks for critical minerals producers, uncover power purchasing agreements and monitor private finance in the energy sector, helping to advance SDG 15.

BOT and implementation of the SDGs can be enumerated, for example in relation to enforcement of political party and campaign financing regulations, attempts to influence democratic processes via fake news and incendiary ad campaigns, facilitating international cooperation in financing for sustainable development, and supporting research on gender inequality by revealing the gender proportion of owners and managers of firms, as well as promote temporary special measures of preferential procurement that benefit women.

## Public sector situation and trends

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Several international organizations promote and endorse BOT, including the G7, the G20, the United Nations, the International Monetary Fund, the World Bank and Open Government Partnership. The review of implementation of the United Nations Convention against Corruption (UNCAC) includes beneficial ownership availability based on UNCAC's article 12(2)(c), article 14(1)(a) and article 52(1). Also, the Conference of States Parties to UNCAC adopted resolutions 9/7 and 10/6 on enhancing the use of beneficial ownership information at its ninth and tenth sessions.

Currently the main international standards on BOT refer to the Financial Action Task Force (FATF) Recommendations on anti-money laundering and combatting the financing of terrorism, and the Global Forum on Transparency and Exchange of Information for Tax Purposes. Most countries have been establishing beneficial ownership frameworks to comply with these standards. In some cases, countries and regions went further than the standard. For instance, the European Union has required Member States to implement beneficial ownership registries since the 4th Anti-Money Laundering (AML) Directive of 2015. In addition, many countries started improving their BOT frameworks, at least for the extractive sector, based on the voluntary standard of the Extractive Industry Transparency Initiative (EITI).

In less than a decade, beneficial ownership registries have become mainstream, especially in Europe and the Americas. According to the 2001 OECD report *Behind the corporate veil*, by 2000 only a few jurisdictions, such as Bermuda and the United Kingdom's island of Jersey,

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<sup>7</sup> See <https://policy-practice.oxfam.org/resources/climate-equality-a-planet-for-the-99-621551/>.

## CEPA strategy guidance note

### Registries of beneficial ownership

required some companies to file beneficial ownership information with a government authority.<sup>8</sup>

In 2016, at the United Kingdom's Anti-Corruption Summit, countries from Africa and Asia also committed to establishing public beneficial ownership registries.<sup>9</sup> By 2018, there were 34 jurisdictions that had established beneficial ownership registries, or approved laws requiring their establishment – mostly European Union countries, but also some in Latin America, the Caribbean and Africa.<sup>10</sup>

According to the Financial Secrecy Index, a big leap happened by 2020, when 81 jurisdictions, including countries from the Middle East and South-East Asia approved laws requiring beneficial ownership information to be registered with a government authority.<sup>11</sup> By 2022, 97 jurisdictions reported having such registries.<sup>12</sup> The number of countries with beneficial ownership registries is expected to expand further since the 2023 revision of the Financial Action Task Force's (FATF) Recommendation 24 on beneficial ownership for legal persons, which requires, among other things, the establishment of beneficial ownership registries or alternative mechanisms (see more details below under Methods of implementation).

According to the Tax Justice Network's report, Beneficial ownership registration around the world, 2022, there is a wide range of authorities chosen to handle beneficial ownership registers (see Figure 2). The most common authority to handle the register is the commercial register (44 jurisdictions), followed by a special beneficial ownership register (17) and the tax administration (10). In a few other cases the financial intelligence unit or the central bank is the authority in charge. At the same time, many countries (16) have more than one type of registry, depending on the type of entity.

Coverage also varies (see Figure 3). Most jurisdictions (64 in total) with beneficial ownership registration cover both legal persons (companies) and trusts. However, some jurisdictions cover only legal persons (24), and fewer cover only companies (8 jurisdictions). One jurisdiction covers only trusts (Sri Lanka).

As for the jurisdictions which require registration at least for companies, the most common conditions under which entities must register their beneficial owners are local incorporation (59 jurisdictions); "other cases," such as having the headquarters or main activities in the

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<sup>8</sup> OECD (2001), *Behind the Corporate Veil: Using Corporate Entities for Illicit Purposes*, OECD Publishing, Paris, available from <https://doi.org/10.1787/9789264195608-en>.

<sup>9</sup> See [https://images.transparencycdn.org/images/2016\\_LondonAnti-CorruptionSummitAssessment\\_EN.pdf](https://images.transparencycdn.org/images/2016_LondonAnti-CorruptionSummitAssessment_EN.pdf).

<sup>10</sup> See <https://taxjustice.net/wp-content/uploads/2018/06/TJN2018-BeneficialOwnershipRegistration-StateOfPlay-FSI.pdf>.

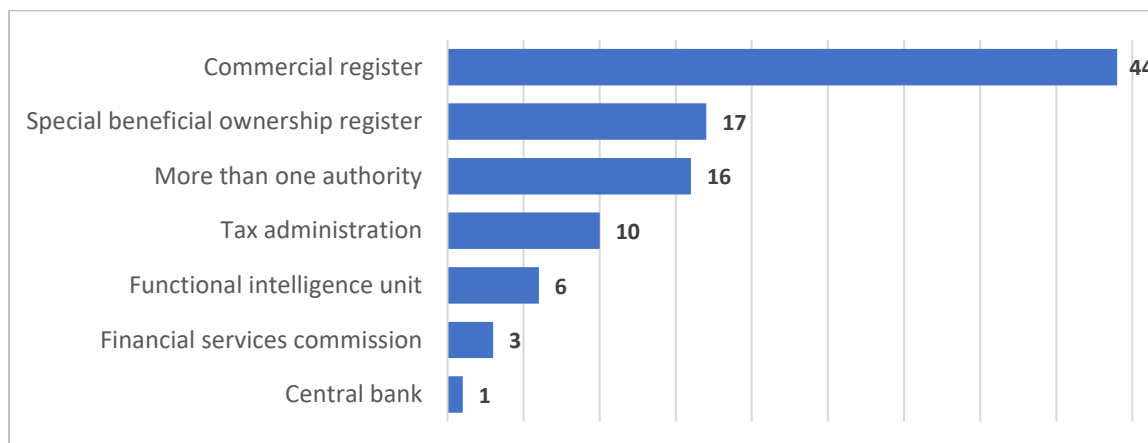
<sup>11</sup> Harari, M., Knobel, A., Meinzer, M. and Palanský, M. (2020) *State of Play of Beneficial Ownership*, <https://taxjustice.net/wp-content/uploads/2020/11/State-of-play-of-beneficial-ownership-Update-2020-Tax-Justice-Network.pdf>.

<sup>12</sup> Knobel, A. and Lorenzo, F. (2022) *State of Play of Beneficial Ownership*, <https://taxjustice.net/wp-content/uploads/2022/12/State-of-Play-of-Beneficial-Ownership-2022-Tax-Justice-Network.pdf>.

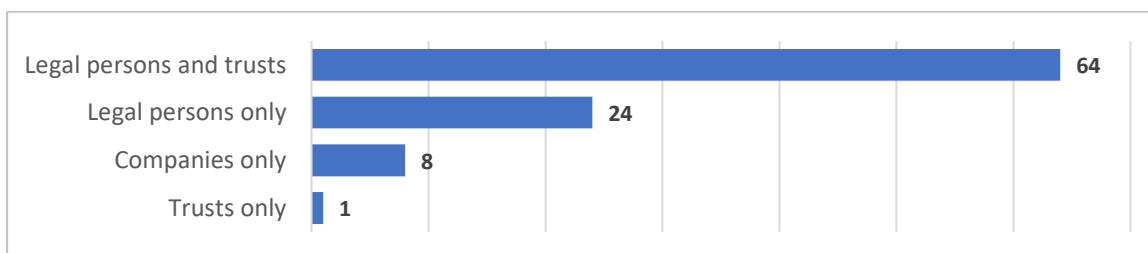
**CEPA strategy guidance note**  
**Registries of beneficial ownership**

jurisdiction (5); or being a tax resident (3). There are 29 countries that use a combination of these options (See Figure 4).

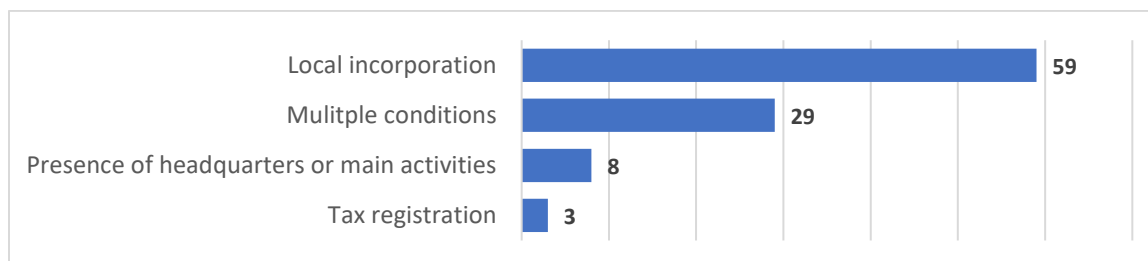
**Figure 2. Placement of beneficial ownership registries, by type of authority**



**Figure 3. Number of beneficial ownership registries worldwide, by scope of coverage**



**Figure 4. Conditions that trigger beneficial ownership registration for legal persons**



*Source of figures 2, 3 and 4: Nobel, A. et al, "Registration of beneficial ownership around the world, 2022." Tax Justice Network, pp. 25-27.*

## **How beneficial ownership is understood in different countries**

International standards and most countries' laws use two different rules to determine who should be identified as a beneficial owner: one rule for companies (and similar entities) and one for trusts (and similar arrangements). In the case of trusts, most standards and countries consider that all the parties to the trust must be identified: settlors, protectors (if any), trustees, beneficiaries, and any other person with control over the trust.

In the case of companies and other legal persons, rules vary. Most countries use as a basis the rules on customer due diligence for obliged entities, established under the FATF Interpretative Note to Recommendation 10.<sup>13</sup> It includes a cascading test and thresholds. In essence, it requires the identification of natural persons who pass an ownership threshold (usually a maximum of 25 percent of the shares, if not lower, depending on the money laundering risk). If no one is identified, then anyone with control by other means must be identified, and otherwise a "senior manager" is registered.

Some countries (such as Colombia) also include the right to benefits (for example, a right to receive dividends). In addition, some countries started giving examples of control, requiring the identification of those who pass a voting threshold, those with family connections, or those who may appoint or remove the majority of the board of directors.

As for ownership thresholds, most countries follow FATF rules and apply 25 percent of the capital in an entity. In some cases, the 25 percent rule applies to each level of the ownership chain, reducing the threshold for indirect ownership. Some countries in the Global South, however, apply lower thresholds, including no threshold at all (any individual with at least one share must be identified as a beneficial owner), reducing the possibility for avoidance schemes.

## **Trends in access to beneficial ownership information**

While information on shareholders (also known as "legal owners") is publicly available in most commercial registries, access to beneficial ownership information creates a high degree of friction. Although the concept of legal ownership is different from beneficial ownership, in most cases of simple structures (natural person shareholders), the shareholder and the beneficial owner are the same person, and this information is usually publicly available. The lack of public access primarily affects cases of complex structures, where the shareholder is a nominee (an individual who offers the use of their name instead of the real owner) or another entity, possibly from a tax haven, making it difficult or impossible to determine the beneficial owner.

Access to beneficial ownership registries can depend on the types of users. Access may be granted to: (i) only one authority or even a limited set of individuals within that authority, either for local use or for purposes of exchanging information with other countries; (ii) some local authorities either directly or after making a request to the authority handling the register;

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<sup>13</sup> FATF (2012-2023).



(iii) obliged entities for the purposes of customer due diligence; (iv) those with a legitimate interest; and (v) the general public.

Permissions to access different levels of information need to be established. These could entail, for instance, personal login information, which may be based on a written request, or require justifying a legitimate interest. Access may be free or granted on a fee-based structure. Finally, those managing access to beneficial ownership information must define what details will be available to each user type and how users can search for information, for example, only by company name or by beneficial owner name, as well as whether it may be possible to download only specific records or all the registered information in bulk, and in which format such data will be made available.

The main international standards, the FATF and the Global Forum (see the section on Methods of implementation below for more details), only require access by competent authorities, although they refer to different authorities: the financial intelligence unit, law enforcement and supervisory authorities in the former, and the tax administration in the latter. As for the Extractive Industries Transparency Initiative (EITI), although it limits its scope to entities in the extractive industries, it requires public access to beneficial ownership information (although not necessarily in a registry). Other international organizations have also promoted public access to beneficial ownership information, including countries' commitments to Open Government Partnership action plans for countries, or the International Monetary Fund, which required countries to publish beneficial ownership data of procurement companies as part of COVID-19 financing.

Some countries had committed to, or directly established, public access to beneficial ownership registries by 2017 (for example, Denmark, Ecuador, Ukraine and the United Kingdom). A big leap came in 2018 when the European Union approved the 5th AML Directive (known as AMLD 5). Many more European Union countries started to publish beneficial ownership information online, paving the way for others to follow, including countries in Africa, Eastern Europe (such as the Balkans) and Southeast Asia. The European Court of Justice later ruled, however, that publishing information on beneficial ownership by local legal persons for the exclusive purpose of combatting money laundering or combatting the financing of terrorism (CFT) was invalid due to privacy and data protection concerns.<sup>14</sup> The Court argued that civil society organizations and investigative journalists working on AML/CFT issues were among those who had a legitimate interest, as did firms engaging with other companies. Some European Union countries decided to keep their registries open to the public considering they served purposes beyond anti-money laundering (for example, transparency and the well-functioning of markets).<sup>15</sup> A very wide interpretation of “legitimate

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<sup>14</sup> See Court of Justice of the European Union, <https://curia.europa.eu/jcms/upload/docs/application/pdf/2022-11/cp220188en.pdf>.

<sup>15</sup> See [www.transparency.org/en/blog/eu-court-ruling-on-beneficial-ownership-registers-legitimate-access](https://www.transparency.org/en/blog/eu-court-ruling-on-beneficial-ownership-registers-legitimate-access).



interest” covering the stakeholders mentioned by the ruling, as well as new ones, was finally established in the new European Union Directive approved in 2024 (known as AMLD 6).

### **Factors that limit the value of a national registry**

#### *Low rates of compliance and/or low-quality data*

Apart from companies failing to declare their beneficial owners to begin with, one of the main challenges affecting countries is the lack of verification. This means that the registered data may be unreliable, either because it is outdated or because there are misrepresentations or mistakes (for example, a nominee is reported instead of the beneficial owner). This may be caused by limited capacity or access to technology, little to no awareness campaigns, lack of understanding of the framework and its implementation, or limited supervision and enforcement. These shortcomings are exacerbated in countries that do not take ownership or see the value in the beneficial ownership register, so there is no political support for implementation. In these cases, the register becomes a formality or a place to park unchecked information, rather than a central database with value for the whole economy and for the fight against financial crimes.

#### *Limited scope due to loopholes and high thresholds for reporting*

Most countries’ legal frameworks suffer from loopholes. One problem refers to the scope, if some types of entities are exempted. For instance, the United Kingdom first exempted limited partnerships, and only started covering Scottish limited partnerships after these were found to be involved in major money laundering schemes. Another issue refers to thresholds and criteria to determine the beneficial owner. A “more than 25 percent” threshold is easily avoidable by any company with four shareholders. Major money laundering and corruption schemes showed that even a 5 percent threshold can easily be circumvented by distributing shareholdings up to 4.99 percent.<sup>16</sup>

Another type of problem refers to explicit or implicit exemptions for investment funds,<sup>17</sup> companies listed on the stock exchange or state-owned enterprises.<sup>18</sup> All of these tend to be major companies with high income and assets. International standards and country practices usually exempt these companies from beneficial ownership registration because they are supposed to already be regulated. However, regulation for these companies tends to focus on issues other than transparency, such as investor protection or prevention of fraud. For this

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<sup>16</sup> See, for example, the Kroll report prepared for the National Bank of Moldova, [https://www.bnm.md/files/Kroll\\_%20Summary%20Report.pdf](https://www.bnm.md/files/Kroll_%20Summary%20Report.pdf).

<sup>17</sup> Knobel, A. (2019) *Beneficial Ownership in the Investment Industry*, <https://www.taxjustice.net/wp-content/uploads/2019/10/The-transparency-risks-of-investment-entities-working-paper-Tax-Justice-Network-Oct-2019.pdf>.

<sup>18</sup> Knobel, A. (2020) *Beneficial Ownership Transparency for Companies Listed on the Stock Exchange*, <https://taxjustice.net/wp-content/uploads/2020/12/Listed-companies-BO-requirements-Final.pdf>.

reason, these big companies and funds can achieve higher levels of secrecy compared to regular entities.

Even if investment funds or listed companies are not explicitly exempted, applying high thresholds of 25 percent of the shares means that no individual will be identified in practice, as it is highly unlikely for anyone other than the founder, to own such a large interest in a listed company. The resulting secrecy can also be exploited to breach the law or avoid public scrutiny. For instance, a study into Berlin real estate found that a large percentage was owned by Luxembourg investment funds, and it was not possible to determine who the real beneficial owners were.<sup>19</sup> In another example, Iran was able to circumvent United States sanctions by hiding its investments in United States' securities via investment funds and other intermediaries.<sup>20</sup>

#### *Restrictions on public access and use*

Although several countries were moving toward public registries, in most cases beneficial ownership registries are only accessible to some local authorities. This means that many stakeholders who need the information, such as financial institutions or journalists, are unable to access it. In addition, given that most sophisticated crimes cross borders, foreign authorities need to obtain information from other countries. However, except for public online registries, access to information by a foreign authority usually requires a formal request, and the need to produce a justification. This requires considerable resources just to obtain information on specific individuals, as fishing expeditions are prohibited, that is, it is not possible to ask a foreign authority for the identity of all the beneficial owners who are resident in the requesting country. This limited access thwarts using beneficial ownership information preventively, to detect undeclared relationships or other red flags, before there are reasons to suspect an entity.

Giving the public access to beneficial ownership information – with appropriate data privacy safeguards, such as exceptions from disclosure in case of risk, and limiting certain personal details, such as date of birth or residential address – creates positive synergies. First, it allows civil society to hold authorities to account on the performance of the registry, for instance if they alert that many companies failed to declare their beneficial owners. Second, it allows another level of verification so that more stakeholders take part in improving the quality of the data (such as financial institutions, civil society organizations, investors and journalists). Third, it frees the resources of the authority handling the registry as there is no longer a need to assess and respond to requests to access the data. Finally, by allowing many stakeholders to access the data, it becomes a useful good for society, benefiting the economy as a whole (for example, increasing trust in firms because their information can be checked) and the fight

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<sup>19</sup> See <https://taxjustice.net/2020/05/11/fatf-ante-portas-why-many-berlin-real-estate-owners-remain-anonymous-despite-new-transparency-laws/>.

<sup>20</sup> See The Luxembourg Times, [www.luxtimes.lu/luxembourg/clearstream-pays-152-million-over-iran-sanctions-violations/1256818.html](http://www.luxtimes.lu/luxembourg/clearstream-pays-152-million-over-iran-sanctions-violations/1256818.html).

against financial crimes. This in turn creates more political support within the country to improve and expand the registry.

### Question of performance indicators

The impact of beneficial ownership registries, as compared to other sources of such information, has been explained by several reports including by the FATF, the Latin American Financial Action Group (Grupo de Acción Financiera de Latinoamérica, GAFILAT)<sup>21</sup> and the UN High-Level FATTI Panel. At the same time, given that most international standards do not require the establishment of beneficial ownership registries, there are no internationally agreed indicators to assess registries' implementation and use. The FATF will only start requiring registries or alternative mechanisms for the 5th round of evaluations after 2025.

Despite the lack of formal measurement, there is enough evidence to indirectly estimate the impact and value of beneficial ownership registries based on anecdotal<sup>22</sup> and monetary evidence<sup>23</sup> from a different source of the same type of information: leaks such as the Panama Papers or the Paradise Papers. Civil society organizations such as Open Ownership have assessed countries against its Principles for effective beneficial ownership disclosure.<sup>24</sup> Transparency International has been assessing European Union countries' online access to beneficial ownership information, including how to search for information.<sup>25</sup> The Tax Justice Network's Financial Secrecy Index assesses loopholes in the legal framework underpinning beneficial ownership registration, including for instance the scope of legal vehicles subject to registration, definitions, verification and sanctions.<sup>26</sup>

## Methods of implementation

As indicated in the previous section, there are three international entities that have a complete standard on BOT and assess countries' compliance with those standards: the FATF, the Global Forum on Transparency and Exchange of Information for Tax Purposes (Global Forum) and the EITI.

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<sup>21</sup> Available from Grupo de Acción Financiera de Latinoamérica (<https://www.gafilat.org/index.php/es/noticias/125-informe-de-practicas-y-desafios-de-los-paises-de-america-latina-sobre-los-mecanismos-de-acopio-de-informacion-basica-y-de-beneficiarios-finales>).

<sup>22</sup> See International Consortium of Investigative Journalists, (<https://www.icij.org/investigations/panama-papers/five-years-later-panama-papers-still-having-a-big-impact/>).

<sup>23</sup> See Organized Crime and Corruption Reporting Project, (<https://www.occrp.org/en/impact-to-date>).

<sup>24</sup> Available from Open Ownership, ([https://www.openownership.org/en/principles/#:~:text=The%20Open%20Ownership%20Principles%20\(OO,it%20generates%20high%2Dquality%20and\)](https://www.openownership.org/en/principles/#:~:text=The%20Open%20Ownership%20Principles%20(OO,it%20generates%20high%2Dquality%20and).)).

<sup>25</sup> See Transparency International (2021) *Access Denied? Availability and Accessibility of Beneficial Ownership Data in the European Union*, <https://images.transparencycdn.org/images/2021-Report-Access-denied-Availability-and-accessibility-of-beneficial-ownership-data-in-the-European-Union.pdf>.

<sup>26</sup> Available from the Tax Justice Network, <https://fsi.taxjustice.net/>.

### **Financial Action Task Force Recommendations on AML/CFT**

The main international standard on BOT is the FATF Recommendations on anti-money laundering and combatting the financing of terrorism (AML/CFT). Recommendations 24 and 25 cover BOT for legal persons (for example, companies) and legal arrangements (for example, trusts), respectively. They require countries to ensure availability and timely access to accurate, adequate and up-to-date beneficial ownership information. The Immediate Outcome 5 (IO 5) assesses whether legal persons and arrangements are prevented from misuse for money laundering or terrorist financing, and whether beneficial ownership information is available to competent authorities without impediments.

In 2014, the FATF Guidance on transparency and beneficial ownership recognized some of the benefits of beneficial ownership registries.<sup>27</sup> In 2019, the FATF report on Best practices on beneficial ownership for legal persons proposed that countries should establish a “multi-pronged approach,” meaning implementing at least two of the three mechanisms (a registry, requiring beneficial ownership information directly from the company itself, or using any existing information).<sup>28</sup> The report acknowledged “the trend of openly accessible information on beneficial ownership is on the rise among countries.”

Between 2022 and 2023, the FATF revised Recommendations 24 and 25. Since then, Recommendation 24 requires countries to establish the “multi-pronged approach” to ensure the availability of beneficial ownership information of legal persons incorporated in, or with sufficient links to the country (in the latter, based on their money laundering risk). This includes establishing a beneficial ownership registry, or alternative mechanisms that would lead to results that are as effective as registries. Countries should also have legal provisions to ensure other sources of beneficial ownership information are available to authorities, including data held by obliged entities (that is, financial institutions), by other authorities (such as commercial registries, asset registries and tax authorities) and by the entity itself.

In the case of legal arrangements such as trusts and arrangements similar to trusts (for example, the fideicomiso of Latin America, fiducie of France, Treuhand of Germany or the waqf of Islamic countries), Recommendation 25 requires the resident trustee to collect information on the trust’s beneficial owners and make it available to authorities. Beneficial ownership registries for trusts are contemplated as a possibility, but they are not a requirement.

As for the definition of “beneficial owner” for legal persons and trusts, the Glossary of the FATF Recommendations states:

In the context of legal persons, beneficial owner refers to the natural person(s) who ultimately owns or controls a customer and/or the natural person on whose behalf a

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<sup>27</sup> Available from FATF, <https://www.fatf-gafi.org/en/publications/Fatfrecommendations/Transparency-and-beneficial-ownership.html>.

<sup>28</sup> Available from FATF, (<https://www.fatf-gafi.org/en/publications/Methodsand trends/Best-practices-beneficial-ownership-legal-persons.html>).

transaction is being conducted. It also includes those natural persons who exercise ultimate effective control over a legal person. Only a natural person can be an ultimate beneficial owner, and more than one natural person can be the ultimate beneficial owner of a given legal person. In the context of legal arrangements, beneficial owner includes: (i) the settlor(s); (ii) the trustee(s); (iii) the protector(s) (if any); (iv) each beneficiary, or where applicable, the class of beneficiaries and objects of a power; and (v) any other natural person(s) exercising ultimate effective control over the arrangement.

In the case of a legal arrangement similar to an express trust, beneficial owner refers to the natural person(s) holding an equivalent position to those referred above. When the trustee and any other party to the legal arrangement is a legal person, the beneficial owner of that legal person should be identified.

### **Global Forum on Transparency and Exchange of Information for Tax Purposes**

The Global Forum focuses on exchanges of information among tax authorities, including beneficial ownership. Under section A1 of its terms of reference, the Global Forum also requires availability and accessibility to beneficial ownership information by competent authorities (based on the FATF definition and determination of the beneficial owner). However, in the case of the Global Forum the “competent authority” refers to tax authorities, and specifically for the purposes of exchange of information. The other difference refers to scope: countries should ensure availability and access to beneficial ownership information on local legal persons and arrangements as well as those with a sufficient nexus to the jurisdiction (for example, with a permanent establishment or if it is tax resident). Lastly, the Global Forum does not follow a risk-based approach to beneficial ownership transparency.

### **Extractive Industries Transparency Initiative Standard**

Requirement 2.5 of the 2023 EITI standard refers to beneficial ownership. Subsection 2.5.(c) requires corporate entities that apply for or hold a participating interest in exploration or production of oil, gas or mining licenses or contracts to publicly disclose beneficial ownership information. Disclosed information must include the identity(ies) of their beneficial owner(s); the level of ownership; and details about how ownership or control is exerted. Although companies may directly publish their beneficial owners on their own website or other platforms, Requirement 2.5.(a) encourages countries to maintain a publicly available register for entities involved in the extractive industry.

The EITI standard also requires countries to establish a multi-stakeholder group that involves the full, active and effective engagement of governments, companies and civil society. Based on Requirement 2.5, this multi-stakeholder group must: document the government’s policy and its discussion on beneficial ownership disclosure, disclose any significant gaps or weaknesses in reporting on beneficial ownership information (for example, entities that failed to submit all or some of the information), assess any existing mechanisms for assuring the

reliability of beneficial ownership information, and agree on an appropriate definition of the term “beneficial owner.” The multi-stakeholder group is also encouraged to review the comprehensiveness and reliability of ownership information disclosed in stock exchange filings.

### **General comparison of the three standards**

The FATF and the Global Forum have very similar requirements, which refer to ensuring availability and access by competent authorities to adequate, accurate and up-to-date beneficial ownership information for the purposes of anti-money laundering rules or exchange of tax information, respectively. The EITI has a focus on public access to beneficial ownership information on extractive industries to tackle corruption.

The EITI is voluntary for countries to join and there are no direct consequences for non-compliance, other than reputational. In the case of the Global Forum and the FATF, all countries that are members are subject to their assessments, including jurisdictions that pose risks to tax transparency and members of FATF-style regional bodies, such as GAFILAT, the Asia Pacific Group and Moneyval. Depending on the level of non-compliance with either the Global Forum or FATF evaluations, there may be consequences for countries such as being included in a regional or national list of non-cooperative jurisdictions (in some cases this could lead to a reduction of capital inflows<sup>29</sup>), or countries deciding to interrupt exchange of information or prevent transactions with financial institutions from non-compliant countries.

### **Implementation of beneficial ownership registries at the national level**

Countries could establish beneficial ownership registries in order to comply with international standards and avoid the consequences of being included in tax haven lists. From this narrow perspective, beneficial ownership is considered relevant only for the financial intelligence unit (FIU) and law enforcement agencies in charge of anti-money laundering and combatting the financing of terrorism or for the tax administration and the exchange of tax information. This approach followed by some countries considers beneficial ownership as a measure imposed from abroad against the country rather than a policy with intrinsic value for the state as a whole. However, establishing a registry to be “in compliance” is far from sufficient.

To fully reap the benefits and obtain a return on investment, it is necessary for countries to “take ownership” of this transparency policy. The best way to take advantage of beneficial ownership registries is to adopt a whole-of-government approach and ensure that such information will be accessed and used by all relevant stakeholders to serve several purposes (beyond AML/CFT).<sup>30</sup> Rather than treating beneficial ownership data as a formality to be

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<sup>29</sup> IMF (2021) *The Impact of Gray Listing on Capital Flows*, <https://www.imf.org/en/Publications/WP/Issues/2021/05/27/The-Impact-of-Gray-Listing-on-Capital-Flows-An-Analysis-Using-Machine-Learning-50289>.

<sup>30</sup> Knobel, A. (2023) *Uses and Purposes of Beneficial Ownership Data*, <https://taxjustice.net/wp-content/uploads/2023/11/Uses-and-purposes-of-BO-Data-briefing-14-Oct-2.pdf>.



fulfilled and then forgotten, it is necessary to integrate such information into the whole economy and the fight against financial crimes. Beneficial ownership registries can then become the starting point for firms entering into contracts or making investments, for financial institutions about to open a bank account, or for authorities in charge of investigations and enforcement.

There are many considerations and best practices to set up a beneficial ownership register as proposed by different organizations including the International Monetary Fund's handbook *Unmasking control: A Guide to Beneficial Ownership Transparency*, the World Bank's beneficial ownership chapter on tools to fight corruption,<sup>31</sup> the Global Forum's toolkits on beneficial ownership implementation and on building effective beneficial ownership frameworks,<sup>32</sup> the FATF Guidance on Recommendations 24 and 25 and paper on best practices on beneficial ownership for legal persons, Open Ownership's Principles for effective beneficial ownership disclosure and Guide for implementation,<sup>33</sup> BO6's private sector framework,<sup>34</sup> Adam Smith International's publication "Towards a Global Norm of Beneficial Ownership Transparency,"<sup>35</sup> and the Tax Justice Network's roadmap to effective beneficial ownership transparency.<sup>36</sup>

Based on the above, countries should consider the following issues when implementing a beneficial ownership registry: a preliminary assessment of the legal framework, choosing an authority to handle the beneficial ownership register, the legal framework approach, the elements of the beneficial ownership registry, and awareness and training.

*Conduct a preliminary assessment of the legal framework*

A best practice is to set up a task force, similar to EITP's multi-stakeholder group, to assess the domestic legal framework, the uses and purposes of BOT in the country (which will impact the decision on who should access information) and to propose the authority in charge of handling the register (see below).

The task force should be chaired by someone with sufficient credibility and a mandate to secure resources, and joined at least by the government bodies most related to BOT, including the FIU, the tax administration, the commercial register, and the executive and legislative branches (with considerations for the political, administrative and legislative processes). Other authorities could include agencies related to extractive industries, procurement, anti-corruption

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<sup>31</sup> Available from the World Bank, <https://thedocs.worldbank.org/en/doc/734641611672284678-0090022021/original/BeneficialOwnershipTransparency.pdf>.

<sup>32</sup> <https://web-archive.oecd.org/temp/2024-06-16/352386-key-publications-and-documents.htm>.

<sup>33</sup> Available from Open Ownership, <https://standard.openownership.org/en/0.3.0/>.

<sup>34</sup> Available from BO6, <https://bo6.global/>.

<sup>35</sup> Available from Adam Smith International, <https://adamsmithinternational.com/app/uploads/2019/07/Towards-a-Global-Norm-of-Beneficial-Ownership-Transparency-Phase-2-Paper-March-2019.pdf>.

<sup>36</sup> Available from the Tax Justice Network, <https://taxjustice.net/2023/02/07/roadmap-to-effective-beneficial-ownership-transparency-rebot/>.



and law enforcement. It would also be advisable to include representatives from the financial sector (such as the banking association), lawyers' associations or notaries, and civil society organizations, as well as all prospective users of the information to ensure user needs inform the design of the beneficial ownership registry.

The legal framework assessment should include an analysis of existing regulations to ensure the country establishes an effective scope without loopholes. It is also important to consider regulatory consistency, to avoid situations such as where banks apply a definition of beneficial owner that differs from that of the registry. Countries should attempt to avoid duplication (such as the same information being sent to two or more government agencies). It is also important to consider laws that could conflict with BOT, such as privacy and data protection regulations.

*Choose an authority to handle the beneficial ownership registry*

Regardless of who makes decisions (be it a multi-stakeholder task force or a single authority), a crucial issue is to decide which authority will handle the registry. There are many considerations in this regard.

a) Budget

Setting up a properly functioning register requires a budget, especially in terms of space, storage, resources, capacity, staff, and technology. Some countries have chosen to set up a newly specialized registry of beneficial owners (for example, Luxembourg, Panama and Paraguay), while others use existing registries (such as the commercial registry), which are upgraded to also collect beneficial ownership information (for example, in Argentina, Denmark and the United Kingdom).

b) Resources and experience

In relation to the budget, an important consideration is the level of experience and resources of the authority to handle the register. In most cases, beneficial ownership data will be filed electronically, requiring an authority that works in a digital environment rather than on paper. Given that beneficial ownership registries involve a high degree of personal data, an authority with proper technological and data security features may be needed. At the same time, beneficial ownership registries require a level of experience in collecting information and verifying it, so authorities experienced with investigations may be better suited.

Many countries choose the commercial registry because they are already experienced with collecting ownership information and to facilitate checks of both legal and beneficial ownership information. Latin American countries, however, have predominantly chosen the tax administration, given its experience, technology and resources to collect and verify information. Uruguay, which had set up a secure system to register bearer shares with the Central Bank, chose this agency (rather than the

commercial registry) to also handle the beneficial ownership registry because of its data protection features.

c) National and subnational powers

In many federal countries, company incorporation is within the jurisdiction of each sub-national province, state or canton. The risk of having multiple registries is that some provinces may decide not to collect beneficial ownership information. Otherwise, there may be inconsistencies in the framework, creating a race to the bottom to reduce transparency and attract foreign firms. Even if all sub-national registries collected the same information, it may be challenging to centralize the data, affecting the search for information. For instance, to know whether one individual is the beneficial owner of any entity in the country may require searching in dozens of different sub-national registries.

Federal countries can solve this problem in different ways. One option is to choose a federal agency to collect beneficial ownership information (for example, Argentina chose the tax administration while the United States chose its financial intelligence unit). Another option is to create a central platform where information is duplicated or transferred from many registries, to facilitate access (for example, in March 2024 Argentina approved a law to create a central beneficial ownership registry that will integrate beneficial ownership information held by the tax administration with data from all provincial registries and from other authorities holding such information).<sup>37</sup>

d) Access to the data

Depending on the intended uses and purposes of beneficial ownership data, countries should decide who will have access. Countries more concerned with data protection and restricted use would usually choose authorities with experience to protect personal information, such as the tax administration, the financial intelligence unit, or the central bank. However, confidentiality provisions (fiscal secrecy) may prevent other relevant authorities from accessing the data. On the contrary, countries that support public access to information or at least by obliged entities (such as European Union Member States based on the AMLD 5) tended to choose the commercial register, which already offered public access to information.

e) Consistency

Although different authorities may be more suitable depending on the specific goal of the beneficial ownership registry, there is a trade-off in selecting multiple authorities instead of one. Given that most cases of illicit financial flows involve complex ownership structures involving many layers and types of entities, there could be a risk

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<sup>37</sup> See Official Bulletin of the Republic of Argentina, <https://www.boletinoficial.gob.ar/detalleAviso/primera/304764/20240315>.

of inconsistency between registries, if numerous registries are collecting different information depending on the type of entity or on the level of ownership. For instance, the United Kingdom registers legal persons with the commercial registry and trusts with the tax administration. Luxembourg has one commercial registry for shareholder (legal ownership) information and another special register for beneficial ownership. In both cases, there could be inconsistencies in the information that gets reported. A central register or a platform with interconnected information could ensure consistency. For instance, Belgium's beneficial ownership registry addresses this risk by prefilling information based on the data held at the commercial register.

*Strengthen the legal framework with a new act or amendments*

There are two main approaches to establish the legal framework. Assuming the law will contain a wide scope and cover all types of legal persons and arrangements, the easiest approach, in terms of the analysis and understanding of the framework by users, is to approve new legislation to set up a beneficial ownership registry with all the necessary details (self-contained). In this case, it is necessary to ensure that the new law's provisions will be consistent with other regulations. Instead, many countries choose to approve an amendment to the current law (such as the Companies Act) or sometimes a long law that refers to, and amends, several provisions of other laws. For instance, the definition of beneficial ownership may be established by reference to the definition of the AML law, and then the new law amends several provisions of the companies act, partnership act, AML law or trust law. Countries choosing the latter approach should offer a consolidated text of the final law to ease analysis and understanding.

*Define elements of the beneficial ownership registry framework*

The legal framework for the beneficial ownership registry should cover the following elements:

a) Scope of entities

The first issue is to determine the scope of entities and other legal vehicles that will need to register their beneficial owners (only companies, only legal persons, or legal persons and trusts). The scope can be generic (all entities that have to register with the commercial register or which must obtain a tax identification number) or specific (such as "this law covers: joint stocks, limited liability companies and limited liability partnerships").

Countries usually add a list of exemptions from registration, although this creates loopholes that can be exploited by criminals. The most commonly exempted entities include state-owned enterprises, international organizations and companies listed on the stock exchange. In such cases, it is advisable that exemptions are narrow and properly monitored, and still require at a minimum a basic level of registration (for example, to explain why they fall within the exemption) rather than a full exemption from reporting.

b) Conditions that trigger registration

After determining the scope of entities subject to registration, it is necessary to determine which conditions will trigger registration for these entities. Conditions could include incorporation (for companies) or being governed by local laws (for trusts); having assets in the country, either based on a value (such as in Uruguay) or based on the type of asset (for example, Germany also covers foreign entities holding real estate); having operations or activities (Brazil covers specific activities such as leasing); or having a local participant (Argentina requires registration of trusts' beneficial owners whenever any party to the trust is resident in the country).

Most standards and laws apply different triggers for legal persons (incorporation) and for trusts (having a local trustee). However, after the reform of Recommendation 24, the FATF will start requiring countries to cover foreign entities with a sufficient link to the country based on their money laundering risk. According to the FATF Guidance on Recommendation 24 the sufficient link could include having a permanent establishment, having significant business activity, having business relations with obliged entities, having significant real estate or other investments, employing staff, or being a tax resident in the country.

c) Definition and determination of beneficial ownership

All standards consider that the beneficial owner must refer to a natural person. However, standards and country experiences differ on the elements, thresholds, situations of complexity and cases where no beneficial owner is identified, especially for legal persons. In the case of trusts, most standards and countries consistently require all the parties to the trust to be identified.

- Elements: direct or indirect ownership or control are the most common elements (either individual or joint). Control may be defined as rights to vote, to appoint or remove the majority of the board of directors, or to exercise influence. Some countries also cover benefits (such as the right to dividends). Some countries (such as the United States) consider ownership interest to include financial instruments such as call options or convertible stock.
- Thresholds: while the maximum accepted threshold is 25 percent of shares (or “more than 25 percent”), many countries, especially in Latin America and Africa, apply lower thresholds, including no threshold at all (as is the case in Argentina).
- Relationship between criteria to be a beneficial owner: Most countries follow the FATF cascading test, while some countries classify a beneficial owner as meeting any of the defining criteria. In other words, some countries would first consider anyone with more than 25 percent of the shares, and if no one is found, they apply the next test of control via other means. Instead, other countries consider that

anyone who meets any of the criteria (such as the threshold of shares or voting rights) would be considered a beneficial owner.

- Situation when no beneficial owner is identified: most countries follow the FATF rules for customer due diligence and require the identification of a senior manager when no individual meets the criteria to be considered a beneficial owner. In this case, it is advisable that the registry indicates that the registered individual is the senior manager (but not a “real” beneficial owner) and that this data is checked to ensure it is not a case of non-compliance to hide the real beneficial owner. Other countries, such as the United Kingdom, allow companies not to identify anyone and report that there is no beneficial owner, if no one meets the criteria.
- Complex structures: some countries make it explicit that whenever an ownership structure combines more than one type of entity, for example if the trustee of a trust is a company, then the corresponding beneficial ownership rules should apply.

d) Beneficial ownership details

Frameworks should establish the details on the beneficial owner that must be registered or retrieved from other government databases. In essence, there should be sufficient information to identify the beneficial owner and their level of ownership or control.<sup>38</sup> This does not mean that all stakeholders will necessarily get access to all of these details.

e) Time of registration and update

The framework should determine a timeframe for registering beneficial ownership information. In general, any entity incorporated after the entry into force of the registry will have to file beneficial ownership upon incorporation. Pre-existing entities are given a timeframe (such as six months) to register their beneficial owners.

As for updates, these are usually required twice: upon every change of beneficial owner or any of their details, such as their address or their level of ownership (usually within 14 or 30 days of the change) and then annually, even if just to confirm that no changes took place. Countries that only require annual updates should require any changes within the year to be reported to avoid circumvention schemes (where the beneficial owner changes on December 31st when the reporting is made, and then changes again on January 1st).

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<sup>38</sup> Details on beneficial owners to be registered usually include full name, address, (tax) residence, nationality, official identification, tax identification number, nature of beneficial ownership (e.g. having a percentage of ownership), and date when person became a beneficial owner. Some countries also collect a description of the full ownership chain up to the beneficial owner and whether the beneficial owner has the status of a politically exposed person (PEP).

f) Access and search for information

Countries should decide which stakeholders will get access to beneficial ownership information, how access will take place, ways to search for information and available data (including how it is structured):

- **Structured data:** Open Ownership explains that beneficial ownership data should ideally be collected, stored and shared by the beneficial ownership registry as structured data so that it can be used to identify all beneficial owners and legal owners, and describe their relationships and use identifiers. For this purpose, Open Ownership developed its Beneficial Ownership Data Standard, which is a template for publishing structured beneficial ownership data in a format that can be read and understood globally by computer systems.<sup>39</sup>
- **Stakeholders:** these can include competent authorities, obliged entities subject to customer due diligence obligations, those with a legitimate interest (or those who make a freedom of information request, such as in Paraguay) or the general public. Countries that establish public access usually allow for exemptions from disclosure, especially if there is a proven risk to the beneficial owner.
- **Available data:** countries that establish access by different stakeholders (especially public access), will usually define different levels of disclosure depending on the stakeholder. While authorities and possibly obliged entities will have access to all the registered data, public access may exclude date of birth (only the month and year are disclosed) or residential address because of privacy concerns.

In addition to disclosing identification details, it is useful when a beneficial ownership registry offers relational data, such as disclosing all the entities in which a beneficial owner is involved, the history of changes of beneficial ownership (for example, seller and purchaser of shares, and their prices), and entities with the same address.

- **Search for data:** the more search fields and advanced filters, the better the user experience and access to information. The most comprehensive search functions involve searching by any field, such as company name, beneficial owner's name and address, enabling searches with incomplete information (such as searching if a name contains or starts with the word "invest"), allowing for filters on the type of entity (such as trust or company), entity status (active or liquidated) or type of beneficial owner (trustee or settlor). Denmark's beneficial ownership registry offers all of these advanced options.
- **Ways to access information:** access to information can involve a spectrum of methods. The most cumbersome and inefficient way involves sending a formal

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<sup>39</sup> Available from Open Ownership, <https://standard.openownership.org/en/0.3.0/>.

written request to the authority in charge of the registry as well as paying a fee for every search. Better options involve electronic requests to obtain information, or direct access (where searching for information resembles a Google search). The most effective method, especially for financial institutions that need to check information on thousands of customers, involves an application programming interface where systems can have automatic access to information.

Many countries, such as Belgium, require users to register and then track users' activities, to gather information on the use of the registry. While some type of tracking may be necessary to monitor actions and fine-tune risk-based supervision (for example, the more a company's information is searched, the more accurate its data should become), there is a risk if individuals are alerted or tipped off about the authorities or journalists searching for their information.

g) Verification: who and how

International standards require information to be accurate. At the same time, it is in the best interest of countries to ensure information is verified and validated for stakeholders to be able to use it. The verification system involves choosing one or more authorities in charge and determining the methods of verification. In most cases, the authority in charge of the register will also undertake checks to verify the data. However, other countries appoint special agencies. Uruguay, for instance, appointed the government accountability office to verify information based on their experience with audits.

Alternatively, countries could require financial institutions to check the data (such as Paraguay, in relation to the conversion of bearer shares). Another option is to rely on professionals. For example, Slovakia has “authorized persons” (for example, lawyers) who must verify information before it is registered, and who are held responsible for the accuracy of registered information.<sup>40</sup>

Verification and validation must cover several situations:

- Validation of the data. Data should be logically valid (the name of the beneficial owner is not just a number). Registration systems can implement this for instance by pre-establishing lists (such as list of countries for nationality or residence) and basic checks on validity (such as that a tax identification number must have nine figures).

More sophisticated checks involve plausibility, such as the fact that an address exists and that it corresponds to a building, that a beneficial owner's birth date is possible (not from 1800 or 2100). Checks should also verify that when individuals report their shareholdings, the totals are not above 100 percent. Other checks could verify

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<sup>40</sup> See CEE Legal Matters, <https://ceelegalmatters.com/slovakia/6605-world-wide-rarity-anti-letterbox-companies-act-in-slovakia>.



that there are no circular ownership structures (for example, Company A owns Company B, which owns Company A).

- **Authorization.** To prevent mistakes or criminal activity (such as stolen identities), it is important to check that beneficial owners (as well as directors and other entity representatives) are authorized and aware of their inclusion in an entity. Ways to ensure this involve having an obliged entity such as a lawyer or notary check the data before it is filed (as in Uruguay), allowing users to check whether their name appears as a beneficial owner (as in Costa Rica) or automatically alerting users that their names appear on the beneficial ownership registry (as in Denmark).
- **Consistency.** It is important to check for consistency so that a beneficial owner's details are considered valid. Cross-checks can take place against government databases (for example, to check if the tax identification number declared to the beneficial ownership registry coincides with the tax administration's records for that individual). These checks could be done manually or automatically (through application programming interfaces). Even better, data can be pre-filled during registration based on other government databases (such as in Argentina and Belgium). Most beneficial owners' details should be cross-checked against civil registries.

The European Union's AMLD 5 required financial institutions as well as other authorities to report discrepancies they find in the beneficial ownership registry, for instance if a corporate customer declares information to the bank that does not match the data contained in the register. Public registries allow any individual to report discrepancies (for example, Slovakia's public beneficial ownership registry of partners of the State).

- **Red flags.** Revealing the most sophisticated schemes, such as the use of nominees to hide the real beneficial owner, requires more advanced checks. Some may involve cross-checking against sanction lists (from the Office of Foreign Assets Control or the United Nations). The detection of nominees may be based on the number of entities registered at the same address, or the fact that one individual is registered as owning or directing hundreds of companies.

More advanced checks may involve looking into a person's economic profile (their declared income, assets or credit card usage) to determine if they could have afforded the ownership of certain companies. Other risk analysis could involve companies that frequently change their addresses, or the risk of shell companies if the declared income is inconsistent with the features of active companies (such as the number of employees or electricity consumption).

h) Sanctions

Enforcement of beneficial ownership provisions requires the imposition of sanctions and an adequate supervisory authority. Sanctions may be either generic for non-compliance, or differentiate between late filing of information, lack of filing of information, or filing wrong information (either deliberately or by mistake).

In most cases, sanctions involve an economic fine, either a lump sum or a percentage of the firm's income or assets (if the lump sum is too low it may not be considered dissuasive) or progressive fines for late filing. Harsher sanctions involve prison sentences (such as in the United Kingdom). More effective administrative sanctions may involve affecting the operations of the entity by either suspending their tax identification number or administrative processes at government agencies (as in Uruguay), prohibition to transact with the State, prohibition to operate with obliged entities (as in Paraguay and North Macedonia) or directly striking the company off the register so that it cannot operate in any country.

It is also important for the legal framework to allow the entity itself to sanction any shareholder or beneficial owner who refuses to submit or update beneficial ownership information so that the entity can notify the beneficial ownership registry. Possible sanctions against non-compliant shareholders or beneficial owners may include suspending their voting rights, their rights to dividends or ultimately cancelling their shareholdings (where shareholders lose all of their rights and the company reduces its capital).

*Raise awareness of the registry*

During the design of the beneficial ownership register, or at least before its implementation, it is important to invite the private sector and civil society organizations to comment on the framework. This may involve consultations on details of the legislation. It is also important to organize several awareness campaigns, either with chambers of commerce or lawyers' associations. Finally, countries should train the private sector as well as authorities on the new rules, by publishing guidelines, frequently asked questions and offering telephone assistance, as needed.

## Case studies

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Although international standards and country practices on beneficial ownership registration are slowly converging (both in terms of the consistency of the legal provisions and in their interoperability with other frameworks, such as procurement data), beneficial ownership registries come in all shapes and sizes, and are based on different political contexts. This section presents three case studies on different types of registries.

## **Ecuador**

Ecuador has two parallel beneficial ownership registers: one with the tax administration and one with the commercial register. The latter has been offering free online access to beneficial ownership information for companies and trusts since 2017.

Ecuador followed an unusual path to BOT. Unlike most countries, which set up a beneficial ownership registry after pressure or bad ratings from international organizations, Ecuador set up its registration framework by 2016, before being assessed by international organizations. Ecuador joined the EITI in 2020 and was assessed by the Global Forum in 2022 and by GAFILAT (FATF-regional body) in 2023.

Originally, the frameworks of the tax administration (the “shareholder annex”) and the commercial registry coincided. They required the identification of 100 percent of shareholders up to a natural person shareholder. Another innovation was that Ecuador applied lower thresholds in the case of listed companies (2 percent of shares) and that it applied an investment threshold, such as USD50,000, for investment funds rather than an ownership interest. To avoid duplication, companies owned by other local companies need not report their beneficial owners because information should be available in the second company’s file. If a foreign company was a shareholder, then the ownership chain up to the natural person shareholders had to be identified.

International assessments by the Global Forum and GAFILAT warned that Ecuador’s definition of beneficial ownership – based exclusively on ownership without applying thresholds – was inconsistent with the international standard because it did not cover the element of control. Since then, Ecuador has approved a law to set up a beneficial ownership registry with the tax administration that has a definition consistent with the standard, that is, incorporating the element of control and that raised the threshold to 10 percent of the shares. The free online commercial register now also offers information on beneficial owners.

## **Slovakia**

Slovakia presents an interesting case of public and verified beneficial ownership information. While Slovakia set up a beneficial ownership register for local legal persons as required by the European Union’s AMLD 5, Slovakia is famous for its other free online beneficial ownership register for “public sector partners,” meaning entities that engage in government procurement, obtain subsidies or acquire state assets.

Slovakia’s beneficial ownership register for public sector partners offers very interesting features on access and verification. Information is not only publicly accessible, online and free, but it also allows the general public to object to the registered data and in such cases, there is a shift of the burden of proof where the entity has to prove that the registered data is correct. Moreover, Slovakia implemented an “authorized person” system of verification, where lawyers, tax advisors or banks must verify the data before it gets registered. Authorized persons must be resident in Slovakia and will be held liable if the registered data is incorrect.

## CEPA strategy guidance note

### Registries of beneficial ownership

Slovakia's verification system has proven useful to detect possible conflicts of interest. Transparency International used information available in the Slovak register to prove that the Czech Republic's Prime Minister was a beneficial owner of a company obtaining European Union subsidies, although he had failed to declare this interest in the company.<sup>41</sup>

### Nigeria

According to Open Ownership, Nigeria was the first African country to offer free public online access to beneficial ownership information. Nigeria followed a more traditional path, where it first made commitments to beneficial ownership based on its membership in the EITI, which covers only the extractive sector. However, Nigeria decided to then expand the scope of its beneficial ownership register to also cover all types of companies, to comply with the FATF standard. Based on the original goal of increasing transparency for the extractive sector with high corruption risks, Nigeria decided to establish a lower threshold of 5 percent.

As usually happens for countries, the legal framework may have loopholes that have to be fixed. For instance, as assessed by the Financial Secrecy Index, Nigeria originally used a definition of beneficial owner which allowed firms (rather than only natural persons) to be identified.<sup>42</sup> Nigeria then approved regulations (Section 14 of the 2022 regulation) that fixed this loophole. Nigeria's beneficial ownership register is now publicly available online and can be accessed free of charge.

## Peer-to-peer learning and research

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Beneficial ownership transparency (rather than beneficial ownership registries specifically) has been endorsed by several international organizations focusing on transparency.

### Networking, learning and sharing experiences

Most of the international organizations and civil society organizations working on transparency hold events, webinars and conferences on beneficial ownership such as those organized by the UNODC [in Indonesia](#) and the [Philippines, Open Ownership](#) (including [case studies](#) and through their program with EITI called [Opening Extractives](#)), [CSA4BOT](#) (a European Union project by Transparency International, Transcrime, the Government Transparency Institute and the Tax Justice Network consisting of a network of beneficial ownership experts from civil society, authorities, journalists and the private sector) and the [European Union's AML Global Facility](#).

BOT is also discussed at events and meetings of the United Nations General Assembly, [Conference of States Parties to UNCAC](#) and its subsidiary bodies: [the Open-ended](#)

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<sup>41</sup> See Transparency International, <https://www.transparency.org/en/press/european-commission-audit-report-finds-czech-prime-minister-has-conflict-of>.

<sup>42</sup> See Tax Justice Network, <https://fsi.taxjustice.net/country-detail/#country=NG&period=22>.

## CEPA strategy guidance note

### Registries of beneficial ownership

[Intergovernmental Working Group on Asset Recovery](#) and the Open-ended Intergovernmental Working Group on Prevention, the [C20](#), [B20](#), and International Monetary Fund and World Bank Spring Meetings.

### Essential reading

There are plenty of resources for countries to consider, both from international organizations as well as from civil society in addition to the references provided throughout this Note. Below is a list of research materials by category.

#### *Beneficial ownership concept*

Those interested in the basic concept of beneficial ownership can start with publications such as the 2023 FATF [Guidance on transparency and beneficial ownership](#), the United Nations Office on Drugs and Crime (UNODC) and the World Bank's 2011 "[The Puppet Masters](#)" report or the International Monetary Fund's handbook on [Unmasking Control](#). As for uses and purposes of beneficial ownership, there are examples by [Transparency International](#) and the [Tax Justice Network](#).

More technical publications refer to loopholes and best practices in relation to beneficial ownership [definitions and thresholds](#) and exclusions.

#### *Trusts and similar legal arrangements*

Given the limited experience of civil law countries on trusts, there are resources to understand the concept and transparency risk of trusts by [Open Ownership](#) and the [Tax Justice Network](#), as well as a [trust's guidance on beneficial ownership](#) for tax administrations produced by the Inter-American Center of Tax Administrations (CIAT).

#### *Obstacles and strategies to verify beneficial ownership information*

The FATF/Egmont 2018 report on [concealment of beneficial ownership](#) and the work on complex ownership structures by the [Tax Justice Network](#) and the [European Union AML Global Facility](#) describe ways in which beneficial ownership can be concealed. On a separate note, the UNODC/World Bank report on [signatures for sale](#) describes ways in which nominees can hide a beneficial owner.

To address these risks, there are a number of materials on verifying and determining beneficial owners, including Global Witness' [analysis of United Kingdom ownership data](#), Open Ownership's [verification of beneficial ownership](#) and the Tax Justice Network's report on [verification](#).

#### *Monitoring of beneficial ownership implementation by countries*

To know the ratings of each country and the underlying evaluations by international organizations, it is possible to find the [mutual evaluation and follow-up reports](#) by the FATF and regional bodies, the Global Forum's [peer review reports](#) and EITI's [country reports](#).

## CEPA strategy guidance note

### Registries of beneficial ownership

Other organizations that monitor country implementation and commitments include the [Open Government Partnership](#) (OGP). The World Bank developed a [self-assessment tool](#) for countries on the money laundering risks of legal persons and arrangements. In addition, UNODC, as the secretariat of the [Mechanism for the Review of the Implementation](#) of UNCAC, prepares [thematic reports](#) on the status of the implementation of UNCAC, and [secretariat notes](#), [conference room papers](#) and [studies](#) on good practices and challenges with respect to BOT and beneficial ownership registration systems.

#### *Access and sources of beneficial ownership information*

Access to beneficial ownership information has been advocated mostly by civil society organizations. There are several publications on public access and privacy, such as a 2019 report by The Engine Room, Open Ownership and The B-Team entitled [Data protection and privacy in beneficial ownership disclosure](#) as well as blog posts by [BO6](#), [Open Ownership](#), [Transparency International](#) and the [Tax Justice Network](#) as a result of the European Court of Justice ruling of 2022.

As for direct sources of beneficial ownership information, Open Ownership created its own [global beneficial ownership registry](#) based on the data contained in the beneficial ownership registries of Denmark, Slovakia, Ukraine and the United Kingdom. Other relevant sources for investigations include the International Consortium of Investigative Journalists' [database of leaked information](#) and the Organized Crime and Corruption Reporting Project's [Aleph database](#).

#### *Synergies with other transparency frameworks: asset ownership, exchange of information and tax enforcement*

The Independent Commission on the Reform of International Corporate Taxation has been advocating for a [Global Asset Registry](#) to make available beneficial ownership information on assets, based on a [pilot study of the United Kingdom](#). The London School of Economics has also published a [report](#) on beneficial ownership and wealth taxation. Open Ownership's [Beneficial Ownership Data Standard \(BODS\)](#) could help ensure data is integrated to allow for interoperability.

The Tax Justice Network has proposed ways to combine [beneficial ownership information to improve the exchange of tax information](#). In relation to this, the [OECD Model Mandatory Disclosure](#) rules could be used to require intermediaries to report strategies to hide the beneficial owner, as proposed by a [guideline](#) commissioned by GIZ. The World Bank published a [report](#) on taxing crime (related to a whole-of-government approach to corruption, AML and taxes). The International Monetary Fund has published a [paper](#) on cooperation between tax and AML rules with a focus on BOT. The European Union's AML Global Facility, together with the Inter-American Development Bank and GAFILAT organized a [conference in Buenos Aires](#) in this regard.



## International development cooperation

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Several donors have been supporting, funding and engaging in capacity development on beneficial ownership transparency. These include especially:

- FATF publications and [training](#) on beneficial ownership, as well as those from regional FATF bodies.
- The Global Forum, according to the [2024 Capacity Building](#) report, has assisted 38 jurisdictions on the implementation of beneficial ownership requirements and offered 8 trainings on beneficial ownership attended by 394 participants.
- The International Monetary Fund offers [capacity development](#) on beneficial ownership mostly through its program on AML/CFT, with support from Canada, France, Germany, Japan, Korea, Luxembourg, The Netherlands, Qatar, Saudi Arabia and Switzerland.
- UNODC supports States parties to UNCAC in establishing effective BOT regimes and fostering international cooperation. This is done through national and regional level training sessions, including expert meetings and workshops that promote the exchange of good practices and peer learning, as well as through a long-term partnership with Open Ownership that supports emerging research and tailored capacity-building programs.
- The World Bank has several programs related to beneficial ownership transparency, including the stolen asset recovery initiative (StAR). The International Development Association included a [commitment](#) on BOT. The [Governance & Institutions Umbrella Program](#) supports World Bank client countries to build capable, efficient, open, inclusive, and accountable institutions and improve public sector performance and institutional reform. The World Bank's [Global Tax Program](#) provides assistance on tax transparency issues, including BOT.
- The European Union has been engaging with third countries on BOT through the [European Union's AML Global Facility](#), other European Union Commission funding programs or through the [Council of Europe](#).
- National development funds provide support for BOT, including those from Germany (GIZ), Norway (NORAD), the United Kingdom (DFID) and the United States (USAID).
- The EITI, together with Open Ownership, launched the [Opening Extractives](#) program to improve domestic resource mobilization in 11 countries (including through BOT), with support from the BHP Foundation and USAID.



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