



# Regulatory capacity of corporate registries in the European Union

## Survey results

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**COFFERS**  
Combating Fiscal Fraud and Empowering Regulators



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**Abstract:** This paper discusses the role that the capacity of corporate registries plays in fighting tax evasion and related crimes. It reviews the current state of research and data availability around the capacity of company registration systems. It further presents results from a new survey sent out by the Tax Justice Network to corporate registries of European member states, enhanced with data from the International Business Registers report<sup>1</sup> and the Financial Secrecy Index. It provides data indicators that show potential abusive practices, compares the information that registries record about the natural persons associated with limited companies and shows data about the material and human resources of corporate registries.

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<sup>1</sup> We are grateful to the authors of the International Business Registers report for kindly providing us with the data. We further thank the responding corporate registries for their cooperation.

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## **Acronyms**

BO	Beneficial Owner
COFFERS	Combatting Fiscal Fraud and Empowering Regulators
ECRF	European Commerce Register's Forum
EU	European Union
FATF	Financial Action Task Force
FTE	Full Time Equivalent
GDP	Gross Domestic Product
IACA	International Association of Commercial Administrators
LC	Limited Company
LO	Legal Owner
OCCRP	Organised Crime and Corruption Reporting Project
OECD	Organisation for Economic Co-operation and Development
PEP	Politically Exposed Person
TIN	Taxpayer Identification Number

## 1. Introduction

Registration of a company provides the company with a legal existence independent from the natural persons that own and act on behalf of the company. Registration can be thought of as a kind of exchange: in order to benefit from a special status – namely limited liability – individuals wishing to incorporate need to provide a certain amount of information. Limited liability means that the individuals that are associated to the company, the shareholders and directors, are not personally liable if the company fails – they are only liable up to the amount of capital they have invested into the company or exceptionally in cases where they committed crimes.

Legal existence – or legal personhood – also means that the company (and not directly the individuals involved) can conclude contracts (with individuals or other companies), own assets, open bank accounts or sue others in court.

The possibility to create companies brings a certain number of advantages to society, but it also bears the risk of misuse<sup>2</sup>. Companies have been abused to conceal crimes such as money laundering, tax evasion and corruption, all of which foster inequality within and often in between countries. Corporate vehicles such as limited companies, limited partnerships, trusts and foundations are at the heart of many tax evasion and money laundering schemes, as activities are not carried out in the name of real persons, but by “legal persons” instead behind whom real controlling persons are concealed by the “corporate veil”.

**The risks emanating from the combination of the powers vested in corporates and the secrecy they can afford suggests that the amount and quality of information available to authorities and the public about corporate vehicles is often the decisive factor that tips the balance between the usefulness and harmfulness of corporate vehicles.**

What amount of information is available is determined on the one hand by the legal requirements in each jurisdiction, but at the same time also by the administrative practices and capacities of the institutions which enforce company laws. Corporate registries are most of the time not the only institution involved in company regulation, but they play an especially important role as they constitute the primary source of information about a corporate entity.<sup>3</sup>

For instance, a tax authority can gain knowledge from the corporate registry about which companies are incorporated and find out if all companies have filed tax returns that are required to do so. Agencies that fight corruption may need to search the corporate registry to find out whether politicians declare all the

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<sup>2</sup> Lynn M. LoPucki, *The Death of Liability* (Rochester, NY, 8 May 2000) <<https://papers.ssrn.com/abstract=7589>> [accessed 10 October 2017].

<sup>3</sup> Emile Van der Does de Willebois and others, *The Puppet Masters. How the Corrupt Use Legal Structures to Hide Stolen Assets and What to Do About It*, 2011, 4.

companies of which they hold shares.<sup>4</sup> Financial crime investigation units need information from the corporate registry to track down the real people that might have committed crimes in the name of a corporate vehicle. Finally, academia, journalists and civil society need company information to hold the powerful to account and to check information on record (informed by an understanding of a democracy of an intricate web of “checks and balances”), and to advance research about contemporary forms in and risks of market economies, eg in global wealth chains.<sup>5</sup>

The most important piece of information is thereby the beneficial owner of a company. Unlike the legal owners (which can often be other corporate vehicles), the beneficial owners of a company are the real persons who exercise control over the entity and may enjoy the fruits of its business. In 2001, the OECD issued its report *Behind the corporate veil*, where it concluded that “any jurisdiction that provides mechanisms enabling individuals to successfully hide their identity behind a corporate vehicle while excessively constraining the capacity of authorities to obtain and share information on beneficial ownership and control for regulatory/supervisory and law enforcement purposes is increasing the vulnerability of its corporate vehicles to misuse.”<sup>6</sup>

A report issued by the World Bank and the United Nations Office for Drugs on Crime in 2011 gave a pessimistic conclusion about corporate registries’ capacities to do so: “In current practice, registries are archival and passive in nature. Information supplied by applicants is logged, not verified. To ensure that any information on beneficial ownership that it receives is correct, the registry should verify that information (either for every application or on a risk-sensitive basis)”<sup>7</sup>.

However, since 2011, pushed by civil society and by large scale leaks exposing the role of shell companies, governments have pledged to undertake more efforts to combat crimes such as tax evasion, money laundering and corruption through tougher requirements on the registration of beneficial owners.

However, it is likely that the scope and intensity of these efforts will vary greatly among jurisdictions, since some policymakers may pursue a tax haven state strategy<sup>8</sup> and thus have (vested) interests in lenient registration rules and practices in order to attract illicit financial flows depending on financial secrecy.

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<sup>4</sup> IACA, *The International Business Registers Report 2017* (2017), 8 <[https://www.iaca.org/wp-content/uploads/The-report\\_2017.pdf](https://www.iaca.org/wp-content/uploads/The-report_2017.pdf)> [accessed 7 May 2018].

<sup>5</sup> See for example: <http://corpnet.uva.nl/> or <https://financialsecrecyindex.com/>.

<sup>6</sup> OECD, *Behind the Corporate Veil: Using Corporate Entities for Illicit Purposes*, 2001, 8 <<http://www.oecd.org/daf/ca/43703185.pdf>> [accessed 24 August 2018].

<sup>7</sup> Van der Does de Willebois and others, *The Puppet Masters. How the Corrupt Use Legal Structures to Hide Stolen Assets and What to Do About It*, 74.

<sup>8</sup> Jason Abbott, Phil Deans and Ronen Palan, *State Strategies in the Global Political Economy* (London, 1999).

Thus, company law and the capacity of corporate registries can be embedded into the broader framework of regulatory “competition”.<sup>9</sup> This process entails jurisdictions (ab)using their regulatory power as a location factor by tailoring regulation in order to attract economic activity from other jurisdictions.<sup>10</sup> Globally, this process results in a “race to the bottom” in regulatory standards and integrity when a number of jurisdictions engage in this strategy.

There is an extensive literature on regulatory competition in the United States. In the United States, the federal states have discretion regarding the Company Law and have been competing since the late 19th century to attract the highest number of incorporations by imposing less requirements on companies. The states of Delaware and New Jersey, in particular, have led the race and have witnessed high numbers of incorporations.<sup>11</sup>

Usually, the means of this kind of competition are rules and legal requirements. However, across Europe and on an international level, there is an increasing harmonisation of rules backed by diplomatic pressure - for example through the OECD-led Financial Action Task Force (FATF). Within the EU, the 4th anti-money laundering directive has made the registration of beneficial owners of companies mandatory.<sup>12</sup> However, in order to continue to “compete” with lax regulation and avoid sanctions arising from non-compliance, countries can transpose the EU directive into local legislation and thus comply on paper, but at the same time limit the capacity of their registries and tax authorities to enforce the legislation. Such a behaviour, designated as “mock compliance”, was demonstrated in the field of tax policy<sup>13</sup>. It should also be noted that a simple lack of capacity may have the same result on compliance as with the transposed directive, even if it is not the result of a deliberate strategy.

To the extent that a corporate registry is responsible for implementing aspects of the company law, for example the registration of beneficial owners, a lack of

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<sup>9</sup> Bruno Gurtner and John Christensen, *The Race to the Bottom: Incentives for New Investment?* (October 2008) <[http://www.taxjustice.net/cms/upload/pdf/Bruno-John\\_0810\\_Tax\\_Comp.pdf](http://www.taxjustice.net/cms/upload/pdf/Bruno-John_0810_Tax_Comp.pdf)> [accessed 21 February 2018].

<sup>10</sup> See for example Ehud Kamar, ‘A Regulatory Competition Theory of Indeterminacy in Corporate Law’, *Columbia Law Review*, 1998, 1908–59.

<sup>11</sup> See for a short summary of the debate: Amit M Sachdeva, ‘Regulatory Competition in European Company Law’, *European Journal of Law and Economics*, 30/2 (2010), 142–44.

<sup>12</sup> “Member States shall ensure that the information referred to in paragraph 1 is held in a central register in each Member State, for example a commercial register, companies register as referred to in Article 3 of Directive 2009/101/EC of the European Parliament and of the Council (31), or a public register.” (§1 refers to information on beneficial ownership) See Art. 30, §3 of European Parliament and European Council, *Directive (EU) 2015/849 of the European Parliament and of the Council of 20 May 2015 on the Prevention of the Use of the Financial System for the Purposes of Money Laundering or Terrorist Financing, Amending Regulation (EU) No 648/2012 of the European Parliament and of the Council, and Repealing Directive 2005/60/EC of the European Parliament and of the Council and Commission Directive 2006/70/EC (Text with EEA Relevance)*, 2015 <<https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A32015L0849>>.

<sup>13</sup> Richard Woodward, ‘A Strange Revolution: Mock Compliance and the Failure of the OECD’s International Tax Transparency Regime’, in *Global Tax Governance. What Is Wrong With It and How to Fix It.*, ed. by Peter Dietsch and Thomas Rixen (Colchester, 2016), 103–21.



enforcement capacity may result in registered data being outdated, inaccurate and deficient.

The purpose of this study is to gather comparative data via a survey sent out by the Tax Justice Network to European corporate registries about legal requirements for companies and corporate registries in Europe in order to better understand whether the way corporate registration is implemented may play a role in preventing tax avoidance and evasion. It also aims to assess whether regulations are backed by the necessary administrative capacities in corporate registries.

## 2. Comparative data on corporate registries

It is important to note that there does not seem to be any research available on the capacity and detail of corporate registries by international or regional organisations, or by academics. While mutual evaluation reports by the anti-money laundering agency Financial Action Task Force touches upon data that is sometimes recorded by corporate registries, and the peer reviews by the OECD's Global Forum touch upon other aspects, none of these systematically and holistically review the performance of corporate registries.

The European Commission maintains a website<sup>14</sup> with basic information on the corporate registries in the European Union, but without any evaluation of capacity or performance. Civil society organisations have undertaken research into institutional frameworks and specific legal requirements of corporate registries. Among those are Open Corporates<sup>15</sup>, which reviews the openness of corporate data, and the Tax Justice Network's Financial Secrecy Index<sup>16</sup>, which reviews requirements of beneficial ownership registration and account publication through corporate registries.

In an investigative study, the non-governmental organisation Access Info Europe and the Organised Crime and Corruption Reporting Project (OCCPR) tried to obtain full access to the corporate registries of 32 European countries, sometimes using freedom of information laws. They identified 10 obstacles to information access which included high costs, access granted only to nationals and the ability to only search the registry record by record without the ability to

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<sup>14</sup> [https://e-justice.europa.eu/content\\_business\\_registers-104-en.do](https://e-justice.europa.eu/content_business_registers-104-en.do); 29.3.2017.

<sup>15</sup> <http://registries.opencorporates.com/>; 29.3.2017.

<sup>16</sup> Tax Justice Network, *Financial Secrecy Index 2018 - Methodology* (London, 2018) <<https://www.financialsecrecyindex.com/PDF/FSI-Methodology.pdf>> [accessed 14 February 2018]; Andres Knobel, Moran Harari and Markus Meinzer, *The State of Play of Beneficial Ownership Registration: A Visual Overview*, 2018 <<https://www.taxjustice.net/wp-content/uploads/2018/06/TJN2018-BeneficialOwnershipRegistration-StateOfPlay-FSI.pdf>> [accessed 19 July 2018].

download data in bulk, ie saving an offline copy of all the public data held by the registry in a single file or directory. Another problem they found was that freedom of information laws often do not apply to corporate registries.<sup>17</sup> They did find, however, that two of the covered registries (the British and the Danish) are freely accessible and permit the downloading of data in bulk.

The World Bank's *Doing Business* survey collects data on the time it takes to form a business and the associated costs and assesses thus the efficiency of company registration.<sup>18</sup> This focus has been criticised by scholars, as it does not show how reliable the data gathered by the registries is and thus does not say anything about the quality of the institution.<sup>19</sup>

The most comprehensive efforts to gather data, however, have been undertaken by a consortium of regional organisations of corporate registries: the Association of Registers of Latin America and the Caribbean, the Corporate Registers Forum, the European Commerce Registers' Forum and the International Association of Commercial Administrators. The findings are jointly published each year by the four organisations in the International Business Registers report. Initially known as the *Benchmarking survey* and started by the European Commerce Register's Forum in 2001 as a survey collecting data from the business registers of a few jurisdictions within Europe, the International Business Registers report has developed into a substantial international project collecting data from 98 jurisdictions across the world in its latest iteration. The scope of topics covered also expanded to include legal and institutional settings, details about the registration process and the application of digital tools and services. It does not, however, have a specific focus on fraud or the abuse of companies for illicit purposes and the data collected about registration and verification of beneficial ownership is very limited.

### **3. Survey metadata**

#### **3.1 Process**

The survey sent out by the Tax Justice Network to corporate registries of EU member states was designed with a view to complement the data already gathered by the International Business Registers report. Specific topics of interests that were already assessed by the report were therefore left out of the survey in order to avoid duplication of work. Nevertheless, data from the

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<sup>17</sup> Access-Info and OCCRP, 'It's None of Your Business!' - 10 Obstacles to Accessing Company Register Data Using the Right to Information, 2016 <[https://www.access-info.org/wp-content/uploads/CompanyRegisters\\_Report\\_7April2016.pdf](https://www.access-info.org/wp-content/uploads/CompanyRegisters_Report_7April2016.pdf)> [accessed 18 May 2018].

<sup>18</sup> <http://www.doingbusiness.org/data/exploretopics/starting-a-business> , accessed 24 August 2018.

<sup>19</sup> Benito Arruñada, 'Pitfalls to Avoid When Measuring Institutions: Is Doing Business Damaging Business?', *Journal of Comparative Economics*, 35/4 (2007), 729–47.

International Business Registers report and from the Tax Justice Network's Financial Secrecy Index were used in the analysis to provide as complete of a picture as possible.

The survey was thus designed to assess legal powers and capacities of corporate registries. It also aimed to look for variables that could indicate whether corporates registered in a particular jurisdiction are more likely to be used for illicit purposes. These general indicators included:

- "Attractiveness" of a jurisdiction's company law
- Transparency regarding the natural persons involved with registered companies
- Transparency of registered companies' business
- Corporate registries' budgets and staff sizes

The relevancy of these topics will be described more in detail in the following sections of this report.

Advice on the survey was sought from other Tax Justice Network members and members of the Combating Fiscal Fraud and Empowering Regulators (COFFERS) research project as well as from the authors of the International Business Registers report.

The survey, enclosed as Annex A to this report, was sent out on 31 May 2018 as an Excel document together with a glossary to the official email addresses available on the websites of the corporate registries of all EU members states.<sup>20</sup> In cases where phone numbers were available, follow-up calls were made at a later stage to ensure the survey was received well. After reception of the responses, follow-up e-mails were sent to some of the respondents to clarify some of the responses given.

### **3.2 Responses received**

Responses were received from seven jurisdictions: Belgium, Denmark, Latvia, Romania, Slovenia, Sweden and the United Kingdom.

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<sup>20</sup> The survey can be accessed here: <https://www.taxjustice.net/wp-content/uploads/2018/05/CorpRegSurvey-AnnexC-Questionnaire.xlsx>

The glossary is available here: <https://www.taxjustice.net/wp-content/uploads/2018/05/CorpRegSurvey-AnnexA-Glossary.pdf>

Figure 1: Respondent jurisdictions

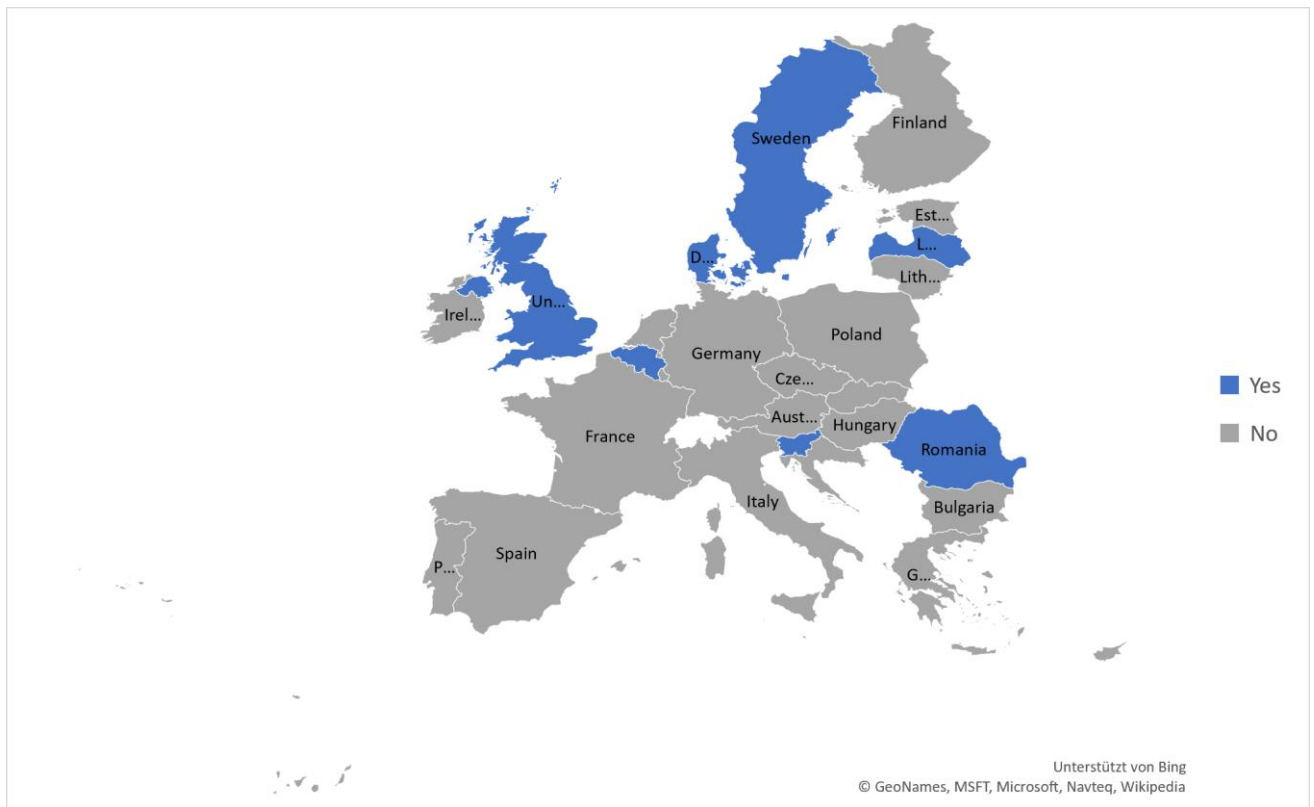


Table 1: Participating organisations

Country	Name of organisation	Website
Belgium	Banque-Carrefour des Entreprises	<a href="https://kbopub.economie.fgov.be/kbopub/zoeknummerform.html?lang=fr">https://kbopub.economie.fgov.be/kbopub/zoeknummerform.html?lang=fr</a>
Denmark	Danish Business Authority	<a href="https://danishbusinessauthority.dk/">https://danishbusinessauthority.dk/</a>
Latvia	uzņēmumu registrs (Enterprise register)	<a href="https://www.ur.gov.lv/lv/">https://www.ur.gov.lv/lv/</a>
Romania	Oficiul Național al Registrului Comerțului (National Office for the Commerce Register)	<a href="https://www.onrc.ro/index.php/en/">https://www.onrc.ro/index.php/en/</a>
Slovenia	Agencija Republike Slovenije za javnopravne evidence in storitve (AJPES)	<a href="https://www.ajpes.si/">https://www.ajpes.si/</a>
Sweden	Bolagsverket	<a href="http://www.bolagsverket.se/en/us/about">http://www.bolagsverket.se/en/us/about</a>
United Kingdom	Companies House	<a href="https://www.gov.uk/government/organisations/companies-house">https://www.gov.uk/government/organisations/companies-house</a>

## 4. Survey questions

### Reading guidance on the structure of this section

For each of the following five sub-sections (corresponding to each of the topics covered by the survey), we apply the following structure:

- A description is provided of the context of the topic and the theoretical and practical reasons why the specific questions were asked.
- The responses received are presented and described. The data source of the figures presented is always our survey and follow-up emails, unless explicitly stated otherwise.
- Potential caveats of the relevant questions and the responses are highlighted.
- Hypotheses about the meaning of the results in light of the theoretical reasoning is generated. It should be kept in mind that due to a limited number of respondents, the results might not be representative of corporate registries in general.

Some responding jurisdictions did not provide answers to several questions, most of which either because questions were not applicable to the jurisdiction or because data was not available; in some cases, the reasons remain unknown.

In the following sub-sections we employ the following codes to distinguish the types of non-responses:

NA = The jurisdiction reported that the data on this question was not available.

N/A = The jurisdiction reported that the question was not applicable, or this could be deducted from responses given to other questions.

NR = The jurisdiction left the field blank without further explanation.

### 4.1 General attractiveness of the jurisdiction for incorporation

#### 4.1.1 Context

A high total number of legal entities (especially those with limited liability) in relation to the size of the jurisdiction might indicate that these entities are not only used for normal economic activity but perhaps for other purposes, such as money laundering, tax evasion etc. Known secrecy jurisdictions with very lax company laws such as the Cayman Islands or the US state of Delaware have very high ratios of companies to population. In 2012, the ratio was 1.05 in

Delaware (ie more than one company per one inhabitant)<sup>21</sup> and in 2017 it was about 1.6 in the Cayman Islands<sup>22</sup>.

While limited companies are probably the most frequently used and abused type of legal entity, they are not the only type prone to risk. The OECD noted in its above-mentioned *Behind the corporate veil* report that limited partnerships could also pose a risk. As opposed to a general partnership, where all partners are fully liable to their actions, a limited partnership could be considered as an entity which is in between a partnership and a company: while there is at least one fully liable general partner, the structure may also include partners that have only limited liability. Some jurisdictions do not have any registration requirements for these limited partners although they can exercise significant influence over a company's actions. The OECD report reads: "The combination of anonymity with the ability to exert influence on management decisions may leave these types of limited partnerships vulnerable to misuse for illicit purposes."<sup>23</sup>

Another particularly obscure type of entity are trusts. In order to form a trust, "a person (the settlor) gives legal ownership of an asset (the property) to another person (the trustee) on condition that [the trustee applies] the income and gains arising from that property for the benefit of another person or persons (the beneficiaries)."<sup>24</sup> If not all parties to a trust are registered, such an arrangement may serve to conceal the ownership of the original legal owner and the beneficial owner. Not all jurisdictions, however, legally recognise trusts.

Finally, if a high percentage of locally incorporated companies are owned by non-residents, this may indicate that the jurisdiction's company law and requirements are indeed "attractive". This would be especially the case, if the owners and directors of the majority of foreign companies are from various countries in the world that are not just limited to neighbouring countries and major trading partners (where one could assume that normal business reasons lead to the volume of non-resident ownership).

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<sup>21</sup> Leslie Wayne, 'How Delaware Thrives as a Corporate Tax Haven', *New York Times*, 2012 <<https://www.nytimes.com/2012/07/01/business/how-delaware-thrives-as-a-corporate-tax-haven.html>> [accessed 27 August 2018].

<sup>22</sup> Calculated from the 2018 Financial Secrecy Index, see <https://financialsecrecyindex.com/database/CaymanIslands.xml#b41>

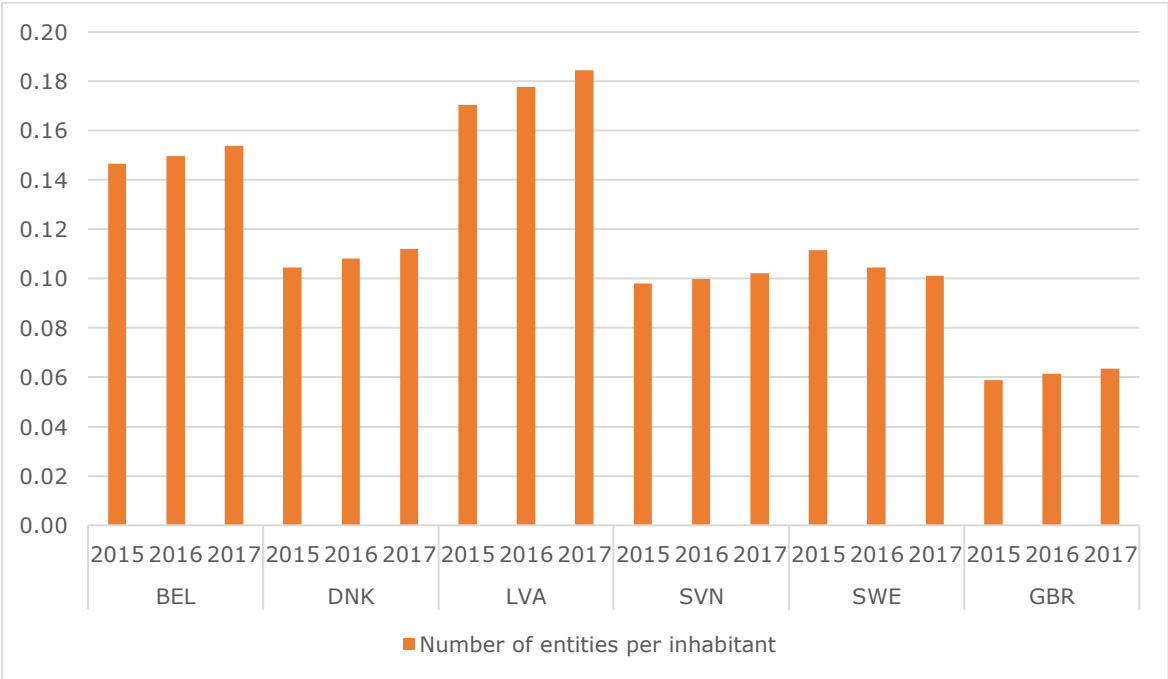
<sup>23</sup> OECD, *Behind the Corporate Veil: Using Corporate Entities for Illicit Purposes*, 27.

<sup>24</sup> Financial Secrecy Index 2017, KFSI 2, p.5, <https://financialsecrecyindex.com/PDF/2-Trusts-Foundations-Register.pdf>; 30.11.2018. Andres Knobel, *Trusts: Weapons of Mass Injustice?*, 2017 <[www.taxjustice.net/wp-content/uploads/2017/02/Trusts-Weapons-of-Mass-Injustice-Final-12-FEB-2017.pdf](http://www.taxjustice.net/wp-content/uploads/2017/02/Trusts-Weapons-of-Mass-Injustice-Final-12-FEB-2017.pdf)> [accessed 15 February 2017].

### 4.1.2 Results

#### Entities with limited liability

Figure 2: Total number of registered entities per inhabitant

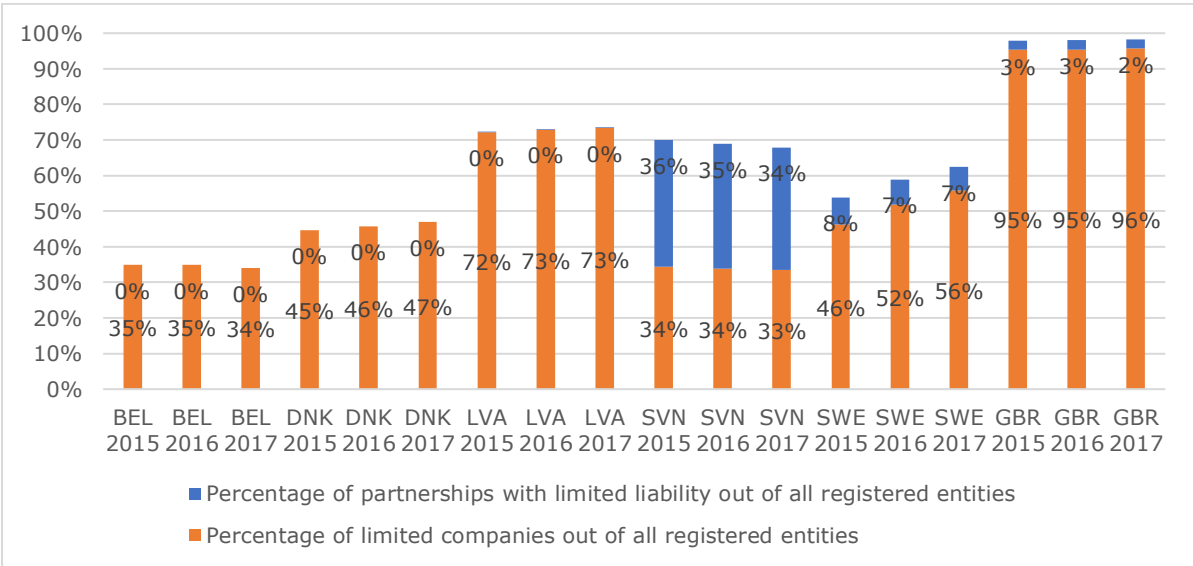


Note: Romania did not provide a number of registered entities.

Figure 2 displays the total number of entities that are listed on each respondent jurisdiction’s corporate registry per inhabitant living in the jurisdiction. The numbers are quite similar with roughly 1 entity for every 10 ten inhabitants in Denmark, Slovenia and Sweden. In the UK, the number is a bit lower (1 entity for every 16 inhabitants). In Belgium and Latvia, the number is slightly higher (1 entity for 6 to 7 inhabitants). Except for Sweden, the number of entities per inhabitant has been growing over the last years.

It needs to be noted, however, that the numbers are not always directly comparable. For example, the United Kingdom does not register sole traders on its corporate register whereas Latvia does. Figure 3 shows that in the United Kingdom, 98 per cent of entities are limited liability entities, whereas in Sweden these account for just about 60 per cent of entities.

Figure 3: Percentage of entities with limited liability out of all registered entities



Note: Belgium and Denmark did not provide a number of partnerships with limited liability. In Denmark it was not possible to differentiate the number of limited partnerships from general partnerships. Romania did not provide a number of registered entities.

Figure 4: No. of entities with limited liability per inhabitant

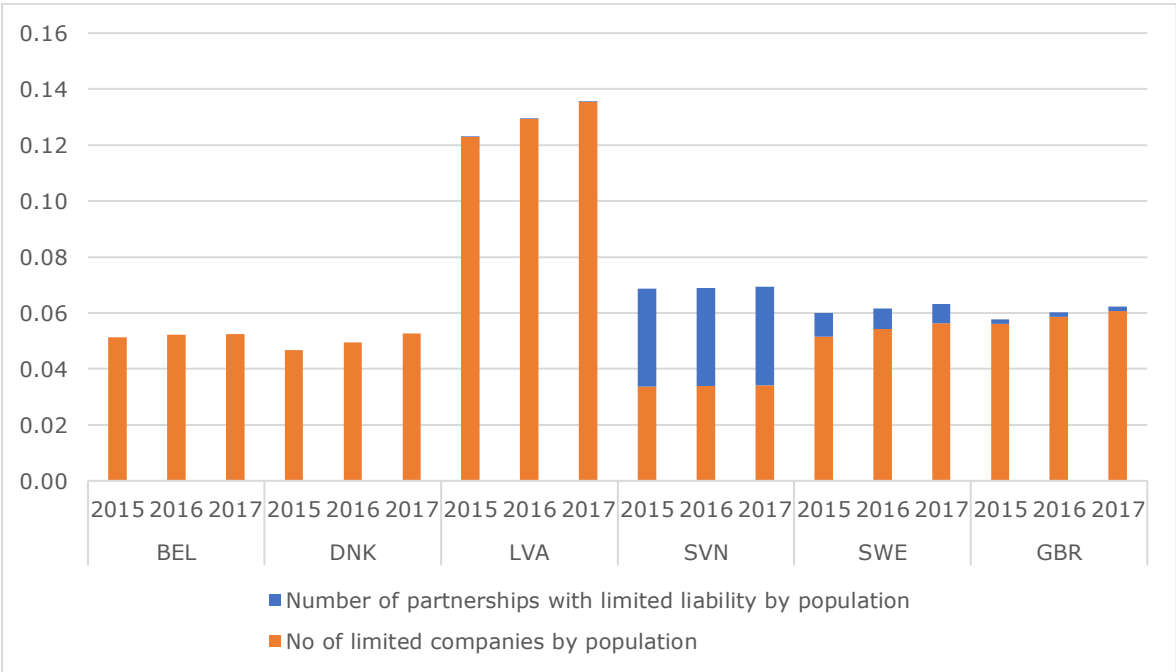


Figure 4 finally combines the insights from figures 2 and 3 and shows how many entities with limited liability (ie limited companies and limited partnerships) per inhabitant are registered in each of the countries.



Table 2: Minimum share capital required for forming a private limited company and registration fees

Country	Minimum share capital	Incorporation fee
BEL	18550 €	303€
DNK	1 €	90€
LVA	1 €	18€
ROU	44 €	0€
SVN	7500 €	0€
SWE	4988 €	190€
UK	1 £	11€

Note: Sources are IBR 2016 VAR39 and 53; Murphy, In the Shade: Research on the UK's Missing Economy, 13. Some countries charge different fees depending on whether registration is done with paper forms or web based. This table lists the cheapest price available.

The number is highest in Latvia with about 13 limited liability entities per 100 inhabitants - an increasing trend in the country. In Slovenia there are about 7 entities per 100 inhabitants. In Sweden and the UK, there are about 6 per 100 inhabitants, in Denmark and Belgium about 5 per 100 inhabitants. Comparing these figures with 2015 data from the Financial Secrecy Index reveals that the values of Denmark, Belgium, UK and Sweden are close to the European average of 5 entities per 100 inhabitants<sup>25</sup>. Latvia's number of entities per inhabitant, however, is among the highest in Europe with

only Luxembourg and Cyprus having more entities per inhabitant in 2015 (20 and 19 respectively). One hypothesis could be that minimum share capital requirements or incorporation fees for forming limited companies in these jurisdictions could account for the differences in the number of entities per inhabitant<sup>26</sup>, but table 2 shows that this is only partially true. While the minimum share capital needed to start a company is just €1 in Latvia, the country with most entities per inhabitant, there is no covariance visible for the other jurisdictions. It is therefore likely that a several other variables feed into the differences in entities per inhabitant (this assessment, however, is beyond the scope of this report).

## Trusts

None of the surveyed jurisdictions provided data on the number of trusts locally registered. Data from the Financial Secrecy Index shows that in the surveyed jurisdictions, trusts are either not registered or are registered by another authority and not by the corporate registry.

Table 3: Registration of trusts

Latvia	No trust registration
United Kingdom	No trust registration

<sup>25</sup> Calculated from Financial Secrecy Index data. See <https://financialsecrecyindex.com/explore/excel>, accessed 28.12.2018

<sup>26</sup> OECD, *Behind the Corporate Veil: Using Corporate Entities for Illicit Purposes*, 23.

Belgium	Registration of foreign trusts, but by another authority (domestic trusts cannot be created)
Denmark	No trust registration
Sweden	Registration by the corporate registry, but legislation is applicable from only 2018 onwards, therefore data is not yet available
Slovenia	No trust registration
Romania	Only domestic trusts are registered, but by another authority.

Note: Source Financial Secrecy Index 2018 (ID 206)<sup>27</sup>

## Foreign ownership and management

Figure 5: Number of limited companies owned/managed by non-residents

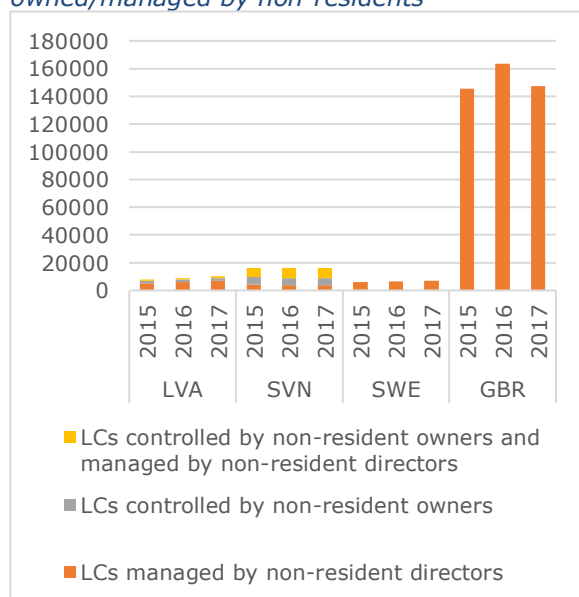
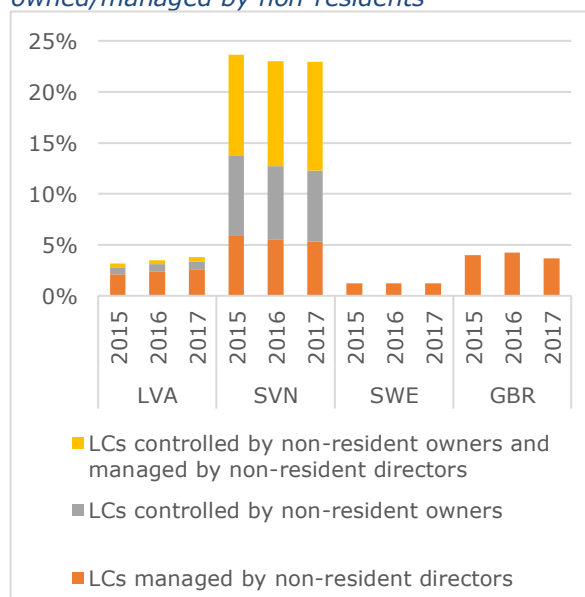


Figure 6: Percentage of limited companies owned/managed by non-residents



The UK and Sweden reported that no data on foreign ownership and control was available.<sup>28;29</sup> Only Slovenia reported a relatively high percentage of foreign ownership or management its corporate registry. This could, however, also be due to the relatively small size of the country and openness of the economy. In the other jurisdictions, the percentage remains under 5 per cent. This does not suggest a significant degree of “attractiveness” of these jurisdictions’ company law to foreigners.

<sup>27</sup> <https://financialsecrecyindex.com/ExcelUploadIDs/Id206.xlsx>, 30.11.2018

<sup>28</sup> “Ownership and control” refers to beneficial owners that are resident abroad whereas “management” refers to directors that are resident abroad.

<sup>29</sup> Given that the civil society organization Global Witness succeeded in undertaking very detailed analysis on the characteristics of owners in the British “Persons of Significant Control” register, the fact that such a number could not be established by the British registry demands further analysis. See Global Witness, *The Companies We Keep. What the UK’s Open Data Register Actually Tells Us about Company Ownership*, 2018 <<https://www.globalwitness.org/en/campaigns/corruption-and-money-laundering/anonymous-company-owners/companies-we-keep/#chapter-0/section-0>> [accessed 30 November 2018].

Table 4: Top 3 countries of foreign management and ownership

Jurisdiction	Foreign management	Foreign ownership
LVA	Russia, Estonia, Lithuania	Russia, Lithuania, Estonia
SVN	Italy, Serbia, Bosnia and Hercegovina	Italy, Serbia, Bosnia and Hercegovina
UK	China, Germany, US	NA

For the jurisdictions who reported data, the top three countries of either foreign management or ownership do not seem to be unexpected. In Slovenia and Latvia, these are countries in geographical proximity and in the UK these are major trading partners.<sup>30</sup> For further analysis of the British corporate registry with regards to the characteristics of beneficial owners and the persisting loopholes and risks in the registration system, please refer to *The companies we keep* report by Global Witness<sup>31</sup>.

#### 4.1.3 Summary/Discussion

All the countries displayed above have significantly lower levels of entities per inhabitant than jurisdictions known for their financial secrecy, like Delaware or the Cayman Islands. However, there are some notable differences between the assessed countries. In Latvia, the number of locally registered entities with limited liability per inhabitants is almost twice as high as in the other respondent countries. The relative number of registered limited companies does not, at first sight, seem to be related to the low fees and minimum capital requirements associated with incorporation in the jurisdiction.

No corporate registry from any of the respondent jurisdiction reported data on trusts. For some jurisdictions, this is because another authority is responsible for the registration of trusts. In other jurisdictions, no registration of trusts is carried out at all.

Regarding foreign company ownership, which might also be an indicator of how “attractive” a jurisdiction’s company registration system is, Slovenia shows a high percentage of foreign ownership of locally registered companies, albeit there is no indication whether these are used for illicit activities. The patterns of origins of foreign company owners and managers do not yield surprising findings. In future more in-depth studies, it might be fruitful to analyse patterns of foreign ownership in more detail, going beyond the top three countries of origin.

<sup>30</sup> <https://atlas.media.mit.edu/en/profile/country/gbr/>, 30.11.2018

<sup>31</sup> Global Witness, *The Companies We Keep. What the UK’s Open Data Register Actually Tells Us about Company Ownership*.

## 4.2. What do we know about the people behind a company?

### 4.2.1 Context

The Panama Papers have shown that the concealment of ownership information is at the heart of offshore company constructions that facilitate tax evasion and money laundering.<sup>32</sup> The availability of reliable and comprehensive ownership information is thus necessary to prevent the abuse of companies for such crimes. As highlighted in the introduction, the most important concept thereby is the “beneficial owner”. A beneficial owner might not in all cases directly control the company in question but might do so via the intermediation of another company, trust or other structure. Registration of beneficial owners thus makes it possible to see through the ownership chain, which often serves precisely the purpose of concealment and identify the physical person really controlling a company.

To accurately identify an individual the following information would at least need to be collected on beneficial owners:

- Full name
- Full address
- Birthdate,
- Government-issued ID or a tax identification number

Furthermore, the reasons why an individual is considered as a beneficial owner (such as the percentage of shares they hold or the other type of influence in the country), as well as whether the beneficial owner is in fact a senior manager of the company because no beneficial owner could be identified, is information that should be obtained to make the ownership structure of the company sufficiently transparent.<sup>33</sup>

It should be also noted that if ownership information is only held in a government database to which there is no public access, there is little likelihood of appropriate checks being undertaken to ensure that the registry actually collects and regularly updates accurate beneficial ownership information. The reliability, accuracy and timeliness of data availability cannot be checked independently.<sup>34</sup>

However, beneficial ownership registration alone is no guarantee for law enforcement to be able to find ownership data. The Financial Action Task Force

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<sup>32</sup> Luke Harding, ‘What Are the Panama Papers? A Guide to History’s Biggest Data Leak’ (2016) <<https://www.theguardian.com/news/2016/apr/03/what-you-need-to-know-about-the-panama-papers>> [accessed 30 September 2018].

<sup>33</sup> Andres Knobel, Markus Meinzer and Moran Harari, ‘What Should Be Included in Corporate Registries? A Data Checklist-Part 1: Beneficial Ownership Information’, 2017 <[https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2953972](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2953972)> [accessed 28 August 2017].

<sup>34</sup> See <https://financialsecrecyindex.com/PDF/3-Recorded-Company-Ownership.pdf>

(FATF), an inter-governmental initiative created by the G7 and hosted by the OECD, developed a standard on beneficial ownership registration and suggested a threshold of control over 25 per cent or more of a company's shares to designate an individual as a beneficial owner.<sup>35</sup> Given that the EU's 4th Anti Money Laundering directive also suggested this threshold, many member states have adopted this approach.<sup>36</sup> However, this means that if four or more natural persons equally control a company, not a single beneficial owner would be recorded by these jurisdictions. It is therefore necessary to also register the legal owners of a company, so that in such cases law enforcement agencies have at least a trace to pursue. Further, if the ownership structure of a company includes a number of foreign legal entities that are interposed between the company and its beneficial owner, it is only possible to verify the beneficial ownership information if all foreign countries in the ownership chain register all legal owners.<sup>37</sup> In cases where a company fails to declare a beneficial owner, these cases should be flagged to notify that a risk exists.

Not all of this information needs to necessarily be public. It would be sufficient to enable someone using the beneficial ownership registry to clearly identify an individual (ie to be able to tell two John Smith's apart). In this sense, information such as full name, part of the address (eg the country of residence or the region/state), part of the date of birth (eg year and month) and potentially a number issued by the corporate registry should be made public.<sup>38</sup>

The collection of data, however, is only useful up to the extent that it is correct. The degree of accuracy of data on the other hand depends on whether any steps to verify the identity of the individuals that are registered as directors or beneficial owners are undertaken or whether the registry relies entirely on the data provided by the persons registering. It is rather unlikely that an individual who creates a company with the purpose to launder money would self-report correct identity details. Ways to verify the identity of individuals may for example include face to face meetings of officials or notaries in which official identity

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<sup>35</sup> Financial Action Task Force, *International Standards on Combating Money Laundering and the Financing of Terrorism & Proliferation. The FATF Recommendations* (Paris, 2018), 59 <<http://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/FATF%20Recommendations%202012.pdf>> [accessed 30 September 2018].

<sup>36</sup> The directive reads that "A shareholding of 25 % plus one share or an ownership interest of more than 25 % in the customer held by a natural person shall be an indication of direct ownership. A shareholding of 25 % plus one share or an ownership interest of more than 25 % in the customer held by a corporate entity, which is under the control of a natural person(s), or by multiple corporate entities, which are under the control of the same natural person(s), shall be an indication of indirect ownership. This applies without prejudice to the right of Member States to decide that a lower percentage may be an indication of ownership or control." Art. 3, §6 (1) (a) of European Parliament and European Council, *Fourth MLD*.

<sup>37</sup> Knobel, Harari and Meinzer, *The State of Play of Beneficial Ownership Registration: A Visual Overview*, 57.

<sup>38</sup> Knobel, Meinzer and Harari, 'What Should Be Included in Corporate Registries?', 7.

documents are verified.<sup>39</sup> Apart from verifying the identity upon registration, registries can undertake further measures to ensure a good quality of the data. This includes cross-checking of received data with other databases or allowing anonymous reporting of false information. In the case of registered branches of foreign companies, it would be advantageous to compare the data registered by the branch with the data that is contained in the other jurisdiction's corporate registry.

A recent report by Transparency International conducted among G20 countries highlighted that in general no independent verification of the supplied information is carried out.<sup>40</sup> Exceptions are countries where an intermediary, eg a notary is involved. This way, the register "outsources" parts of the registration process. In that case it is, however, unclear what information is verified by what specific process.<sup>41</sup>

One possible way to circumvent the requirement to declare beneficial owners would be to form a company that issues so-called "bearer shares". Bearer shares are shares in a company that are not registered on a specific name (of an individual or a company) but which belong to the owner (the bearer) of a physical document. They are therefore a way to obscure beneficial ownership<sup>42</sup> and hence in recent years many jurisdictions have banned them. If companies with bearer shares are still active in a jurisdiction, there is a greater risk for illicit activities.

Another type of data anomaly that should be highlighted are "corporate" directors which are used in many jurisdictions. A "corporate" director means that instead of a physical person, another corporate entity is registered as director of a company. The OECD highlighted in 2001 that "Corporate directors may be a device that facilitates the abuse of corporate vehicles if the legal system cannot timely and effectively assign director responsibility to physical persons for illicit corporate behaviour."<sup>43</sup>

Finally, if politically exposed persons (eg high government officials, heads of state, etc) hold interests or influence in a company, this information should be known to authorities. Politically exposed persons pose a risk as they might use their political influence for personal enrichment. They may be prone to corruption or corrupting others. Corporate entities help to conceal such illicit activity. The

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<sup>39</sup> Knobel, Meinzer and Harari, 'What Should Be Included in Corporate Registries?', 12.

<sup>40</sup> Transparency International, *G20 Leaders or Laggards? Reviewing G20 Promises On Ending Anonymous Companies*, 2018, 32 <[http://files.transparency.org/content/download/2231/13941/file/2018\\_G20%20Leaders%20or%20Laggards\\_EN.pdf](http://files.transparency.org/content/download/2231/13941/file/2018_G20%20Leaders%20or%20Laggards_EN.pdf)> [accessed 18 May 2018].

<sup>41</sup> Transparency International, *G20 Leaders or Laggards? Reviewing G20 Promises On Ending Anonymous Companies*, 32.

<sup>42</sup> OECD, *Behind the Corporate Veil: Using Corporate Entities for Illicit Purposes*, 8.

<sup>43</sup> OECD, *Behind the Corporate Veil: Using Corporate Entities for Illicit Purposes*, 32.

*Puppet masters* report by the Stolen Asset Recovery Initiative (STAR) identifies several politicians who used corporate entities to launder extorted money, among them former Ukrainian Prime Minister Pavel Lazarenko.<sup>44</sup> A corporate registry can help to prevent such cases which are particularly harmful for the development of a country by comparing the legal and beneficial owners as well as the directors of a company with the lists of politically exposed persons.

**4.2.2 Results**

**Legal owners**

*Table 5: Registration publication and verification of details on legal owners*

	<b>Detail</b>	<b>BEL</b>	<b>DNK</b>	<b>LVA</b>	<b>ROU</b>	<b>SVN</b>	<b>SWE</b>	<b>UK</b>
<b>Gathering information</b>	Full name		Public	Public	Public	Public	N/A	Public
	Country of residence or incorporation		Public		Public	Public	N/A	
	Full address		Public	Only some companies (Public)	Public	Public	N/A	Public
	Taxpayer identification number			Public	Public	Non-public (Access by other authorities)	N/A	
	Birthdate, passports or personal IDs (in case of individuals)		Non-public	Public	Public (personal IDs only by authorities)	Non-public (Access by other authorities)	N/A	
<b>Ensuring accuracy</b>	Verification of identity details by corporate registry		Yes	Yes		Yes		
	Requirement to involve a notary in registration	Yes		Yes				

In Belgium and Sweden, legal owners are not registered. Data from the 2018 Financial Secrecy Index also shows that these jurisdictions follow the Financial Action Task Force approach mentioned above and use a control of 25 per cent or more of shares threshold to determine beneficial owners.<sup>45</sup> This could point to potential problems for law enforcement in case no beneficial owners are identified. Romania makes public all of the information on legal owners, Slovenia and Denmark collect most of the information but only make the name and the

<sup>44</sup> Van der Does de Willebois and others, *The Puppet Masters. How the Corrupt Use Legal Structures to Hide Stolen Assets and What to Do About It*, 202.

<sup>45</sup> See <https://financialsecrecyindex.com/ExcelUploadIDs/Id471.xlsx>, 30.11.2018

address public. The UK only collects and publishes names and addresses. All pieces of information have been published by at least one country, meaning that, overall, no piece of information is considered particularly sensitive by all jurisdictions. However, only three of the countries that register legal owners also undertake some kind of identity verification activity.<sup>46</sup>

In Belgium and Latvia, it is mandatory to involve a notary in the registration process. In Belgium, this is the only form of data verification that is applied, therefore one could say that the Belgian corporate registry has “outsourced” verification activity.

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<sup>46</sup> However, we do not know which specific method of verification is used. This is an important subject to be investigated in further research.



## Beneficial owners

Table 6: Registration and publication of details on beneficial owner

	Detail	BEL	DNK	LVA	ROU	SVN	SWE	UK	
Gathering information	Full name	BO registration is done by SPF Finance	Public	Public	Public*	Beneficial ownership registration is done by the Office for Money Laundering Prevention	Public	Public	
	Country of residence		Public	Public				Public	
	Full address		Public						Non-Public
	Taxpayer identification number								
	Birthdate, passports or personal IDs		Non-public	Public				Public	Public*
	Reason to be considered beneficial owners		Public	Non-public				Non-public	Public
	Specification if a beneficial owner is a senior manager		Public						
Ensuring accuracy	Verification of identity details		Yes	Yes			Yes		
	Requirement to involve a notary	Yes		Yes					
	Flagging cases where no beneficial owner was declared and applying additional due diligence						Yes	Yes*	

Note: In the UK, the only information made public is the owner's year and month of birth. Regarding companies where no beneficial owner was reported, the UK noted that "Companies cannot incorporate without either declaring a beneficial owner, or validly declaring that they do not have one."

\*With regards to Romania, there are doubts about whether beneficial ownership registration is actually in place, given that as of June 2018, the law implementing the 4th EU Anti-Money Laundering directive was not yet in force.<sup>47</sup>

<sup>47</sup> See KPMG, *UBO Disclosure Requirements within the EU*, 2018, 40 <<https://assets.kpmg.com/content/dam/kpmg/xx/pdf/2018/07/gls-transparency-register-web.pdf>> [accessed 26 December 2018].

In Belgium and Slovenia, beneficial ownership registration is carried out by another authority to the corporate registry. In principle, Denmark, Latvia and the UK's corporate registries require logging sufficient information to accurately identify beneficial owners. And this information is also made publicly available to a sufficient degree.<sup>48</sup> According to data from the Financial Secrecy Index, however, there is no legal obligation for a company to update beneficial ownership information upon changes.<sup>49</sup> In Sweden, addresses are not registered, therefore precise identification of a beneficial owner could fail in the rare (though not impossible) case of two individuals having the same name and birth date. Further, the Swedish beneficial ownership registry seems currently (in December 2018) not accessible to foreign nationals.<sup>50</sup> Romania declared that only names are collected, which is not sufficient to identify an individual (and as highlighted in the table, there is doubt whether this information is already registered and publicly available). It should be noted that no jurisdiction collects beneficial owners' taxpayer identification numbers. Registering taxpayer identification numbers would make the process considerably easier for both local and international authorities to crosscheck the data they receive with data held by the registry.

Among the respondent countries, registering senior managers as beneficial owners is possible in Belgium, Denmark and Slovenia.<sup>51</sup> In Denmark, companies need to specify whether a declared beneficial owner is actually a senior manager at the company and this information is made public. In Belgium and Slovenia, the corporate registry is not responsible for beneficial ownership registration. Only in Sweden and the UK are cases of companies that did not declare a beneficial owner specifically highlighted.

Regarding beneficial owners, only three (Denmark, Latvia and Sweden) out of six respondent countries that register beneficial owners verify their identity. As noted above, in Belgium, a notary is involved in the registration process, who might verify the identity of beneficial owners.

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<sup>48</sup> However, while the British and Danish beneficial ownership registries can be downloaded in open data format, beneficial ownership information of Latvian companies can only be accessed per entity via an online platform. See Delna and Open Knowledge International, *Open Data and the Fight Against Corruption in Latvia, Finland and Sweden. Latvia*, 2018, 6 <[http://delna.lv/wp-content/uploads/2018/11/OD4AC\\_LV\\_Final7.pdf](http://delna.lv/wp-content/uploads/2018/11/OD4AC_LV_Final7.pdf)> [accessed 26 December 2018].

<sup>49</sup> See Financial Secrecy Index: <https://www.financialsecrecyindex.com/database/Latvia.xml#b138>, last accessed 03.01.2018

<sup>50</sup> See <https://connector.eidas.swedenconnect.se/idp/extauth?conversation=e1s1>, last accessed 26.12.2018

<sup>51</sup> Information taken from the Financial Secrecy Index: <https://financialsecrecyindex.com/ExcelUploadIDs/Id388.xlsx>, 30.11.2018

## **Bearer shares**

Romania still allows the use of bearer shares<sup>52</sup> but did not report data on the number of companies that issue such shares. The UK still reported 302 limited companies with bearer shares 2015. The number was reduced to two in 2016 after the abolition of bearer shares with effect from May 2015 and the two are expected to be abolished soon.<sup>53</sup> In the other jurisdictions, unregistered bearer shares are not available.

## **Directors**

*Table 7: Registration and verification of identity details of directors*

Directors	<b>BEL</b>	<b>DNK</b>	<b>LVA</b>	<b>ROU</b>	<b>SVN</b>	<b>SWE</b>	<b>UK</b>
Registered (either the legal entities or the beneficial owners)?		Yes	Yes	Yes	Yes	Yes	Yes
Identity verified?	Yes	Yes	Yes		Yes	Yes	
Identity verification of beneficial owner or directors if these are legal entities			Yes			Yes	

Five countries verify the identity information of directors, but only two verify the identity of beneficial owners of directors which are legal entities. It is unclear, however, whether it is possible in all jurisdictions to register legal entities as directors.

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<sup>52</sup> See Financial Secrecy Index: <https://financialsecrecyindex.com/ExcelUploadIDs/Id172.xlsx>, 30.11.2018

<sup>53</sup> UK Companies House noted that one of the companies with bearer shares has all of their officers based in Argentina and is expected to file the necessary updates with Companies House. The other has recently been restored to the register following its dissolution and it is expected that the next confirmation statement will confirm that the company no longer has bearer shares.

Figure 7: Percentage of limited companies whose directors are legal entities

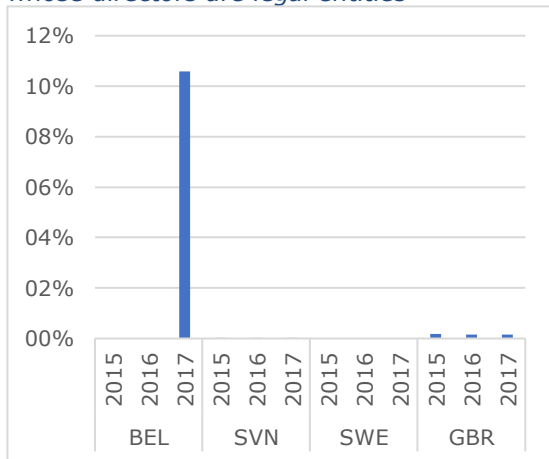
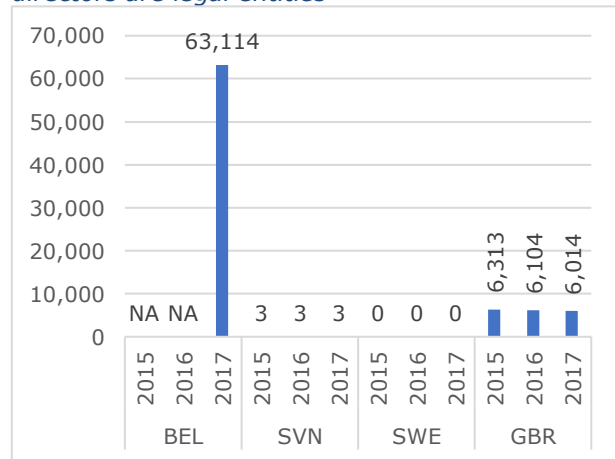


Figure 8: Number of limited companies whose directors are legal entities



Figures 7 and 8 show the percentage and number of limited companies who have registered legal entities as directors. The phenomenon seems to be widespread in Belgium and moderately present in the UK. Since these two countries do not verify the beneficial owners of the legal entities that are acting as directors of other limited companies, the true identity of the beneficial owner of company that has a legal entity registered as its director can successfully be hidden.

### **Politically exposed persons**

Table 8: Requirement to declare politically exposed persons

	<b>BEL</b>	<b>DNK</b>	<b>LVA</b>	<b>ROU</b>	<b>SVN</b>	<b>SWE</b>	<b>UK</b>
Requirement to declare if any of the shareholders is a politically exposed person	No	No	No	NA	Yes	No	No

Of the respondent countries, only in Slovenia there is a requirement to declare if any of the shareholders or directors is a politically exposed person.

### General ways to confirm accuracy

Table 9: Ways to confirm data validity and accuracy

	<b>BEL</b>	<b>DNK</b>	<b>LVA</b>	<b>ROU</b>	<b>SVN</b>	<b>SWE</b>	<b>UK</b>
Cross-checking by computers and algorithms with data provided by other authorities		Yes - Danish Civil Registration System	Yes - State Revenue Service, Office of Citizenship and Migration Affairs, State Land Service				Yes - Insolvency Service for disqualified directors and bankruptcy
Cross-checking by humans with data provided by other authorities			Yes - State Unified Computerised Land Register, European E-justice portal	Yes		Yes - The national personal register at the Tax Authority	
Cross-checking the information with one or more EU member states' corporate registries where a branch of the limited company is registered			Yes				Yes
Allowing online and anonymous reporting or denouncing of inaccurate or missing information by third parties about any information held in the Corporate Registry				Yes			Yes
Publishing these reports online							
Other way							

Note: Data on notary requirement taken from IBR 2016

Only three registries undertake cross-checks of data powered by computers and algorithms. Two others do (probably less effective) cross-checks by human beings, however.

Cross-checks with other EU member countries’ registries where branches of companies are registered are only done by Latvia and the UK. Flagging of cases where no beneficial owner was declared and application of further due diligence in that case is only done in the UK and in Romania.

While the UK does not verify identities, it allows (together with Romania) the anonymous reporting of inaccurate information on the registry. Thus, it seems to rely rather on third parties to denounce inaccurate information. In neither of the two countries are the anonymous reports published.

**Annual returns**

Most jurisdictions require companies to timely update any changes in their information. Requiring an annual return from a company is a way to ensure this obligation is not forgotten and the information on the registry is up to date. In the UK, for example, an annual return (also called “confirmation statement”) includes the company’s current address, beneficial owners, directors and a code identifying the company’s activity.<sup>54</sup>

*Table 10: Collection of annual returns*

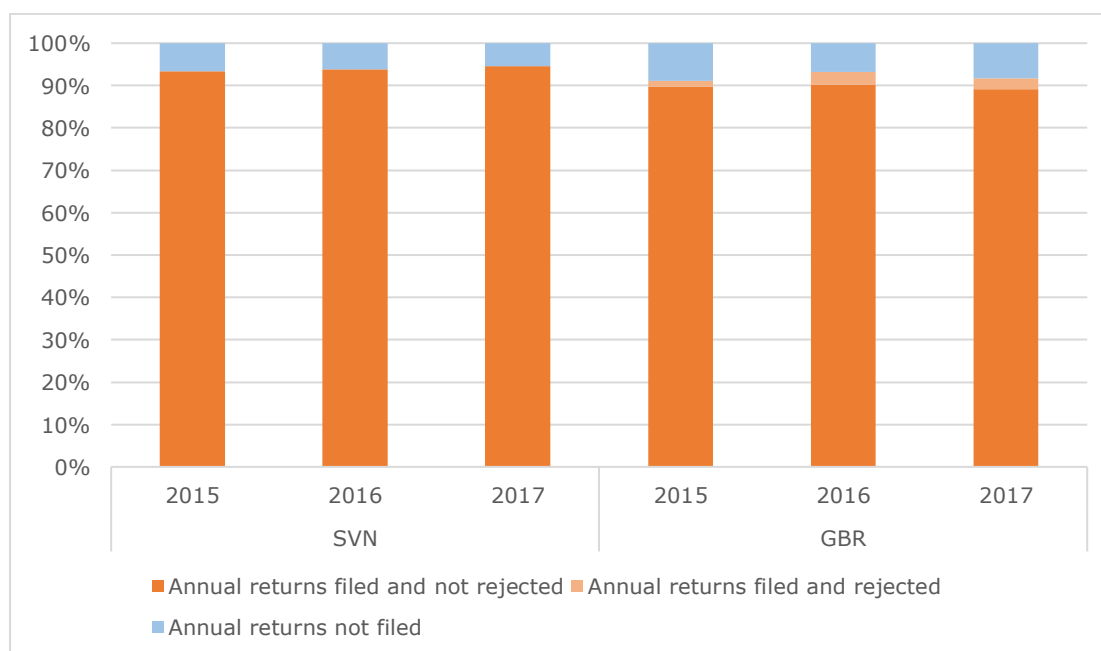
	<b>BEL</b>	<b>DNK</b>	<b>LVA</b>	<b>ROU</b>	<b>SVN</b>	<b>SWE</b>	<b>UK</b>
Collection	Other authority	Not collected	Other authority	Unknown	Yes	Not collected	Yes
Penalties for late filing					Unknown		No
Publication by corporate registry					Unknown		Yes
Requirement for companies to publish online					Yes	No	No
Requirement for dormant companies to file annual return					Yes	No	Yes
Penalty fees for failing to update information	Yes		Yes		Yes		Yes

<sup>54</sup> See <https://www.gov.uk/running-a-limited-company/company-annual-return>, 30.11.2018

Timely removal from the registry of entities that do not update their record as required by law							Yes
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Note: Data from our survey and from IBR 2017 and 2016, VAR30, 33 and 34, as well as 71. Denmark noted that in general, all information to be registered under the Danish Companies Act must be recorded in the corporate registry no later than two weeks after the date of the operative resolution, unless otherwise provided by or under the Danish Companies Act.

Figure 9: Filing of annual returns as percentage of total number of annual returns requested



Note: Slovenia did not provide data on the number of returns that were rejected.

In both the UK and Slovenia, dormant companies have to file annual returns, which means that there is probably no exemption from filing. Figure 9 however shows that each year between 6 per cent and 9 per cent of companies fail to file an annual return in the UK and Slovenia. This shows that this might be a problematic issue: if for example a company fails to update the corporate registry about changes among its beneficial owners, the registry becomes of not much use. None of the two countries reported data on the imposition of penalties or the initiation of criminal prosecution with regards to non-filing of annual returns. Further studies should investigate whether this indicates misuse of corporate entities and a potential lack of enforcement.

### **4.2.3 Summary/discussion**

Among the respondent jurisdictions, Latvia, Denmark and the UK collect enough information, when companies comply, to identify the beneficial owner(s) of a company. In Romania, this is not the case. In Belgium and Slovenia, given the corporate registry is not responsible for the collection of beneficial ownership information, we could not assess whether they collect enough information. None of the respondent countries, however, collect beneficial owners' taxpayer identification numbers. Regarding the verification of the collected information, both Romania and the UK seem to not take any steps to verify the accuracy of the data. Belgium and Sweden do not collect information on legal owners. Since these two countries also use a high threshold for beneficial ownership registration, there may be a high number of companies in the two countries that are not registered and a significant number of cases where no information about a company's owners is available. While in principle sufficient beneficial ownership information is collected in the UK, contrary to most other jurisdictions, there is no mechanism to verify this information. In general, jurisdictions employ only a few data validation activities such as cross-checking with other registries or allowing anonymous reporting of false information. The phenomenon of legal entities registering as directors of companies seems to be present in Belgium and the UK where the practice could especially prove problematic since the beneficial owners of these legal entities acting as directors are not recorded. Politically exposed persons are only highlighted in Slovenia. Bearer shares might be a problem in Romania.

## **4.3 What do we know about the companies' financial situation?**

### **4.3.1 Context**

Assessing a company's financial situation is necessary for a number of stakeholders engaging with a company. Creditors and clients need to be able to verify the financial health of a company before engaging in business with them. Public officials need to know details about companies that are awarded public contracts. The wider public, including the media, civil society, academia and groups involved in policymaking equally have an interest in financial data from companies in order to assess the impact of businesses on society, the environment, fair trade and human rights. In general, the practice of collecting and publishing annual accounts is widespread across jurisdictions and has deep historical roots.<sup>55</sup> As will be shown below, all of the respondent jurisdictions

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<sup>55</sup> Alex Cobham, Petr Janský and Markus Meinzer, 'A Half-Century of Resistance to Corporate Disclosure', *TRANSNATIONAL CORPORATIONS - INVESTMENT AND DEVELOPMENT*, Special Issue on Investment and International Taxation. Part 2, 25/3 (2018), 160.



collect annual accounts (although in some jurisdictions it remains unclear whether the accounts are published).

However, it is important to note that even if there is a requirement for accounts to be filed and published, this does not necessarily mean that all companies comply. If late or non-filing is not adequately sanctioned or if penalties are not effectively collected, companies could choose to simply not comply with the requirements. Further, even timely filed accounts are not worth much if they do not fulfil recognised accounting standards – the presented information might be incomprehensible or not detailed enough. It is therefore necessary that an authority checks whether such standards are being met. Another risky category could be dormant companies which have lower reporting requirements than active companies. In the company law of the UK, dormant companies are companies which have a legal existence but do not undertake any activities. They are often created by corporate service providers who offer companies “off the shelf” to clients that seek a very fast company setup. From their creation until they are bought, these companies are considered dormant. This type of company might be abused if it is declared dormant but is actually undertaking trade<sup>56</sup>, as its reporting requirements are lower. If a country’s company law features such a dormant company regime, it would be necessary that the corporate registry checks from time to time whether dormant companies are indeed still dormant – a requirement particularly difficult if the economic activity was undertaken abroad.

Another phenomenon that might point to illicit practices is a particularly high number of companies that are shut down and removed from the register within a year of their incorporation. These companies might never be required to file accounts (eg, in the UK, they have 21 months from incorporation to file their first set of accounts with the corporate registries). Thus, they may have just been created for one specific illicit purpose and then dissolved without leaving a trace.<sup>57</sup>

Finally, it is important to assess if records of limited companies are saved by the registry for a certain period after the dissolution of companies and if these records are available for public inspection, so that any wrongdoings in association with these companies can also be traced back after they have been dissolved.

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<sup>56</sup> *In the Shade: Research on the UK’s Missing Economy* (Norfolk, 2014), 29 <<http://openaccess.city.ac.uk/16563/1/Intheshade.pdf>> [accessed 7 May 2018].

<sup>57</sup> Murphy, *In the Shade: Research on the UK’s Missing Economy*, 22.

### 4.3.2 Results

#### **Collection and publication of annual accounts**

*Table 11: Collection of annual accounts*

<b>Jurisdiction</b>	<b>Collection</b>	<b>Penalty fees for late filing</b>	<b>Publication by corporate registry</b>	<b>Online publication by firm</b>
Belgium	Other authority			
Denmark	Yes	Yes	Yes	Yes
Latvia	Other authority			
Romania	Other authority			
Slovenia	Yes	Yes	Yes	Yes
Sweden	Yes	Yes	Yes	No
United Kingdom	Yes	Yes	Yes	Yes (only some)

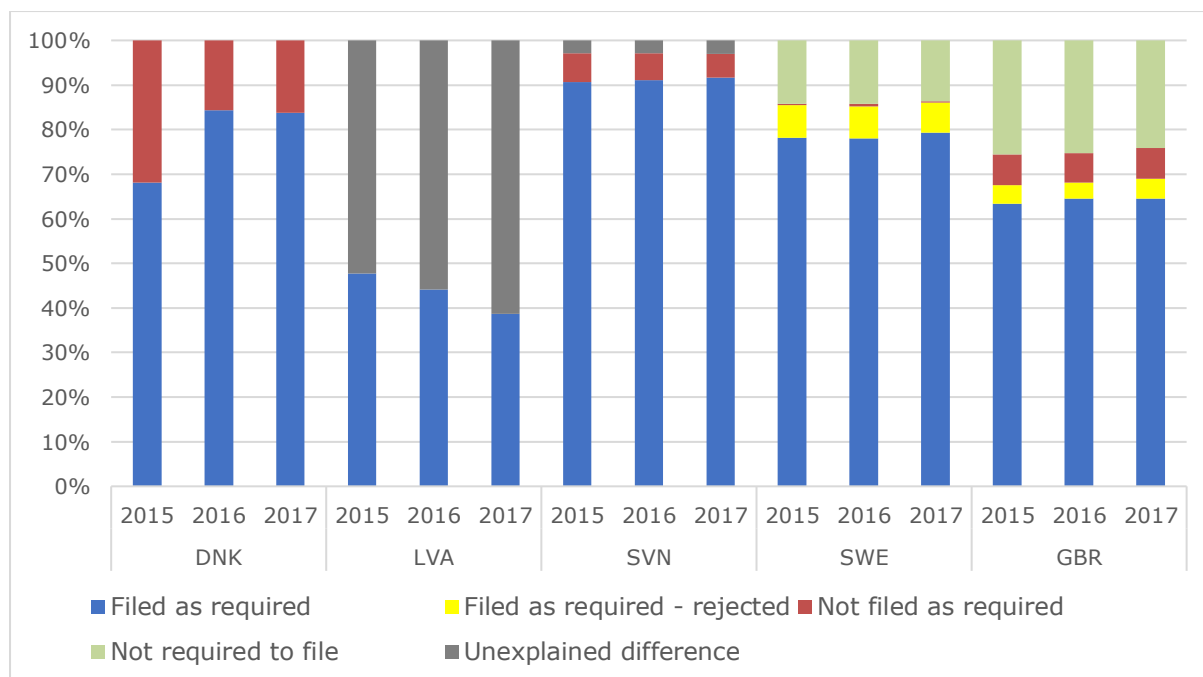
Note: Data from IBR 2017, VAR24, 28 and 29

Collection of annual accounts is the corporate registry's responsibility only in Denmark, Slovenia, Sweden and the UK. In all these jurisdictions, the corporate registry publishes the accounts online and late filing incurs penalty fees. In Belgium, annual accounts have to be filed with the Central Bank, but not with the corporate registry. In future research, it might be interesting to investigate whether it is an advantage or disadvantage if different authorities fulfil tasks related to company registration.

In Slovenia and Denmark all companies need to publish their accounts online. The UK noted that only companies held by the Financial Conduct Authority of listed companies in the UK, an EEA state or admitted to dealing on the New York Stock Exchange or NASDAQ need to publish their accounts online.

## How many limited companies adequately file their accounts?

Figure 10: Filing of annual accounts by limited companies as percentage of total number of registered limited companies



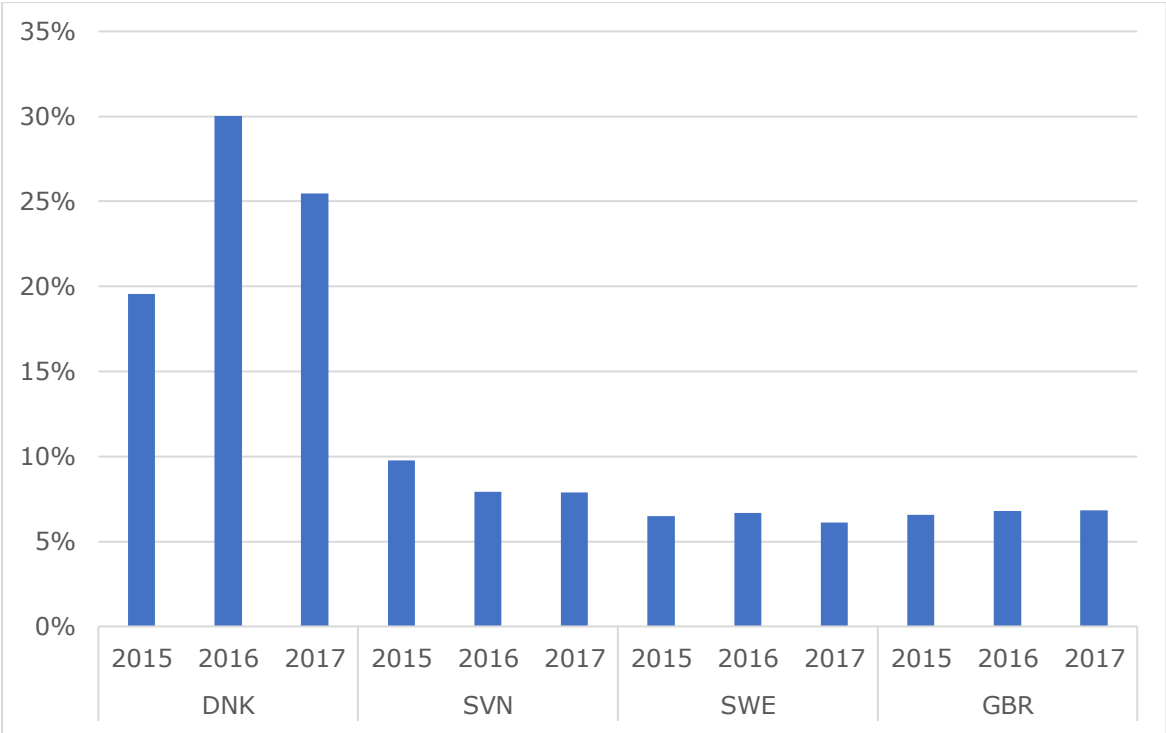
Note: Slovenia and Romania did not provide data on the number of accounts that were rejected. Latvia only provided data on the number of accounts that were filed as required (probably as the corporate registry is not responsible for collecting accounts). Therefore, there is a rather high unexplained difference between the total number of limited companies on the register and the data provided on annual account filing.

The main reason for rejection of filing in Sweden was that something was missing. In the UK, it was that the dates of the accounts were duplicate to those previously filed, that the accounting reference date or made up date were incorrect or that abbreviated accounts were filed for a period beginning after 31/12/2015. In the UK, private companies have 21 months from incorporation to file their first set of accounts with the corporate registries. This explains a rather high number of companies that are not required to file accounts each year (all the newly incorporated).

In Denmark, there is a very high number of companies that did not file as required (32 per cent of all limited companies in 2015). In Latvia, a large part of the data remains unexplained. For the other countries that provided data, it seems that the percentage of companies that do not comply with the requirement to file accounts is low. Nevertheless, it should be kept in mind that a small percentage of companies failing to comply can still signify quite a high number of failed filings. In the UK, for example, the absolute number of companies that did not file as required in each of the years 2015 - 2017 amounted to more than 250,000 limited companies.

**Imposition of penalties and criminal prosecution**

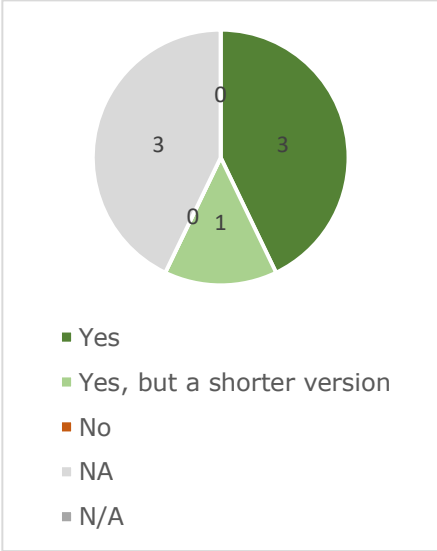
Figure 11: Administrative penalties imposed for non/late filing of annual accounts out of total number of accounts required



The above figure mirrors the previous one and shows that Denmark imposes a high number of penalties. In Slovenia and Sweden, the number of penalties imposed is a little higher than the number of companies that failed to file accounts which can be explained by the fact that some of the penalties might be imposed on late filers. Only Sweden and the UK provided data on the percentage of penalties that are actually collected. Sweden reported that 100 per cent of the penalties imposed are collected, the United Kingdom reported that between 61 per cent (2016) and 71 per cent (2015) are collected. Furthermore, the UK reported that each year about 3 per cent of the cases where companies did not file annual accounts or filed them late were referred for criminal prosecution.

**Dormant companies**

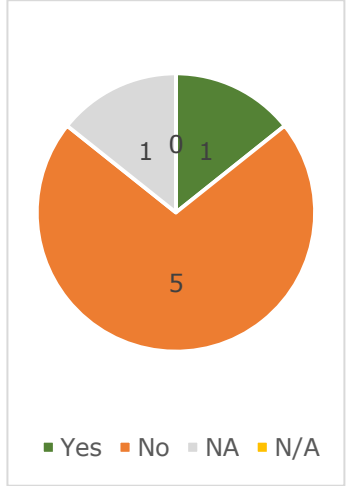
*Figure 12: Do dormant limited companies have to file annual accounts?*



Dormant companies need to file accounts like every other company in Slovenia, Denmark and Sweden. Conversely, in the UK, they need to file a shorter version. The other three jurisdictions did not provide a response, which may be due to the fact that the concept of dormant company is not recognised in these countries. No country reported that it checks at regular intervals whether dormant companies are undertaking any economic activity. The UK is the only country which has reported a number of dormant companies. In 2015, 13.3 per cent of all limited companies were dormant, in 2016 13 per cent and in 2017 12.7 per cent.<sup>58</sup> This suggests that number of dormant companies present in the UK is large enough to represent a risk, in the other jurisdictions this is unclear.

**Verification of accounting standards**

*Figure 13: Is the registry responsible for verifying whether the filed accounts are compliant with accounting standards?*



Denmark is the only respondent jurisdiction where the corporate registry is responsible for verifying accounting standards. Some jurisdictions reported that responsibility fell upon another authority.

In Latvia, the responsibility falls upon the State Revenue Service. In Slovenia, accounts can be verified by the Agency for Public Oversight of Auditing, the Ministry of Economic Development and Technology, the Ministry of Finance or by an audit firm with a valid permit from the Slovenian Audit Institute.

In the UK, the Financial Reporting Council regulates auditors, accountants and actuaries, who in turn are responsible for applying the accounting standards. In Sweden, no authority is responsible. Belgium and Romania did not provide data on this question.

<sup>58</sup> The absolute figures are 487,779 in 2015, 499,037 in 2016 and 505,432 in 2017.

**Companies that are quickly removed**

Figure 14: Percentage of removed limited companies that were less than a year old

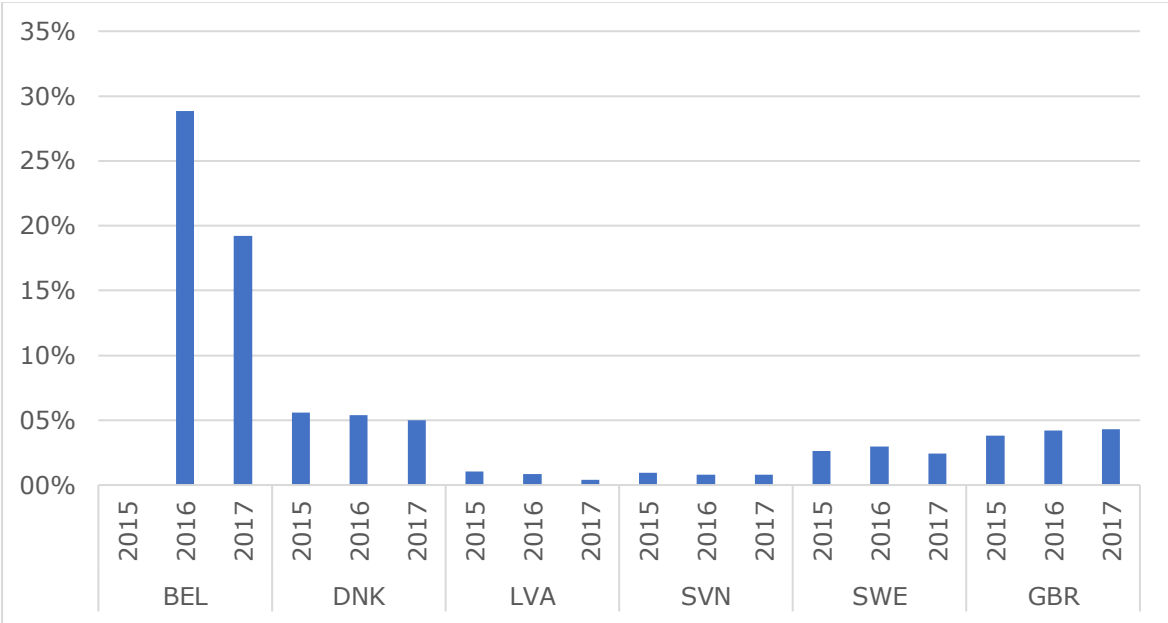


Figure 14 shows that there are differences regarding the lifetime of a company across jurisdictions. In the UK, about 4 per cent of the companies that are removed each year had been incorporated for less than a year (18,251 on average each year between 2015 and 2017). In Denmark this is about 5 per cent (779), whereas in Latvia less than 1 per cent (66). Belgium is an important outlier where almost 29 per cent (4,305) of companies that were removed in 2016 were less than a year old.

**Safeguard of records of dissolved companies**

Records of limited companies are safeguarded for a long period in each of the respondent jurisdictions and can be publicly accessed, as shown in table 13. Thus, in the jurisdictions that responded, this should not be considered a problematic area.

Table 12: Length of time records of dissolved companies are kept on the registry

BEL	30 years	Public
DNK	Unlimited/Update of personal data for 20 years	Public
LVA	Unlimited	Public
ROU	NR	NR
SVN	Unlimited	Public
SWE	Unlimited	Public
UK	20 years	Public

### **4.3.3 Summary of information about activities**

The legal base for the publication of annual accounts does not seem to be problematic in the respondent jurisdictions (although uncertainties remain in the cases where organisations other than the corporate registry are responsible for the collection of accounts). In Denmark, the presence of a high number of companies that do not file accounts as required may indicate that the de facto availability of annual accounts is not always guaranteed. In Latvia, due to a partial response, a data gap remains regarding the number of companies that do not file accounts. In the other jurisdictions that responded, however, the compliance rate seems to be relatively high. In the UK, dormant companies pose a risk since they only need to file an abbreviated version of accounts and a high number of dormant companies are registered. In Sweden, the compliance with accounting standards is not verified by any authority, which appears problematic. Belgium reported a high percentage of, and the UK reported a high number of, companies that dissolved within a year of incorporation and may have thus never been required to file their accounts. It should be investigated whether this practice is frequently used for illicit financial activity.

## **4.4 Foreign entities**

### **4.4.1 Context**

As explained in the introduction, enjoying “limited liability”, meaning that owners of a company are personally liable only up to the amount of capital they have invested but not up to their full personal wealth, is generally considered as a privilege granted by society.<sup>59</sup> In order to safeguard against abuse of this privilege, limited liability status should entail a number of obligations, such as registration, the submission and publication of annual accounts and annual returns and the disclosure of data about the legal and beneficial owners of the company. In most of the surveyed countries, and probably in most European countries, these standards are in place, up to a certain extent with some limitations here and there.

However, one loophole could exist if companies registered in a foreign jurisdiction with significantly lower requirements may still enjoy the same benefits of limited liability in the domestic jurisdiction. If foreign companies do not need to register, they may potentially open bank accounts or undertake commercial activities in one jurisdiction, while registering in another jurisdiction where for example they need to provide less details on beneficial owners. Requirements that apply to foreign entities as well as the number of foreign entities that operate in a jurisdiction therefore need to be monitored. In this survey we therefore asked whether foreign companies can operate in a

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<sup>59</sup> Murphy, *In the Shade: Research on the UK's Missing Economy*, 17.

jurisdiction (ie open a bank account, own real estate) without registering or whether there is a simplified registration process. We further asked for the number of foreign companies operating in a jurisdiction.

#### 4.4.2 Results

In all surveyed jurisdictions, registration is necessary for domestic companies to acquire legal validity and to be granted limited liability status. For foreign companies that operate in the jurisdiction, however, the requirements vary.

Table 13: Registration of branches

Country	Registration of branches of foreign companies	Requirement to register to operate (regardless of with branch or not)	Registration of branches of domestic companies in foreign jurisdiction
Belgium	Yes*	Yes, but simplified process	No
Denmark	Yes*	No	NA
Latvia	Yes*	No	No
Romania	Yes*	No	Yes
Slovenia	Yes*	Yes, but simplified process	No
Sweden	Yes	No	No
United Kingdom	Yes*	Yes	No

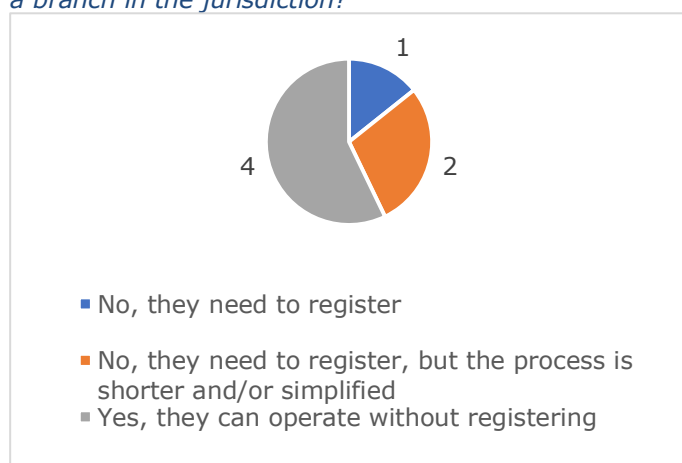
Note: Data from our survey and from IBR 2017, VAR44; \* = registration number is attributed

While all respondent jurisdictions require branches of foreign companies to be registered, only in the UK, it seems that the requirements of foreign companies to register are similar to those of domestic companies.

In Belgium and Slovenia, the registration process is shorter and more simplified for foreign companies. In Romania, Sweden and Latvia, foreign companies can operate without registering. Denmark

noted that foreign companies can operate without registering as long as they operate on a short-term basis and do not start a new local company or establish a local branch.<sup>60</sup> Nevertheless, if the foreign company carries out work in Denmark, they must be registered in the Register of Foreign Service Providers (RUT). If the company or the

Figure 15: Are foreign companies allowed to operate without registering regardless of whether or not they have a branch in the jurisdiction?

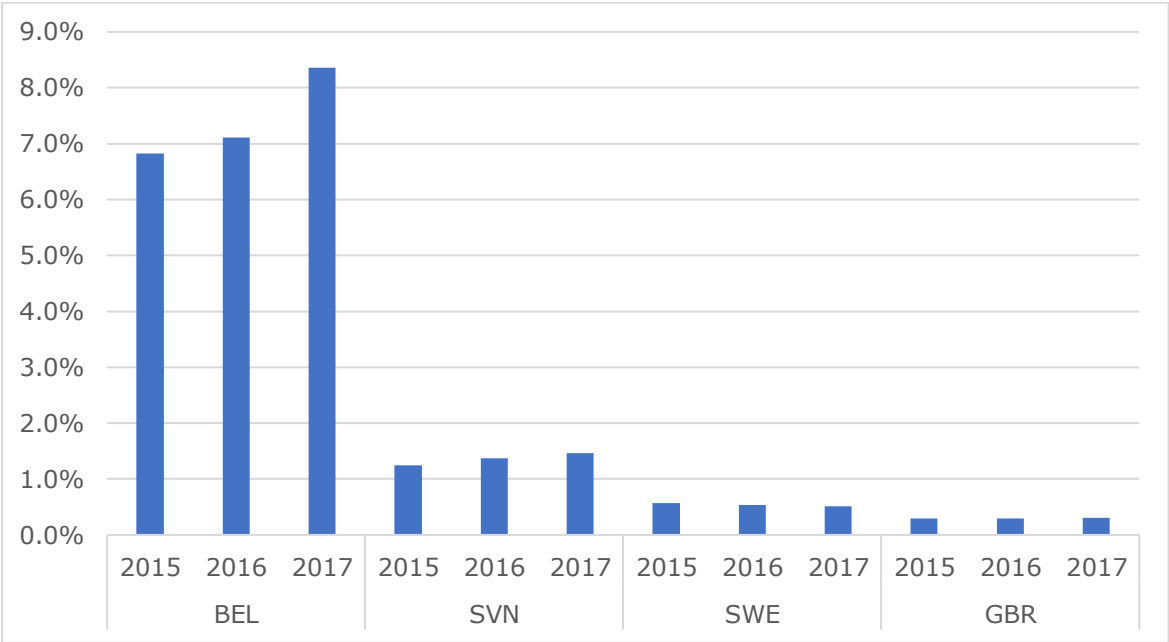


<sup>60</sup> <https://danishbusinessauthority.dk/temporary-business-denmark>



employees are obliged to pay taxes in Denmark, the company must be registered according to tax legislation.

Figure 16: Percentage of foreign limited companies out of the total number of limited companies



Note: In Sweden, this number concerns foreign branches.

Figure 16 shows that in Belgium and Slovenia, where foreign companies have a simplified registration process, the percentage of those companies is higher than in the UK, where foreign companies have the ordinary registration requirements. This could point to the fact that incorporation in a foreign jurisdiction could be used to circumvent more demanding registration requirements in the domestic jurisdiction. Theoretically more problematic, however, are the cases where companies can operate without registering at all (such as in Sweden, Latvia, Denmark and Romania). In these cases, therefore, no data is available on the total number of foreign companies operating in the jurisdiction. As a result, it depends entirely on the strength of the foreign jurisdiction’s legal requirements and enforcement capacities whether such a company might be used for illicit activities in the respective jurisdiction or not.

**4.4.3 Summary**

To sum up, one should be attentive to the fact that domestic requirements of company registration may be circumvented if it is possible for foreign companies to operate in a jurisdiction without registration (or with a simplified registration process). The findings of the survey indicate that in most jurisdictions this might be an issue.

## 4.5 Material and human resources

### 4.5.1 Context

Budget and staffing level are primary indicators of the capacity that a corporate registry has to fulfil its tasks. The OECD raised the alarm back in 2001 about corporate registries' capacity shortcomings, noting that even where sufficient legal provisions might be in place, authorities that enforce company law are sometimes seriously underfunded and understaffed.<sup>61</sup> Indeed, high legal standards might be worthless if enforcement cannot be guaranteed. It should be noted, however, that if the registry of one jurisdiction has a lower level of staff than another, it does not necessarily mean that it has a lower capacity, as it might rely more on third party services or on computers to carry out certain tasks. A further aspect concerns cases where the corporate registry has regulatory functions. These should not be outsourced to a private for-profit entity, as profit-seeking could lead to conflicts of interest by incentivising the reduction of diligence in order to save cost or to attract business. It could matter, however, whether the registry is only financed by government or whether it has the right to impose fees. The latter might guarantee more independence from political influence and thus more stable funding although this relationship may be contingent upon the context.<sup>62</sup> A decentralised, split up registry, for example, where autonomous local offices are responsible for registration and no central data file exists, may reduce the registry's capacity. Information access would be much more difficult if a structure involves entities registered in several registers that are not connected with each other.

### 4.5.2 Results

All of the registers of the surveyed countries have centralised structures, except for Latvia and Romania, who have non-autonomous local offices which, however, are connected to a centralised structure<sup>63</sup>. This shows that all of these registries make use of a central record logging all registered entities. All registries are

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<sup>61</sup> OECD, *Behind the Corporate Veil: Using Corporate Entities for Illicit Purposes*, 8.

<sup>62</sup> In other areas it might be that in the case a regulator is in majority financed by the actors it is supposed to regulate a too close proximity could develop so that regulation would not be effective anymore. There are however reasons to suppose that the case of a corporate registry is different, since the number of regulated entities is very high and thus the fraction of the budget contributed by an individual actor is very low. Therefore, it is unlikely that individual actors could have a strong influence over the regulator. If the corporate registry on the other hand is financed solely by government, depending on the checks and balances present in the political system, a strong influence by any special interests would be more likely to develop (if any individual actor manages to gain a significant influence over the government). It matters, however, what kinds of fees are imposed: High fees to access documents and information should not be favoured as they make the registry de facto non-transparent.

<sup>63</sup> Information taken from IBR report 2017, VAR 04

operated by government, while Slovenia noted in the International Business Register’s report that it is a public agency<sup>64</sup> In fact, the Slovenian registry (the Agency of the Republic of Slovenia for Public Legal Records and Related) could probably be considered as a hybrid body which fulfils tasks mandated by law (such as company registration) but also profit-oriented tasks, like credit ratings.<sup>65</sup>

Figure 17: Total operating budget<sup>66</sup>

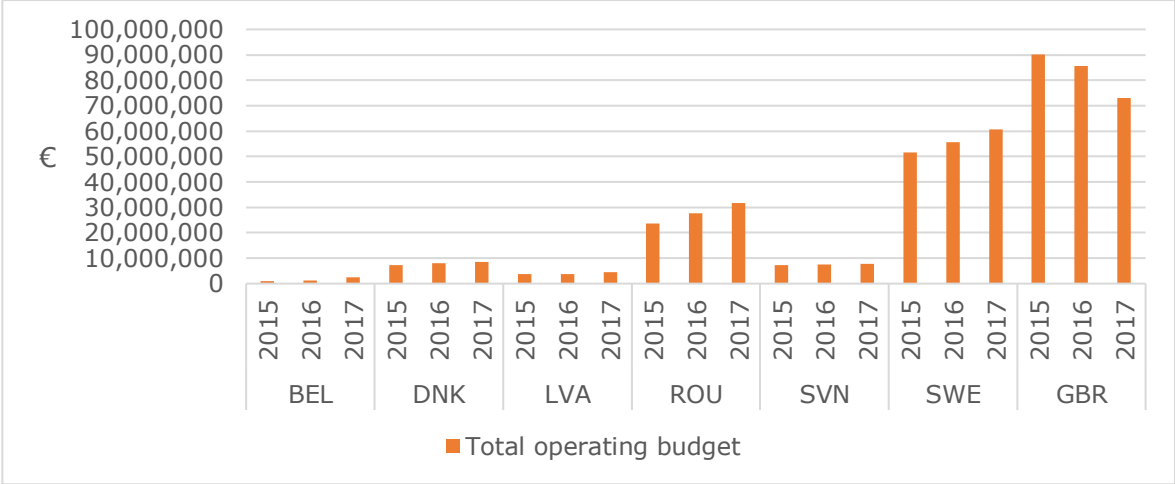
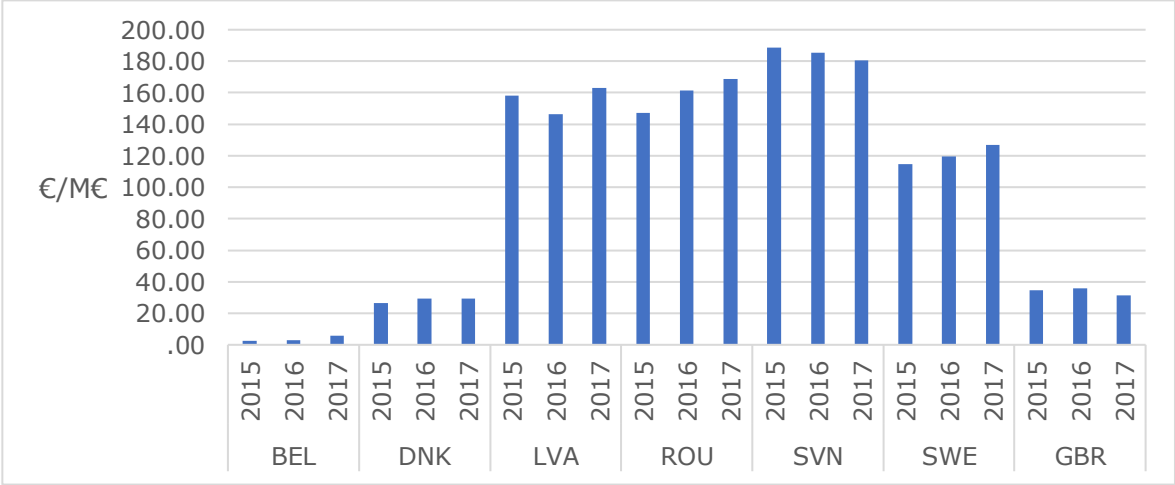


Figure 18: Total operating budget divided by GDP



Figures 17 and 18 show the respective annual budgets of the surveyed corporate registries. Compared to the size of the economy (measured by GDP), the budgets of the British, the Danish and the Belgian registry are significantly

<sup>64</sup> Information taken from IBR report 2017, VAR 03  
<sup>65</sup> See [https://www.ajpes.si/About\\_AJPES/Tasks#b299](https://www.ajpes.si/About_AJPES/Tasks#b299); 18.12.2018.  
<sup>66</sup> Currency conversion from local currency is done by using the average exchange rate local currency to EUR for each of the years 2015, 2016 and 2017. The exchange rates applicable are taken from the European Central Bank website.

smaller than the others. It should be noted that it is difficult to interpret these figures in terms of a cross-country comparison as the registries are somewhat heterogeneous in their functions (some undertake verification work, some don't, while others undertake related activities such as the Slovenian registry). A lower budget might signify underfunding as compared to other registries or it might signify a higher efficiency. However, it is relevant to consider changes over time within each country. In general, the budgets have remained about stable or slightly increased during the years 2015 to 2017, except for the UK, where a pronounced decrease from €90 million in 2015 to €73 million in 2017 is visible. It is unlikely that the efficiency of the British registry increased by this amount during these few years. Therefore, we can only interpret this decrease as a severe reduction of the registry's capacity.

Figure 19: Source of funding of budget

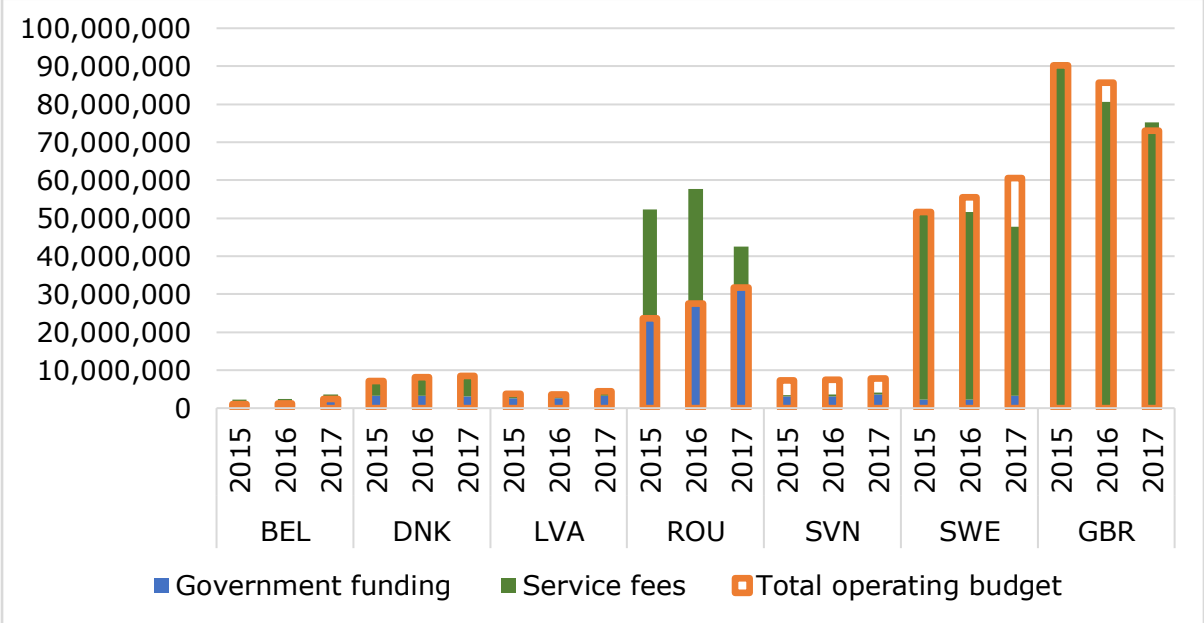


Figure 19 shows how government funds and service fees raised contribute to the operating budget. In Denmark and Latvia, government funding and service fees add up to the total budget, whereas the share of service fees is greater in Denmark than in Latvia. In Belgium and Romania, government funds account for the entire budget. Service fees are collected on top and probably feed into the general government revenue. In Sweden and the UK, the corporate registries are almost entirely funded by service fees. In 2017, the budget in Sweden was higher than the revenues as surpluses from previous years were spent.

In Slovenia, government funding and service fees account for roughly only half of the budget. Other sources of funding for the operation of the corporate registry are charges for data re-use, as well as proper economic activity (credit rating of companies).

Does a greater reliance on service fees mean more stable funding? If this was true, then Sweden, the UK and Denmark would be the best funded registries of the responded jurisdictions. Figure 8 shows that Sweden and the UK have indeed the highest budgets in absolute terms. When compared to GDP, however, the hypothesis does not hold.

Figure 20: Total staff numbers

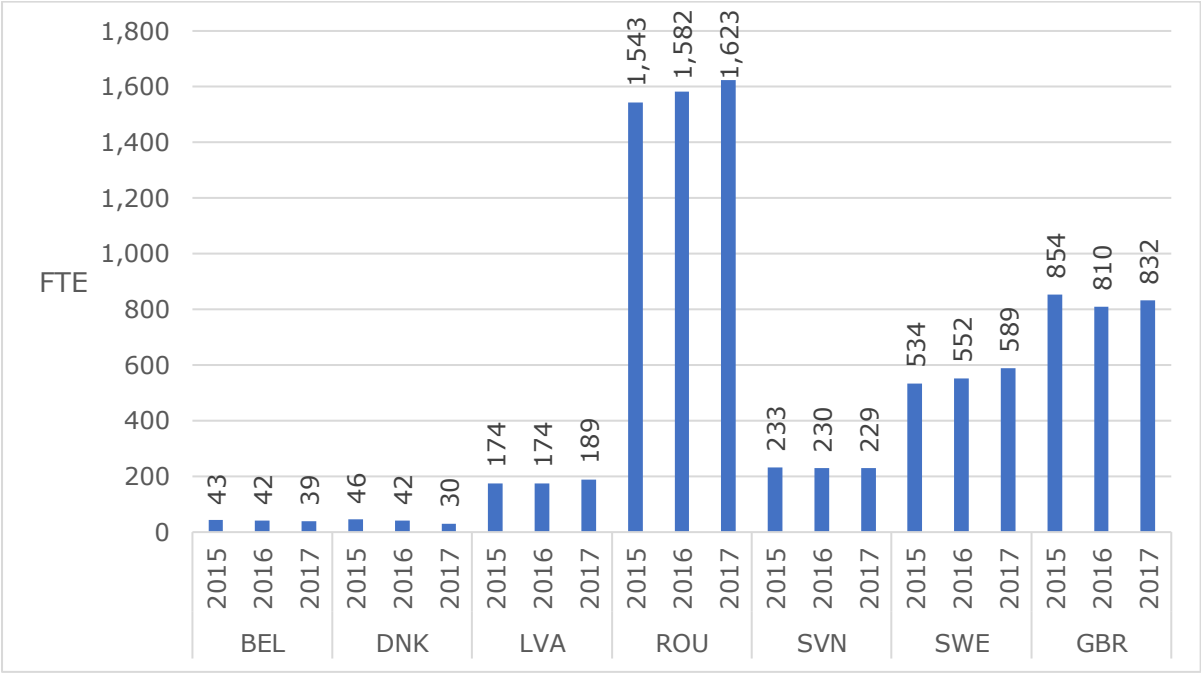
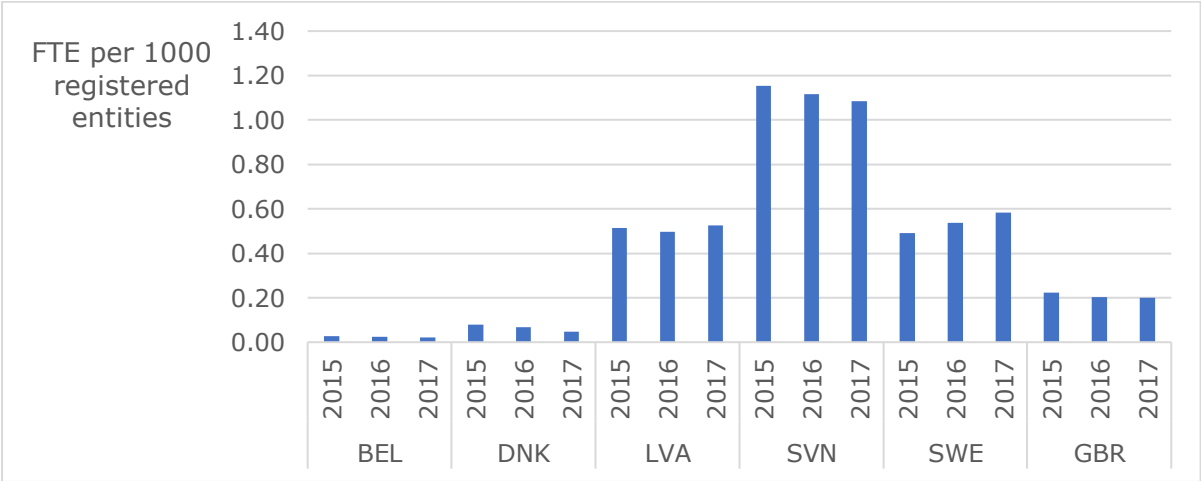


Figure 21: Staff number by 1000 registered entities

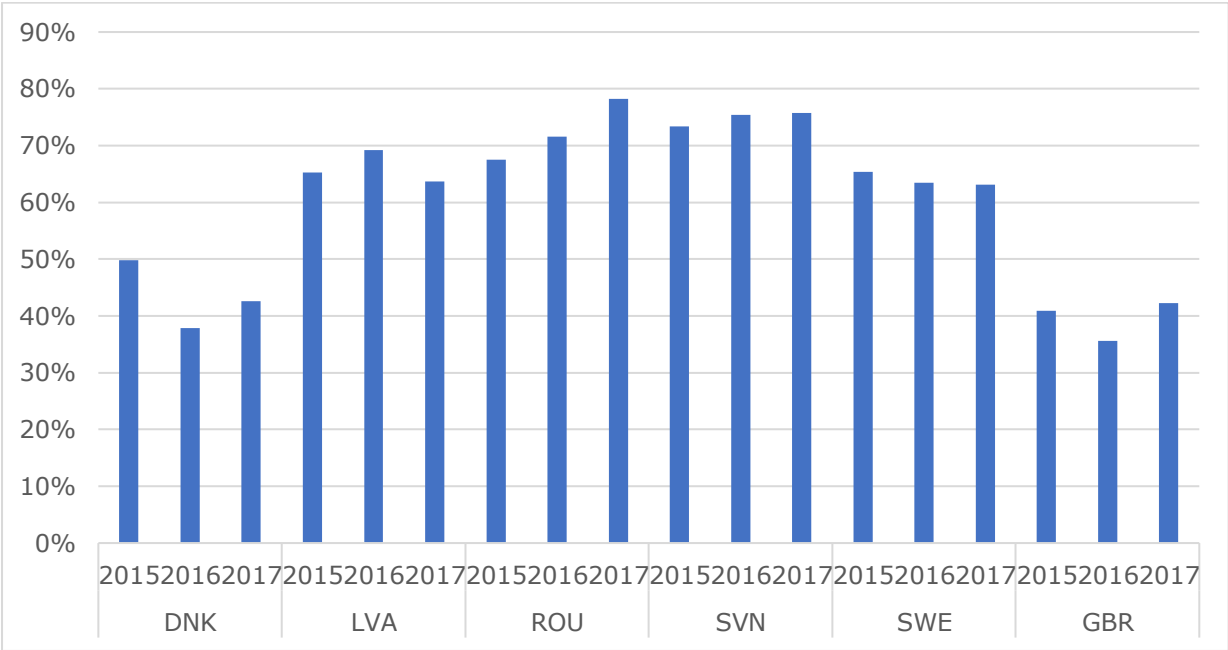


Note: Romania did not provide a number of registered entities.

There are important differences in staff numbers ranging from just around 40 in Belgium and Denmark to more than 1,500 in Romania. In Denmark, the corporate registry is run by the Danish Business Authority (ERST), which also fulfils other tasks, and the number of employees working full time included in the

jurisdiction’s response to our survey refers only to those that work in the corporate registry (within the Danish Business Authority). The reduction in the number from 2016 to 2017 in Denmark is mainly due to a change in the method of calculation of staff costs of the corporate registry. The ratio of staff to entities registered by the corporate registries differed across jurisdictions. Although the UK registry has significantly more staff than the Latvian and the Slovenian registry, these latter two have more staff per registered entities. However, it needs to be kept in mind that staff numbers do not necessarily need to be proportional to the number of registered entities for a registry to be effective since efficient computers systems can help reduce the time and labour needed for data processing and other tasks.

Figure 22: Share of staff cost in total operating cost



Note: Belgium did not provide data on the share of staff cost.

Denmark and the UK spend the smallest part of their budget on staff cost, indicating possibly that they have the highest share in investment in digitalization or services provided by third parties.

**4.4.3 Summary of material and human resources indicators**

The results show again a diversity among the different corporate registries. When compared to its GDP, the Romanian registry’s budget is seven times bigger than the budget of the Danish registry. In terms of staff numbers, such striking differences can be noted as well. It should, however, be noted that such differences may partly arise through different levels of automatization of processes. This is suggested by the differing shares of staff cost in the total

budgets. Future research may investigate whether and to what extent a higher degree of automation leads to more effective and more accurate registries. More significant are changes of the indicators over time. Here, the large reduction of the UK registry's budget is worrisome.

## **Conclusions**

This report was premised on the relevance of the capacity of corporate registries for tackling economic inequality. Since corporate vehicles often play an important role in concealing crimes such as corruption, money laundering or tax evasion, the legal requirements around the establishment of such entities and their enforcement play an important role in preventing these crimes. By preventing these crimes, the concentrations of (illicit) wealth associated with these crimes, and thus exacerbating inequalities, are mitigated.

This relationship needs to be considered in the light of the theory of regulatory competition whereby jurisdictions lower regulatory standards ("red tape") because of expectations that this would attract real businesses and ultimately boost economic growth and sustainable jobs. In order to gather more empirical evidence on these issues and with a view of complementing evidence collected by the International Business Registers Report, a survey was sent to the corporate registries of the 28 EU member countries. It focused on indicators that show whether a jurisdiction might be "attractive" for incorporation, on transparency of companies' owners and of their accounts, on the treatment of foreign entities and on material and human resources available to corporate registries. Rules as well as practices were taken into account.

The weakness of several of the data points collected in this survey (such as the risk indicators shown in section 4.1 and the data on material and human resources) makes it difficult to evaluate whether the numbers are actually high or low. This is due to the relatively small sample size analysed in this report and the concern that the sample might not be particularly representative of the jurisdictions of the world. Compared to jurisdictions that figured prominently in the Panama Papers (such as the British Virgin Islands or Cayman Islands), all the jurisdictions here probably compare quite well. But this might be different if still other jurisdictions are added into the picture. It is possible to conclude that the jurisdictions that responded to our survey do not share the features of major secrecy jurisdictions such as for example Delaware and the Cayman Islands with regards to company registration and the enforcement of company law. There are no clear indications that any of these seven jurisdictions is engaged in a race-to-the-bottom in company registration and are to a great extent used by individuals wishing to hide illicit activities.

However, the high non-response rate to our survey and the high number of missing values for some of the jurisdictions we received data from shows that many important aspects of company registration remain unknown and further research should be carried out. The European Commission should evaluate its potential role in helping improve the response rates under its mandate to safeguard the functioning of the single market, including by ensuring adequate levels of corporate transparency.

Despite the relatively low response rate, some of the data collected by the survey does allow for an absolute assessment of jurisdictions on an individual basis. Whether data on beneficial owners of companies is collected in a manner that permits clear identification and whether such data is made transparent to a wider public can be assessed without necessarily comparing a jurisdiction with another. The results of the survey show that jurisdictions have indeed taken different approaches and have different requirements. In this sense, our survey highlighted a number of loopholes. The data collected showed that in some jurisdictions legal and beneficial owners of companies are not always not distinctly identified, and sometimes no actions are undertaken to verify whether the provided data is correct. Sometimes, it is not clear whether the accounts that are submitted and published by companies are reliable and whether all accounts are de facto available. In several jurisdictions, a high number of companies do not file their annual accounts as required. This shows that it is necessary to investigate actual practices and to assess whether more and more harmonised legal requirements on company registration and beneficial ownership disclosure at a European and international level are actually translated into practical improvements.

In three jurisdictions, foreign companies can operate without registering. This might enable individuals to circumvent domestic laws and register in another jurisdiction which offers weaker regulation.

Finally, the survey showed that in some jurisdictions, tasks around company registration seem to be split across several authorities. This could potentially reduce a jurisdiction's regulatory efficiency and effectiveness because of additional transaction costs for decision making and collecting and sharing information, eg with law enforcement agencies. Similar to the trend in the financial sector of consolidating the supervisory functions in one agency per market segment (banking, insurance, stock exchanges/securities), the centralisation of corporate registries in a single agency appears to be warranted. Yet a definite answer to this question would require further research.



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# Annex A



**COFFERS**  
EU Horizon 2020 Project



## Corporate Registry Questionnaire

### Instructions

1. Please read the questions and glossary carefully and answer in the peach colored area dedicated for each answer. Please note that in certain cases -where we specified some of the questions can be skipped if the answer to the previous question was not applicable or not affirmative.
2. Please note that the \*asterisk\* next to some words indicates this word is included in the glossary. Some words were **boldened** for an easier reading of the text (It doesn't have any special meaning).
3. In cases where information is not available, please write 'Not Available' or 'NA' in the dedicated place for the answer.




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Info ID	Topic	Question	Info Num	Criteria/Detail	Answer		
					2015	2016	2017
1	Operation Funding	1.1 What is the <b>total operating budget*</b> of the Corporate Registry (i.e. the actual expenditures spent) for each of the years 2015-2017?	1.1.a	Please specify your local currency.			
			1.1.b	Please provide the total sum in your local currency.			
		1.2 Does the Corporate Registry receive <b>government funding</b> to undertake its work?	1.2.a	Yes. Please specify the sum of the government funding in your local currency for each of the years 2015-2017.			
			1.2.b	No			
		1.3 Does the Corporate Registry charge <b>service fees</b> , e.g. for formation, document filing, information fees, etc.?	1.3.a	Yes. Please specify the total sum of service fees for each of the years 2015-2017 in local currency.			
			1.3.b	No			
		1.4 What is the <b>number</b> of staff working in the Corporate Registry?	1.4.a	Please specify the total number for each of the years 2015-2017 in Full Time Equivalent (FTE)*.			
1.5.a	Please specify the number of female staff for each of the years 2015-2017 in FTE*.						
		1.5 What is the total <b>cost</b> of staff working in the Corporate Registry?	1.6.a	Please specify the sum in local currency for each of the years 2015-2017.			

2	Registration process	2.1 Is registration <b>necessary</b> for the company to be considered legally valid and/or to be granted limited liability?	2.1.a	To be considered legally valid.	(Please choose) ▼
			2.1.b	To be granted limited liability.	(Please choose) ▼
		2.2 Are <b>foreign companies*</b> allowed to operate in the jurisdiction (e.g. open a bank account, own real estate, etc.) <b>without registering</b> with the Corporate Registry and <b>regardless of whether or not they have a branch in your jurisdiction</b> ?	2.2.a	Please indicate the requirement for registration according to the dropdown menu.	(Please choose) ▼

3	Validity and accuracy of data	3.1 Please specify which data is verified by the Corporate Registry to confirm the accuracy of the data submitted by <b>companies with limited liability*</b> , e.g. SAs, LLCs, SCAs [hereinafter: " <b>limited companies*</b> "]. See Glossary for further clarifications.	3.1.a Verification of identity details of the company's <b>legal owners*</b> .	<input type="text" value="(Please choose)"/>		
			3.1.b Verification of personal identity of the company's <b>beneficial owners*</b> . If the Corporate Registry is <b>not</b> responsible for registration of beneficial owners* please specify the name of the responsible authority.	<input type="text" value="(Please choose)"/>		
			3.1.c Verification of identity details of limited companies'* <b>directors</b> .  In case the <b>directors are legal entities*</b> , please specify whether the Registry verifies also the identity of these entities' beneficial owners*.	<input type="text" value="(Please choose)"/>		
				<input type="text" value="(Please choose)"/>		
		3.2 Please specify which of the following ways is used by the Corporate Registry to <b>confirm the validity and accuracy of the data submitted by limited companies*</b> .	3.2.a Cross-checking <b>by computers and algorithms</b> with data provided by other authorities (e.g. tax authority, Intelligence unit, etc.).  If yes, please specify the type of authority.	<input type="text" value="(Please choose)"/>		
			3.2.b Cross-checking <b>by humans</b> with data provided by other authorities (e.g. tax authority, Intelligence units, etc.). Please specify the type of authority.  If yes, please specify the type of authority.	<input type="text" value="(Please choose)"/>		
			3.2.c <b>Flagging cases where no beneficial owner*</b> was declared by the limited company* and applying a due diligence process or other process in those cases.  If yes, please specify the process.	<input type="text" value="(Please choose)"/>		
			3.2.d Checking the existence of economic activity in cases of <b>dormant / inactive*</b> registered limited companies*.	<input type="text" value="(Please choose)"/>		
			3.2.e <b>Cross-checking</b> the information with one or more EU member states' corporate registries where a branch of the limited company* is registered.	<input type="text" value="(Please choose)"/>		
			3.2.f Allowing online and <b>anonymous reporting or denouncing of inaccurate or missing information</b> by third parties about any information held in the Corporate Registry.  Please specify if these third party reports are also visible online.	<input type="text" value="(Please choose)"/>		
<input type="text" value="(Please choose)"/>						
3.2.g Other way (please specify).						
				2015	2016	2017
		4.1.a Total number of <b>ALL entities*</b> registered in the Corporate Registry at the <b>end</b> of the year.				

4	Number of registered entities	4.1 Please specify the following details for each of the years 2015-2017:	4.1.b	Total number of <b>partnerships with limited liability*</b> (e.g. LPs, LLPs) registered at the end of the year, if applicable.			
			4.1.c	Total number of <b>trusts* governed by the laws of your jurisdictions</b> (regardless of where the trustee* is located) registered at the end of the year, if applicable.			
			4.1.d	Total number of <b>trusts* with a trustee* located in your jurisdiction</b> (regardless of the trust's governing laws) registered at the end of the year, if applicable.			
	4.2 Please specify the following details <b>about limited companies</b> for each of the years 2015-2017:	4.2.a	<b>Total number of limited companies</b> that were recorded on the Corporate Registry at the <b>end</b> of the year.				
		4.2.b	In case where foreign limited companies (with or without a branch) have a simplified registration process in your jurisdiction, please specify their number at the end of the year.				
		4.2.c	Number of <b>dormant/inactive*</b> limited companies that were recorded on the Corporate Registry at the end of the year.				
		4.2.e	Number of limited companies <b>with bearer shares*</b> recorded at the end of the year.				
4.2.f	Number of limited companies that were incorporated or restored and so <b>added</b> to the Corporate Registry during the course of the year.						
4.2.g	Number of limited companies that were <b>removed</b> from the Corporate Registry during the course of the year.						
5	Removal of entities	5.1 Of those limited companies which were removed during the course of the years 2015-2017, please specify the number of limited companies which were removed as a result of the following reasons:	5.1.a	<b>Liquidation/Wind up</b> during the year.			
			5.1.b	At their <b>own voluntary request</b> (except for voluntary liquidation), e.g. because they were no longer trading, etc.			
			5.1.c	A decision made by the Corporate Registry because of <b>non-compliance with legal requirements</b> . Please also specify whether such a decision was also communicated to other authorities and/or registries and if so, please specify to which ones.			
			5.1.d	A decision made by the Corporate Registry because the <b>company is no longer trading</b> .			
			5.1.e	Other reasons (please specify).			
	5.2 How many limited companies were removed <b>within a year after their date of incorporation?</b>	5.2.a	Please specify for each year.				
	5.3 For how long, if any, is the Corporate Registry required to <b>retain the records</b> of limited companies (either within the Corporate Registry or in a different institution) which were removed from the Registry?	5.3.a	Please specify the number of years / months and provide the relevant legal reference.				
5.3.b		Please specify if these records are available for public inspection.		(Please choose)			

6	Registration of ownership details	6.1 Which of the following details regarding <b>legal owners*</b> are required to be registered by limited companies? Please indicate next to each of the relevant details whether: a) ALL types of limited companies are required to register these details or not; b) the data is made public or not for ALL types of limited companies. In case it can only be accessed by specific authorities or persons with a legitimate interest, please specify which ones.		Is the data required to be registered by ALL types of limited companies?	Is the data made public for ALL types of limited companies?	Accessed only by Authorities (e.g. tax authority) or persons with a legitimate interest or other. Please specify.	
			6.1.a	Full name	(Please choose) ▼	(Please choose) ▼	
			6.1.b	Country of residency or full address (please specify)	(Please choose) ▼	(Please choose) ▼	
			6.1.c	TIN* (please specify if foreign or local or both)	(Please choose) ▼	(Please choose) ▼	
			6.1.d	Birthdates or passport or personal IDs - in case the legal owner is an individual (please specify)	(Please choose) ▼	(Please choose) ▼	
			6.1.e	Sex/gender in case the legal owner is an individual	(Please choose) ▼	(Please choose) ▼	
	Please skip this question if the answer to 3.1.b was 'No'.	6.2 Which of the following details regarding <b>beneficial owners*</b> are required to be registered by limited companies? Please indicate next to each of the relevant details whether: a) ALL types of limited companies are required to register these details or not; b) the data is made public or not for ALL types of limited companies. In case it can only be accessed by specific authorities or persons with a legitimate interest, please specify which ones.	6.2.a	Full name	(Please choose) ▼	(Please choose) ▼	
			6.2.b	Address or tax residency (please specify)	(Please choose) ▼	(Please choose) ▼	
			6.2.c	TIN* (please specify if foreign or local or both)	(Please choose) ▼	(Please choose) ▼	
			6.2.d	Birthdates or passport or personal IDs (please specify)	(Please choose) ▼	(Please choose) ▼	
			6.2.e	Sex/gender	(Please choose) ▼	(Please choose) ▼	
			6.2.f	Reason for the owners to be considered beneficial owners (e.g. they hold more than 25% of the shares or the right to appoint or remove majority of the board of directors, etc.).	(Please choose) ▼	(Please choose) ▼	
	6.2.g	Specification of whether the registered beneficial owner is actually the company's senior manager* in cases where the beneficial owner* could not be identified.	(Please choose) ▼	(Please choose) ▼			
6.3	Is there a requirement to declare if any of the shareholders or directors is a <b>PEP</b> (politically exposed persons)?	6.3.a	Please indicate according to the dropdown menu.	(Please choose) ▼			

		2015	2016	2017			
7	Foreign ownership and management*	7.1 Please specify for each of the years 2015-2017:	7.1.a	How many of the limited companies have <b>directors which are legal entities*</b> ?			
			7.1.b	How many of the limited companies are managed* (i.e. directed) <b>exclusively</b> by <b>non-resident</b> persons or entities*?			
			7.1.c	What are the <b>top 3 jurisdictions</b> of which most non-residents entities* or persons mentioned in <b>7.1.b</b> above are residents of?			
			7.1.d	How many of the limited companies are <b>controlled* or solely owned</b> by <b>non-resident</b> entities* or persons?			
			7.1.e	What are the <b>top 3 jurisdictions</b> of which most non-residents entities* or persons mentioned in <b>7.1.d</b> above are residents of?			
			7.1.f	How many of the limited companies which are solely owned by non-residents <b>are also</b> managed* (i.e. directed) exclusively by non-resident persons or entities?			
					2015	2016	2017



8	Filing of annual accounts*	8.1 Please specify for each of the years 2015-2017:	8.1.a	How many limited companies <b>filed</b> their <b>annual accounts*</b> as required by law?			
			8.1.b	How many limited companies <b>did not file</b> their annual accounts* as required by law?			
			8.1.c	How many limited companies <b>were not required by law</b> to file their annual accounts*?			
			8.1.d	How many of the accounts that limited companies filed during each of the years were <b>rejected and required resubmission</b> by the Corporate Registry?			
			8.1.e	Please specify the <b>main reasons</b> for which resubmission was requested.			
	8.2	Are <b>dormant/inactive*</b> limited companies required to submit annual accounts*?	8.2.a	Please indicate according to the dropdown menu.	(Please choose)		
	8.3	Are <b>ALL</b> limited companies required to publish their annual accounts* online?	8.3.a	Please indicate according to the dropdown menu. If only certain types are concerned, please specify the types.	(Please choose)		
8.4	Is the registry responsible for verifying whether the filed accounts are compliant with <b>accounting standards</b> ?	8.4.a	Please indicate according to the dropdown menu. If not, please specify which authority is responsible for verification of compliance with accounting standards.	(Please choose)			

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				2015	2016	2017	
9	Filing of annual returns*	9.1 Please specify for each of the years 2015-2017:	9.1.a	How many limited companies were required to submit <b>annual returns*</b> providing information as to their management* and ownership (hereinafter: "full annual return")?			
			9.1.b	How many of the limited companies mentioned in 9.1.a above <b>actually did so</b> ?			
			9.1.c	How many of those full annual returns* were <b>rejected and required resubmission</b> ?			
			9.1.d	How many limited companies were <b>not required</b> to submit full annual return*?			
			9.1.e	Please specify the <b>reasons</b> for which a full annual return* was <b>not required</b> in the cases referred in 9.1.d.			
	9.2	Are <b>dormant /inactive*</b> limited companies required to submit annual returns*?	9.2.a	Please indicate according to the dropdown menu.	(Please choose)		
	9.3	Are <b>ALL</b> limited companies required to publish their full annual return* <b>online</b> ?	9.3.a	Please indicate according to the dropdown menu. If only certain types are concerned, please specify the types.	(Please choose)		

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				2015	2016	2017
		10.1.a	For non/late filing of <b>annual accounts*</b> .			

10	<b>Administrative Penalties* and Criminal Prosecutions</b>	10.1 For each of the following criteria please indicate the total number of <b>administrative penalties*</b> imposed either <b>against limited companies or directors</b> for the years 2015-2017. If no such administrative penalties are imposed, please write 'Not-applicable'.	10.1.b	For non/late filing of <b>full annual return*</b> (see definition in 9.1.a above) and/or for updating information as required by law.			
			10.1.c	For submitting <b>false and/or misleading information.</b>			
			10.1.d	For failure to convert <b>bearer shares* into registered shares.</b>			
			10.1.e	If the Corporate Registry is not authorised to impose sanctions in those cases, please specify if it had referred the cases to <b>other authorities</b> which are authorised to do so.			
			10.2.a	Percentage of <b>monetary</b> administrative penalties* collected for non/late filing of <b>annual accounts*</b> .			
	10.2 For each of following criteria please indicate the share of monetary <b>administrative penalties* collected so far</b> from limited companies (out of the relevant total number of monetary administrative penalties imposed) <b>sorted according to the years</b> in which the administrative penalties were imposed.	10.2.b	Percentage of <b>monetary</b> administrative penalties* collected for non/late filing of full <b>annual returns*</b> and/or for updating information as required by law.				
		10.2.c	Percentage of <b>monetary</b> administrative penalties* collected for submitting <b>false and/or misleading information.</b>				
		10.2.d	Percentage of <b>monetary</b> administrative penalties* collected for failure to convert <b>bearer shares* into registered shares</b>				
		10.3.a	Yes. Please specify the number of such referrals for non/late filing of <b>annual accounts* or full annual returns*</b> .				
	10.3 Has the Corporate Registry referred limited companies for <b>criminal prosecution</b> in each of the years 2015-2017?	10.3.b	Yes. please specify the number of such referrals for <b>other reasons</b> than those mentioned in 10.3.a above.				
		10.3.c	No				