



Beneficial ownership registration around the world 2022

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Executive summary

Beneficial ownership transparency has become one of the leading tools to tackle illicit financial flows related to tax evasion, money laundering, corruption and the financing of terrorism. It involves identifying the “beneficial owners”, meaning the individuals (natural persons) who ultimately own or control the legal vehicles such as companies, partnerships, trusts or foundations that operate in the economy by opening bank accounts, holding real estate, or providing goods and services. Without beneficial ownership transparency, criminals are able to engage in illegal activities by hiding behind legal vehicles or nominees. Beneficial ownership transparency means revealing who is behind an entity.

The Tax Justice Network, through its Financial Secrecy Index, has assessed the way countries establish central government-held registries of beneficial ownership information for all types of legal vehicles since 2009. Ideally, information on the beneficial owners of every type of legal vehicle should be available to the general public and accessible online, for free and in open data format.

In recent years considerable progress has been made, especially in Europe and a few countries in Latin America, South-East Asia and Africa: laws requiring beneficial ownership to be registered with a government authority have been approved in a total of 97 jurisdictions of the 141 assessed in the Financial Secrecy Index. Nevertheless, no country achieves the ideal level of beneficial ownership registration for every type of legal vehicle.

In addition, many shortcomings remain in those countries that have beneficial ownership registration laws: some countries do not cover all types of legal vehicle, typically only companies or other legal persons (but not all trusts); in many countries the definition of a beneficial owner or requirements to identify the beneficial owners contain loopholes; and often information is not available to the public, or not for free or not in open data format, etc.

Much worse than this, however, is that many countries do not even require the registration of updated *legal* ownership information. *Legal ownership* refers to the first tier of ownership, the direct and immediate owner of an entity (who may be different from the individual who ultimately, and indirectly, controls it). While legal ownership registration (the first tier) cannot replace beneficial ownership registration (the last tier), both are necessary. Still, many countries fail to register even these legal owners, or to require that such information be updated, eg in case of a transfer of shares in a company, or the appointment of a new beneficiary in a trust.

On top of this, some countries allow bearer shares without requiring their registration by a government authority. Bearer shares are paper documents that give ownership of a company to whoever is physically



holding the bearer share document in their hand, making it near impossible to know for sure who owns the company at any given time.

This report, based on the Financial Secrecy Index 2022, describes the state of play of both legal and beneficial ownership registration in 141 jurisdictions, with an emphasis in the framework applicable to companies. It details the registration level in each country, and it also weighs the risks each country's registration level poses based on the number of vehicles registered in the country. For example, if both countries A and B offer secretive companies, and 1 million companies have been incorporated in country A while no company has been incorporated in country B, then the risk created by country A is much worse in practice than that of country B.



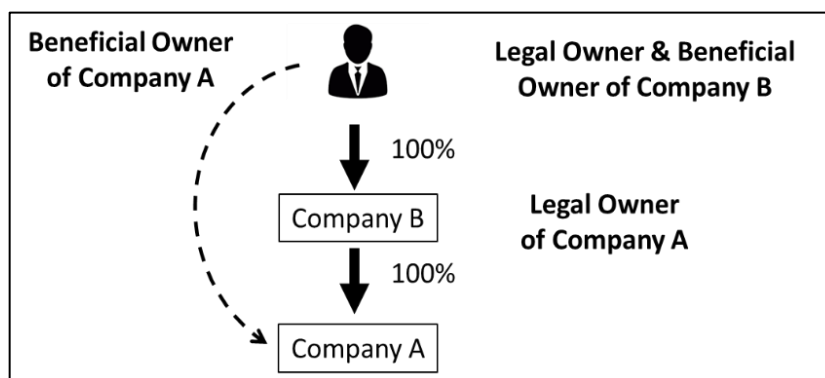
Glossary

AML	Anti-money laundering
BO	Beneficial owner / beneficial ownership
CFT	Combating the Financing of Terrorism
EITI	Extractive Industry Transparency Initiative
EU	European Union
FATF	Financial Action Task Force
FSI	Financial Secrecy Index
GF	Global Forum of Exchange of Information
LO	Legal owner / legal ownership
LP	Limited partnership
LLP	Limited liability partnership
OGP	Open Government Partnership

Introduction

Beneficial ownership (BO) refers to the *natural persons* who effectively and ultimately own, control or benefit from legal vehicles such as companies, partnerships, trusts or foundations (the last tier of control). In contrast, the legal owner (LO) refers to the direct or immediate holder or owner of a legal vehicle (the first tier). A legal owner may be a natural person (eg a nominee shareholder) or another legal vehicle. If a person directly owns and controls a legal vehicle, they would be the legal owner and beneficial owner at the same time.

Beneficial ownership transparency is endorsed and monitored by several international organisations. The Financial Action Task Force (FATF) Recommendations¹ on Anti-Money Laundering (AML) and Combating the Financing of Terrorism (CFT) as well as the OECD's Global Forum² on Transparency and Exchange of Information for Tax Purposes (GF) require




countries to ensure the availability of beneficial ownership information in their territories, accessible to authorities for their own use and for exchange with foreign authorities, with the purpose of tackling money laundering and tax evasion, among other things. The G20 has also endorsed the making of beneficial ownership information available, by adopting the High-Level Principles on Beneficial Ownership Transparency³ in 2014. The Extractive Industry Transparency Initiative (EITI) included beneficial ownership transparency in requirement 2.5⁴ of its standard. In

¹ Financial Action Task Force, *International Standards on Combating Money Laundering and the Financing of Terrorism & Proliferation. The FATF Recommendations (2012 - Updated 2022)* (Paris, March 2022) <<https://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/FATF%20Recommendations%202012.pdf>> [accessed 15 April 2022].

² The Global Forum assessed the availability of BO since 2016: OECD and Global Forum on Transparency and Exchange of Information for Tax Purposes, *Terms of Reference to Monitor and Review Progress towards Transparency and Exchange of Information Request for Tax Purposes*, 2016 <<http://www.oecd.org/tax/transparency/about-the-global-forum/publications/terms-of-reference.pdf>> [accessed 28 March 2019].

³ G20 Anti-Corruption Working Group, 'G20 High-Level Principles on Beneficial Ownership Transparency', 2015 <<https://www.ag.gov.au/sites/default/files/2020-03/G20High-LevelPrinciplesOnBeneficialOwnershipTransparency.pdf>> [accessed 9 November 2022].

⁴ EITI, 'EITI Requirement 2.5: Beneficial Ownership', 2019 <<https://eiti.org/eiti-requirements#r2-5>> [accessed 9 November 2022].



addition, at the 2019 Global Summit of the Open Government Partnership (OGP), a global coalition of governments and partners advancing beneficial ownership transparency was launched. This Beneficial Ownership Leadership Group, initiated by the United Kingdom and supported by partners, including Open Ownership, seeks to advance a set of co-created principles through the Open Government Partnership and other platforms.⁵

Evolution towards beneficial ownership registration

The Financial Action Task Force's Recommendations⁶ require countries to ensure beneficial ownership availability through requirements that fall on two different parties. On one side, financial institutions (eg banks) and designated non-financial businesses and professions (eg lawyers, notaries, corporate service providers) are required, mainly under Recommendations 10 and 22, to collect beneficial ownership information from their clients as part of the customer due diligence procedures. On the other, countries themselves are required to ensure beneficial ownership transparency for legal persons (eg companies) and legal arrangements (eg trusts) based on Recommendations 24 and 25 respectively.

Based on the previous version of Recommendation 24 (before the reforms were made in March 2022), countries were able to ensure beneficial ownership transparency by exercising at least one of three mechanisms: the registry approach (eg a beneficial ownership register), the company approach (the legal person collects beneficial ownership data and makes it available to authorities on request), and the existing information approach (accessing any beneficial ownership information available with banks, corporate service providers, tax authorities, land registries, etc).

Pursuant to the Financial Action Task Force's Recommendations, the first (and sometimes only) beneficial ownership regulations implemented by countries referred to Recommendations 10 and 22, requiring their financial institutions and other obliged entities (eg notaries) to collect beneficial ownership information from their customers when performing due diligence procedures, eg “know your client” and anti-money laundering compliance processes. By meeting Recommendations 10 and 22, countries were able to meet at the same time, at least partially, Recommendation 24. Specifically, this allowed countries to exercise the “existing information approach” under Recommendation 24 since by requiring financial institutions or corporate service providers to collect

⁵ Open Government Partnership, ‘Beneficial Ownership Leadership Group’, 2019 <<https://www.opengovpartnership.org/beneficial-ownership-leadership-group/>> [accessed 9 November 2022].

⁶ Financial Action Task Force, *International Standards on Combating Money Laundering and the Financing of Terrorism & Proliferation - the FATF Recommendations*, 2012 <<http://www.fatf-gafi.org/topics/fatfrecommendations/documents/internationalstandardsoncombatingmoneylaunderingandthefinancingofterrorismproliferation-thefatfrecommendations.html>>.

beneficial ownership information under Recommendations 10 and 22, they ensured the information existed somewhere for their authorities to access.

While the Financial Action Task Force's 2014 Guidance on transparency and beneficial ownership⁷ recognised some of the benefits of beneficial ownership registries⁸ (which is one of the three mechanisms to ensure beneficial ownership transparency), registries were not endorsed as the best mechanism to comply with Recommendation 24. In 2019, the Financial Action Task Force published a report on the best practices of beneficial ownership information for legal persons⁹ (leaving trusts aside). This report did not endorse using beneficial ownership registries (let alone providing public access to them)¹⁰ as the best mechanism either. The report only proposed countries to establish a “multi-pronged approach”, which meant implementing at least two of the three mechanisms (the registry approach, the company approach, and the existing information approach). On the bright side, the report acknowledged “the trend of openly accessible information on beneficial ownership is on the rise among countries.”¹¹

Given that neither the Financial Action Task Force nor the Global Forum used to require countries to implement beneficial ownership registries, not many countries had originally established them. The Tax Justice Network's [Financial Secrecy Index](#) (FSI) has been assessing countries' beneficial ownership registration every two years since 2009. By the 2015 edition of Financial Secrecy Index, no country yet had been found to have a proper beneficial ownership register. But a lot has happened since that edition.

On 20 May 2015, the European Union (EU) approved the 4th Anti-Money Laundering Directive¹² requiring EU member countries to establish central

⁷ Financial Action Task Force (FATF), *Transparency and Beneficial Ownership*, 2014 <<http://www.fatf-gafi.org/media/fatf/documents/reports/Guidance-transparency-beneficial-ownership.pdf>> [accessed 15 March 2020].

⁸ The FATF Guidance (see note above) writes in favour of central registries for example that “it allows law enforcement authorities to access such information from a single source” (page 20) or that “centralised trust registries would also ensure that beneficial ownership information is freely available to competent authorities across jurisdictions in a timely manner, without tipping off a trust under investigation” (page 32).

⁹ FATF, *Best Practices on Beneficial Ownership for Legal Persons* (Paris, 2019), 82 <<https://www.fatf-gafi.org/media/fatf/documents/Best-Practices-Beneficial-Ownership-Legal-Persons.pdf>>.

¹⁰ Knobel, Andres, ‘FATF Beneficial Ownership Report Reveals Cutting-Edge Verification Processes, Hesitates to Endorse Public Registries’ <<https://www.taxjustice.net/2019/11/27/fatf-beneficial-ownership-report-reveals-cutting-edge-verification-processes-hesitates-to-endorse-public-registries/>>, <<https://www.taxjustice.net/2019/11/27/fatf-beneficial-ownership-report-reveals-cutting-edge-verification-processes-hesitates-to-endorse-public-registries/>> [accessed 22 May 2020].

¹¹ FATF, *Best Practices on Beneficial Ownership for Legal Persons*, 74.

¹² 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>> [accessed 2 May 2022].

beneficial ownership registries for companies and for some trusts¹³. The UK was the first country to approve a beneficial ownership law and in 2016, going beyond the EU Directive's minimum standards, it established a public beneficial ownership register¹⁴ for companies and limited liability partnerships (LLPs), with information available online for free and in open data format. In May 2016, at the UK's Anti-corruption summit¹⁵, countries from Africa and Asia also committed to establish public beneficial ownership registries.

Another important transparency development came from countries that are members of the Extractive Industry Transparency Initiative (EITI). This standard for extractive companies required member countries to publicly disclose beneficial ownership information of corporations involved in the extractive sector by 2020¹⁶.

After the Panama Papers¹⁷ in 2016 and the Paradise Papers¹⁸ in 2017, more countries started to implement beneficial ownership registration laws. On 19 April 2018, the European Parliament adopted the 5th EU Anti-Money Laundering Directive¹⁹, which obliged member states to enable public access to beneficial ownership registries of companies. EU countries also had to establish beneficial ownership registries for trusts that are managed by a local trustee, have local business relationships or acquire real estate in the EU. However, access to this information would be subject to a legitimate interest test.²⁰ On 1 May 2018, the UK Parliament approved an amendment to the sanctions and anti-money laundering bill which requires British Overseas Territories (eg Cayman Islands, the British Virgin Islands, etc) to establish public beneficial ownership registries by 2020. However, some of these territories, such as Cayman Islands,

¹³ Only trusts having tax consequences were required to register under Art. 31 of the 4th AML Directive. In addition, it wasn't clear if trusts subject to registration were those whose governing law were from EU countries or those whose trustee was located in the EU.

¹⁴ 'Find and Update Company Information', *GOV.UK* <<https://find-and-update.company-information.service.gov.uk/>> [accessed 9 November 2022].

¹⁵ 'Anti-Corruption Summit Sees Bold Moves on Property and Travel, but a Glaring Blind Spot in the Tax Havens', *Global Witness* <<https://www.globalwitness.org/en/press-releases/anti-corruption-summit-sees-bold-moves-property-and-travel-glaring-blind-spot-tax-havens/>> [accessed 20 May 2020].

¹⁶ 'Beneficial Ownership | Extractive Industries Transparency Initiative' <<https://eiti.org/beneficial-ownership>> [accessed 20 May 2020].

¹⁷ ICIJ, 'The Panama Papers: Exposing the Rogue Offshore Finance Industry', 2018 <<https://www.icij.org/investigations/panama-papers/>> [accessed 3 May 2022].

¹⁸ ICIJ, 'Paradise Papers: Secrets of the Global Elite', 2017 <<https://www.icij.org/investigations/paradise-papers/>> [accessed 20 May 2020].

¹⁹ European Parliament and European Council, *Directive (EU) 2018/843 of the European Parliament and of the Council of 30 May 2018 Amending Directive (EU) 2015/849 on the Prevention of the Use of the Financial System for the Purposes of Money Laundering or Terrorist Financing, and Amending Directives 2009/138/EC and 2013/36/EU*, 2018, 843 <<https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32018L0843&from=EN>> [accessed 5 May 2020].

²⁰ Countries may decide on what "legitimate interest" covers. A narrow approach would only cover minority shareholders or parties to the trust, while a broad approach could also cover individuals investigating money laundering or other financial crimes.

indicated that they would delay publishing beneficial ownership information until 2023 at the earliest²¹.

In March 2022, the Financial Action Task Force approved a reform²² to Recommendation 24 which now makes the “multi-pronged” approach (ie all three mechanisms) a requirement, not just a suggestion. Importantly, one of these two mechanisms must be the establishment of beneficial ownership registries (the “registry approach”) or “alternative mechanisms” which are equally efficient.

In 2021 the EU Commission published a draft proposal for significant reform to the bloc’s anti-money laundering legal framework, including a new revision of the Anti-Money Laundering Directive and a new anti-money laundering regulation. This proposal, called the Anti-Money Laundering Package²³ will be discussed during 2022 and 2023.

As three editions of the Financial Secrecy Index have shown since the 2015 edition, beneficial ownership registries have dramatically proliferated around the world. The 2018 of the index reported there were 34 jurisdictions that have laws establishing beneficial ownership registries.²⁴ The 2020 edition reported that this number had risen to 80 jurisdictions.²⁵ And most recently, the 2022 edition reported, there are 97 jurisdictions with laws requiring beneficial ownership information to be registered with a government authority.

EU court decision

On 22 November 2022, the European Court of Justice [ruled](#) as invalid the legal requirements on local corporations and other legal entities to publicly disclose the identities of their beneficial owners. The Tax Justice Network has been vocal of our strong objection to this rather bewildering decision. As of writing, it is not clear what the situation of public access to beneficial ownership registries will be. While some countries (Austria, Greece, Ireland, Luxembourg, Malta and the Netherlands, Luxembourg) have already closed their public access following the court decision, other countries are choosing to keep public access available. In addition, the ruling acknowledges that the media and civil society organisations have a legitimate interest in accessing beneficial ownership information and

²¹ ‘Cayman Commits to Public BO Registers’, *Cayman News Service*, 2019


<<https://caymannewsservice.com/2019/10/cayman-commits-public-registers/>> [accessed 9 November 2022].

²² FATF, ‘Public Statement on Revisions to R.24’, 2022 <<https://www.fatf-gafi.org/publications/fatfrecommendations/documents/r24-statement-march-2022.html>> [accessed 9 November 2022].

²³ European Commission, ‘Anti-Money Laundering and Countering the Financing of Terrorism Legislative Package’, *European Commission* <https://ec.europa.eu/info/publications/210720-anti-money-laundering-countering-financing-terrorism_en> [accessed 9 November 2022].

²⁴ 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 27 January 2020].

²⁵ Moran Harari and others, *Ownership Registration of Different Types of Legal Structures from an International Comparative Perspective: State of Play of Beneficial Ownership - Update 2020* (1 June 2020) <<https://www.taxjustice.net/wp-content/uploads/2020/06/State-of-play-of-beneficial-ownership-Update-2020-Tax-Justice-Network.pdf>> [accessed 3 May 2022].



some of the countries that closed their registries due to the ruling are considering ways to at least provide access to journalists and civil society organisations.

The EU court decision came after the cutoff date for this report, which was March 2022. As a result, the data on countries beneficial ownership laws does not reflect recent changes following the court's decision, nor any legal changes that may have transpired after March 2022.

Caveats and considerations


The Tax Justice Network's vision for a robust beneficial ownership transparency framework that achieves truly effective transparency is laid out in our [Roadmap to Effective Beneficial Ownership Transparency \(REBOT\)](#)²⁶. The roadmap offers for each framework target steps governments can take to reach three levels of transparency: minimum transparency (the minimum legal framework that should be applied), benchmarked transparency (more robust legal frameworks that are already being used in at least one country), and effective transparency (iron-clad legal frameworks that deliver the level of transparency needed to effectively prevent and prosecute illicit financial activity, to ensure the rule of law and eliminate secrecy loopholes and workarounds).

Unlike the roadmap, which covers all types of legal vehicles (eg investment funds) and all features of beneficial ownership transparency such as verification or sanctions, this report is based on the findings of the Financial Secrecy Index and thus focuses on just the registration, updating and provision of public online access to legal and beneficial ownership information for some legal vehicles, with an emphasis on companies.

The Financial Secrecy Index evaluates each jurisdiction's financial and legal systems to identify the world's biggest suppliers of financial secrecy. Through analysing 20 different secrecy indicators, the index spotlights the laws and policies that governments can change to reduce their contribution to financial secrecy. Out of these 20 indicators, four investigate whether countries have laws in place to require legal vehicles to register their legal and beneficial ownership information with authorities, and whether this information is required by law to be publicly available.

Given the Financial Secrecy Index's purpose of identifying financial secrecy risks around the world, which are often created by loopholes and vulnerabilities in legal frameworks, the weakest-link approach is appropriate for the task. For instance, if most types of companies in one jurisdiction are required to register their beneficial owners, but one type

²⁶ Tax Justice Network, 'Roadmap to Effective Beneficial Ownership Transparency (REBOT)', *Tax Justice Network* <<https://taxjustice.net/rebot>> [accessed 8 November 2022]



(eg LLCs) is not, the index will not consider the jurisdiction to have met the target of requiring companies to register beneficial owners.

Although this report is based on the Financial Secrecy Index, there are a few circumstances where it takes a different approach. For instance, this report will recognise a jurisdiction to have a law requiring beneficial ownership registration, even if the law has loopholes affecting its effectiveness. The report also summarises details from the Financial Secrecy notes, such as the type of authority in charge of the beneficial ownership register, all the elements of the beneficial ownership definition, etc.

Caveats

Some types of legal vehicle are not covered (eg foreign entities, listed companies and investment funds, general partnerships and public-welfare foundations). Secrecy Indicators 2, 3, 5 and 6²⁷ of the Financial Secrecy Index assess legal and beneficial ownership registration in 141 jurisdictions for only:

- domestically incorporated companies (not foreign companies)
- domestic partnerships with limited liability (not general partnerships or foreign partnerships)
- domestic law trusts
- foreign law trusts with a local trustee
- private interest foundations.

In addition to the scope of entities required to register and what triggers beneficial ownership registration, this paper will report on thresholds used for beneficial ownership definitions and on whether legal ownership or beneficial ownership information is available online, is available for free or at a cost and is available in an easily copiable format.

This paper does not report on which details of beneficial ownership information have to be registered (eg name and address), nor on verification processes or sanctions for non-compliance.

Not necessarily the same results as the Financial Secrecy Index. This report's data is based on the Financial Secrecy Index 2022, but it does not necessarily include the same results. There may be updates that haven't been covered by the index, and the index's evaluation (the "secrecy score") may differ from this report's conclusions. This is because the index's methodology takes into account issues that are not necessarily considered here (eg details of the beneficial owner subject to registration, whether a country is party to the Hague Convention on Trust Recognition, etc).

Relationship between legal and beneficial ownership, and bearer shares. This report, in the same way as the Financial Secrecy Index, only

²⁷ Tax Justice Network, 'Secrecy Indicators', 2022 <<https://fsi.taxjustice.net/secrecy-indicators/>> [accessed 9 November 2022].

considers a country's legal or beneficial ownership registration to be effective if all of the following conditions are met:

- All types of legal vehicles within a category (eg all companies) are obliged to register with a government authority.
- Registered (legal or beneficial ownership) information must be updated upon every change or at least annually.
- Bearer shares are not available in the country, or are immobilised (held) or registered by a government authority; bearer shares that are not immobilised by a government authority are cancelled.

On the third condition concerning bearer shares, it is not sufficient for the shares to be immobilised by a private custodian in place or a government authority or for the bearer shares to have an unclear status.

Governments cannot rely on private parties to hold accurate information and nor can they rely on having to make a request to gain access to that information. By the same token, the world is moving towards central registries holding beneficial ownership data as it is not tenable to rely on entities or lawyers to be the only ones holding and granting access to this information. For the same reasons, the same should apply to existing bearer shares.

The only acceptable sanction for failing to immobilise bearer shares with a government authority should be the cancellation of those bearer shares. If sanctions only involve a suspension of rights or monetary penalties, or the nature of the sanctions are unknown, this report considers that bearer shares pose risks that prevent ownership registration from being effective.

Beneficial ownership registration loopholes. For beneficial ownership registration to be considered effective, there should be no loopholes or exceptions (except for state-owned companies and companies listed in a stock exchange that are generally excluded²⁸, or political parties, housing companies or other country-specific cases not flagged by international organisations). This report does not consider beneficial ownership registration to be effective if for example, the obligation to identify the beneficial owners of an entity is waived because the entity is owned by foreign entities (this was the case, for example, in Germany until January 2020²⁹).

Beneficial ownership definition elements. This report, following the approach of the Financial Secrecy Index, considers a beneficial ownership definition to be effective if it includes at least one of three possible elements: ownership, control (eg voting rights) or benefits (eg rights to dividends). In addition, if the beneficial ownership definition utilises a threshold, this should not be higher than “more than 25 per cent”. For

²⁸ Andres Knobel, *Beneficial Ownership in the Investment Industry. A Strategy to Roll Back Anonymous Capital*, 2019 <<https://www.taxjustice.net/wp-content/uploads/2019/10/The-transparency-risks-of-investment-entities-working-paper-Tax-Justice-Network-Oct-2019.pdf>> [accessed 3 May 2022].

²⁹ <https://fsi.taxjustice.net/country-detail/#country=DE&period=20&indicator=3&id=471> [accessed on 09 November 2022].



example, a country where an individual is required to have an “ownership above 50 per cent” to be defined as a beneficial owner would not be considered to have an effective beneficial ownership definition.

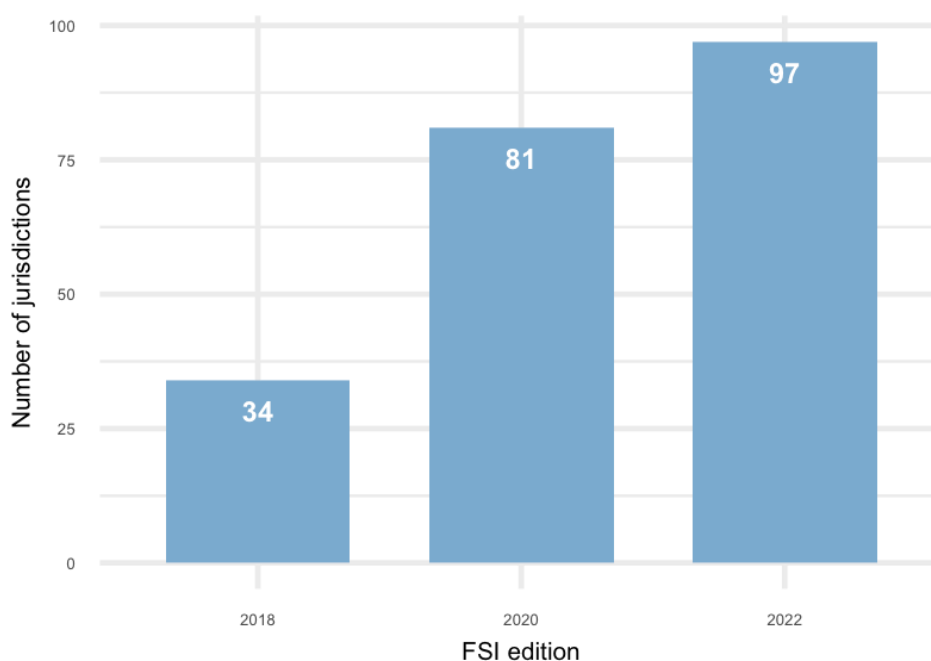
Traffic light colours. All graphs in this paper use three colours to indicate transparency/best case (blue), unknown/middle-of-way (yellow) and secrecy/worst case (red). For neutral situations (eg the authority in charge of registration), other colours may be used.

Beneficial ownership registration around the world

Countries with beneficial ownership registration laws

In recent years, many countries have started to approve beneficial ownership registration laws, requiring beneficial ownership information to be filed with a government authority. While many of these laws still have loopholes that need to be fixed before beneficial ownership registration in these jurisdictions may be considered “effective”, establishing beneficial ownership registration by law in itself is a crucial first step. As of March 2022, 97 jurisdictions had laws requiring beneficial ownership information to be registered with a government authority.

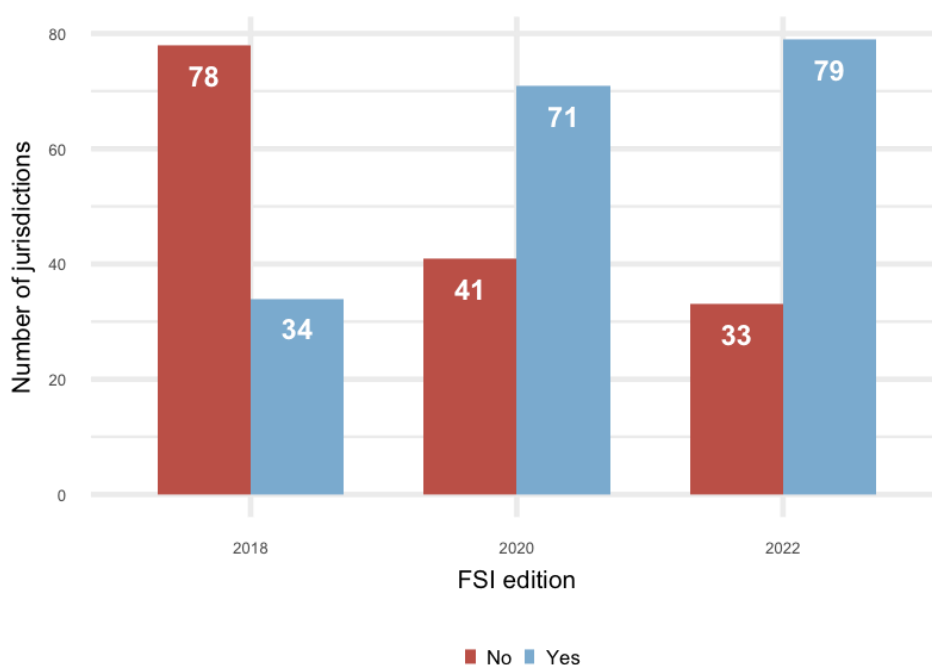
Figure 1. Evolution of number of countries with beneficial ownership registration laws covered by the Financial Secrecy Index (FSI)



With each subsequent edition, the Financial Secrecy Index increased the number of countries it covers, so the increase in number of jurisdictions with beneficial ownership laws is partly accounted for by the increase of countries covered

If, however, we narrow our focus to only the countries that were covered in the 2018 edition of the Financial Secrecy Index, it is easier to visualise the scale of change from 2018 to 2022. Of the 112 jurisdictions covered by the index in 2018, only 34 had beneficial ownership registration laws, and 78 did not. In 2022, 79 jurisdictions of these 112 jurisdictions now had beneficial ownership registration laws, and 33 did not. The prevalence of beneficial ownership laws in practice flipped among these countries from 2018 to 2022.

Figure 2. Evolution of beneficial ownership laws of countries included in the 2018 edition of the Financial Secrecy Index



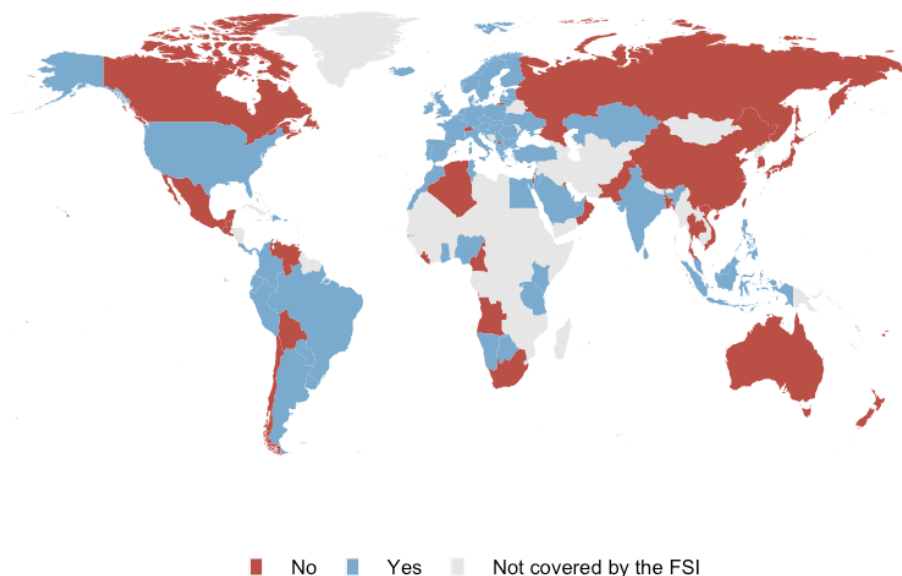
The map in Figure 3 below shows the distribution of these countries. Europe had the most widespread adoption of beneficial ownership transparency as of March 2022. This is most likely due to the aforementioned EU Anti-Money Laundering Directive, which was transposed and still applies in the UK. Europe's progress on beneficial ownership has likely spurred other countries to follow suit, especially in Eastern Europe.

Latin America and the Caribbean is the second region with the greatest beneficial ownership transparency. Recent years has seen a wave of new laws in many Latin American countries and the scrutiny of UK dependencies and other small islands famous for their offshore centres has also been a driving force for new laws in these jurisdictions.

Africa and Asia (especially in the Middle East and North Africa area) have less beneficial ownership transparency than other regions. However, not many African or Asian countries are covered by the Financial Secrecy

Index³⁰, which may mean the number of countries with beneficial ownership laws in these regions is underestimated in this paper.

Figure 3. Map of countries with beneficial ownership registration laws




In brief, this is the number of countries with beneficial ownership laws by region, sorted by highest numbers:

- Europe: 42
- Latin American & Caribbean: 21
- Asia: 15
- Africa: 12
- Oceania: 5
- North America: 2

On a positive note, since the publication of the 2022 edition of the Financial Secrecy Index, more countries have opened consultations, drafted proposals or included provisions in the budget law for beneficial

³⁰ The fact that not many African or Asian countries are covered by the FSI is related to the fact that the criteria that informs the inclusion of jurisdictions in the Index focuses on jurisdictions “that account for a large share of international financial services exports (weight); and [...] jurisdictions which are indicated by various sources including public media, to be playing or seeking a role in the provision of financial secrecy” (Tax Justice Network, ‘FSI 2022 Methodology’, 2022, p.8 <<https://fsi.taxjustice.net/fsi2022/methodology.pdf>> [accessed 28 June 2022]).



ownership registration including Australia³¹, Canada³² (to have a register by 2025), Pakistan³³ and New Zealand³⁴.

Authorities in charge of the beneficial ownership register

Neither the Tax Justice Network nor any international organisations prescribe which government authority should handle the register. Examples of authorities that would be suitable may be a newly set up beneficial ownership register, the commercial register, the tax administration, the central bank or the financial intelligence unit, among others.

The best case scenario for ensuring access to information and consistency of information is to have a central register for the whole country for all types of legal vehicles. However, some countries split implementation of beneficial ownership registration among different authorities. For instance, the UK has the commercial register at Companies House, which collects legal ownership and beneficial ownership information on companies, while the tax administration (HMRC) collects beneficial ownership information on trusts.

In addition, beneficial ownership registration is better served when handled by an authority which tends to give public access to information (eg the commercial registry), than authorities which don't, like tax administrations, central banks or financial intelligence units.

Based on the data from the Financial Secrecy Index, the most common authorities designated by jurisdictions to hold or manage beneficial ownership information are:

- The commercial register: 44
- A newly-established beneficial ownership register: 17
- More than one authority: 16
- The tax administration: 10
- The financial intelligence unit: 6
- The central bank: 1

The 16 jurisdictions counted in the "more than one authority" category are not counted again in the other categories in the above list. The number of jurisdictions counted for each specific authority (eg the commercial

³¹ Australian Government, 'Multinational Tax Integrity and Tax Transparency', 2022 <<https://treasury.gov.au/consultation/c2022-297736>> [accessed 9 November 2022].

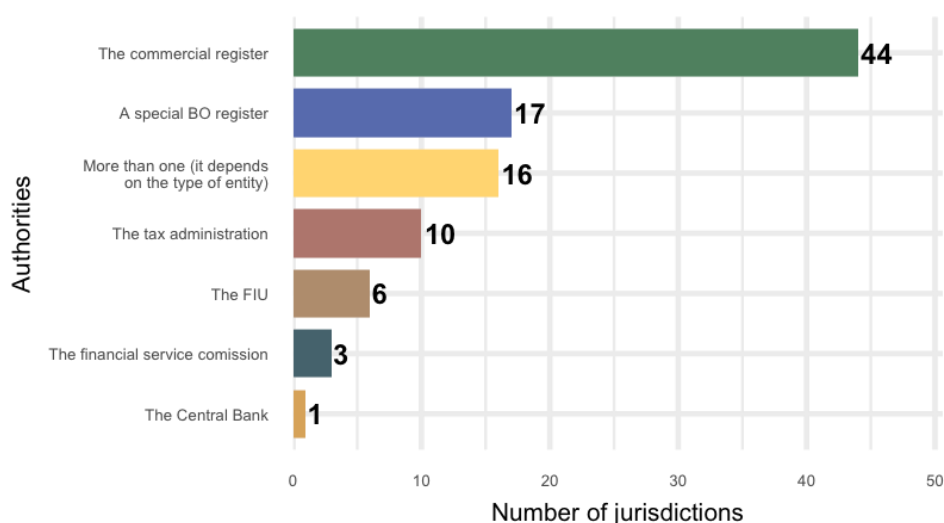
³² Department of Finance, Canada, *A Recovery Plan for Jobs, Growth, and Resilience*, 2021 <<https://www.budget.gc.ca/2021/pdf/budget-2021-en.pdf>> [accessed 9 November 2022].

³³ Government of Pakistan, Revenue Division, 'Circular No. 15 of 2022-23 (Income Tax and CVT)', 2022 <<https://download1.fbr.gov.pk/Docs/2022721177241469circular15of2002-23.pdf>> [accessed 9 November 2022].

³⁴ Ministry of Business, Innovation & Employment, New Zealand, 'Supporting the Integrity of the Corporate Governance System' <<https://www.mbie.govt.nz/business-and-employment/business/regulating-entities/supporting-the-integrity-of-the-corporate-governance-system/>> [accessed 9 November 2022].

register) consists of jurisdictions that solely use that authority for beneficial ownership registration.

Figure 4. Authorities in charge of registration

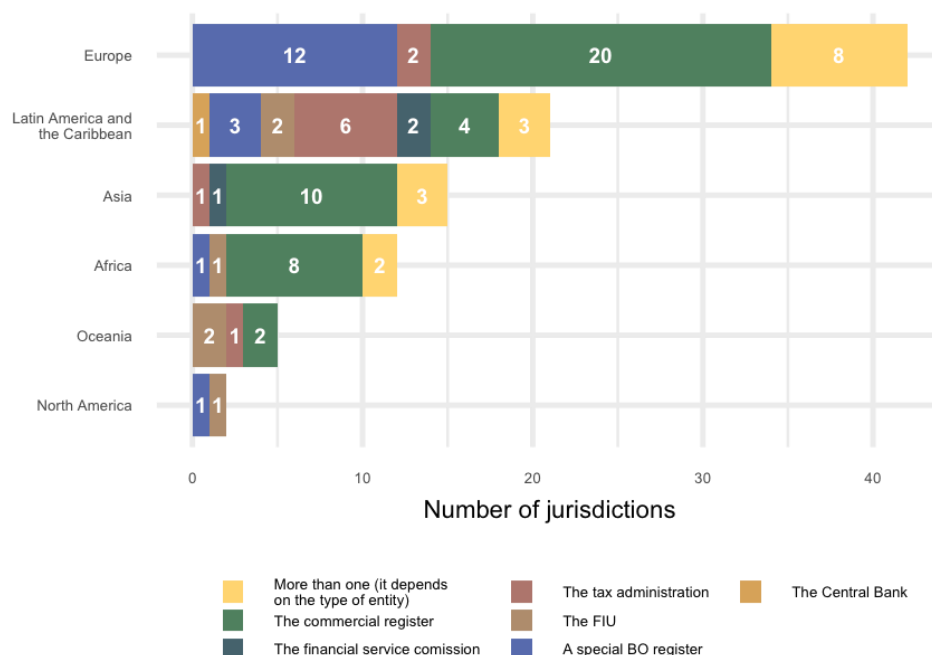


Almost half of countries exercising beneficial ownership registration use solely the commercial register to hold this information. The number of countries using commercial registers would be larger if we included countries that use more than one authority, some of which, like the UK, use the commercial register too. Choosing the commercial register makes sense for some countries because they may save costs by using an already existing register. Conveniently, when beneficial ownership information is held by a commercial register, it becomes easier to give public access to this information given that many commercial registers already give public access to legal ownership information as a basis for conducting business in the market.

Almost 15 per cent of jurisdictions exercising beneficial ownership registration set up a new, dedicated beneficial ownership register to hold this information, and a similar number is using one of the other types of authorities (eg the tax administration, the financial intelligence unit or the central bank). The choice to use other existing authorities different from the commercial register may be explained by the resources, technology or data security facilities these authorities have.

Interestingly, there is significant regional variation regarding the authorities chosen to administer beneficial ownership data. As Figure 5 below indicates, while commercial registers are by far the main repositories of choice in Europe, there is more diversity in choices in Latin America, with tax administrations slightly edging ahead as the more popular choice. In federal countries, where company formation might be delegated to subnational register, other authorities gain more relevance in centralising beneficial ownership information.

Figure 5. Authorities responsible for registering beneficial ownership information in each region




Public access to ownership information

Public access to ownership information is essential to ensure all stakeholders, including local and foreign authorities, can promptly access information without obstruction or delay. Public access also allows obliged entities subject to customer due diligence (eg banks, notaries, corporate service providers) to improve their checks and to report discrepancies - further improving beneficial ownership accuracy. Finally, access by civil society organisations, journalists and researchers is what ensures that authorities are held to account. These stakeholders have played a big role in pushing for improvements in verification of beneficial ownership information, in assisting authorities to detect registration errors, in conducting investigations and even enforcing sanctions.

In recent years, especially after the approval of the EU 5th Anti-Money Laundering Directive (known as AMLD 5), many countries in the EU and in Europe have started establishing public online beneficial ownership registries. Public online access has also expanded beyond Europe, and is now available in countries in Latin America, Africa and Asia.

Moreover, even in countries where there is no general framework guaranteeing public access to beneficial ownership information, there is a tendency towards at least partial public access to this information. Some countries have adhered to sectoral commitments, such as the disclosures required under the Extractive Industries Transparency Initiative (EITI), which require the country to publish beneficial ownership information for companies operating in the extractives sector.



Additionally, some of the countries that received funds from the International Monetary Fund (IMF), to support them through the Covid-19 pandemic, have committed to publishing beneficial ownership information for companies with public procurement contracts.

Disclosure of beneficial ownership information from companies involved in public procurement is also being implemented in other countries. In the United States, for instance, it appears that some information will be available through the Corporate Transparency Act, which requires companies that are awarded federal contracts or grants of over \$500,000 to register their beneficial ownership information with a publicly available database, called the Federal Awardee Performance and Integrity Information System.

Lastly, there are some jurisdictions (such as the UK overseas territories and crown dependencies) that committed to publishing public beneficial ownership information, although this still needs to be transposed into law.

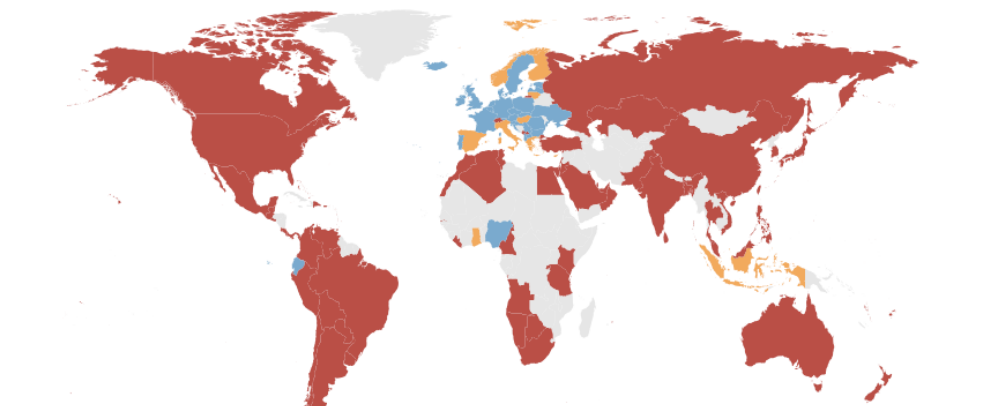
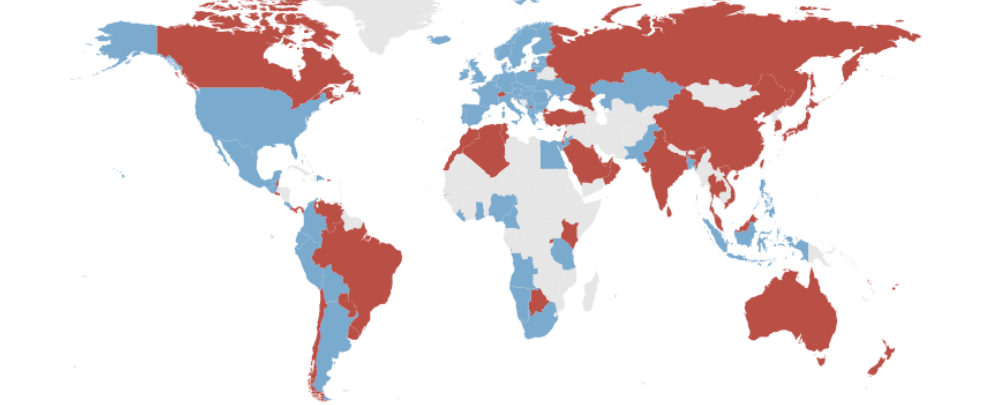
The map (Figure 6) below presents the countries that do not have a general framework for making beneficial ownership information publicly available but have nonetheless committed to at least partial public disclosures. Figure 7 presents the countries that have indeed implemented a general framework for making beneficial ownership information publicly available.

If we consider countries that have committed to at least some sectoral disclosures, which are shown in Figure 6 below, we find that more than half of jurisdictions covered by the 2022 edition of the Financial Secrecy Index (77 jurisdictions) have committed to publishing beneficial ownership information for at least some of their companies. If we expand the scope of jurisdictions to include countries not covered by the index, this number rises to 129 jurisdictions.

Based on the data from the 2022 edition of the Financial Secrecy Index, as of March 2022 there are 39 jurisdictions which are already offering (or are required by law or a Directive to establish) public access to beneficial ownership information:

Albania, Austria, Belgium, Bulgaria, Cyprus, Czechia, Germany, Denmark, Ecuador, Estonia, Spain, Finland, France, United Kingdom, Ghana, Gibraltar, Greece, Croatia, Hungary, Indonesia, Ireland, Iceland, Italy, Lithuania, Luxembourg, Latvia, North Macedonia, Malta, Nigeria, Netherlands, Norway, Poland, Portugal, Romania, Serbia, Sweden, Slovenia, Slovakia and Ukraine.


These countries, and the status of the implementation, are represented in Figure 7. It is worth noting that this is a tally of countries with laws in place or on the way, and not necessarily a tally of countries exercising effective public disclosure of beneficial ownership information. Some of these countries' laws are subject to loopholes and access challenges that would fail to meet the Financial Secrecy Index's "weakest-link" test. In addition, since the EU Court of Justice ruling of November 2022, some EU countries have temporarily closed their beneficial ownership registries. However, given that the situation in the EU remains unclear (some





companies under certain scenarios (eg extractives, procurement, Covid-19), this openness has not permeated the wider beneficial ownership framework applicable to all other companies.

These maps show the contradictions in current discussions on public access. Some voices opposing public access keep invoking risks of violence and kidnappings, but in many cases extractive or procurement companies in their countries are already providing public access to their beneficial ownership information with no evidence of these claimed risks materialising. Many countries have been giving public access to beneficial ownership information for all companies, not just those in extractives or procurements, without any evidence of increased crime as a result. The fact that even countries that oppose public access for all companies are already providing (or committing to provide) public access to at least some companies demonstrates that it is legally and politically possible to establish public access.



Scope of the beneficial ownership registration framework

In the best case scenario, following the Tax Justice Network's [Roadmap to Effective beneficial ownership Transparency](#), countries should require every type of legal vehicle to register its beneficial owners³⁵. Unfortunately, this is hardly ever the case in most countries.

Countries' beneficial ownership frameworks widely vary as do the types of legal vehicles they cover and don't cover. The Financial Action Task Force's Recommendations and the EU framework generally categorise legal vehicles into two groups: legal persons (such as companies, foundations and some partnerships) and legal arrangements (such as a trust, fideicomiso, fiducie, Treuhand and Waqf). For simplification, this report looks at whether countries' beneficial ownership frameworks cover:

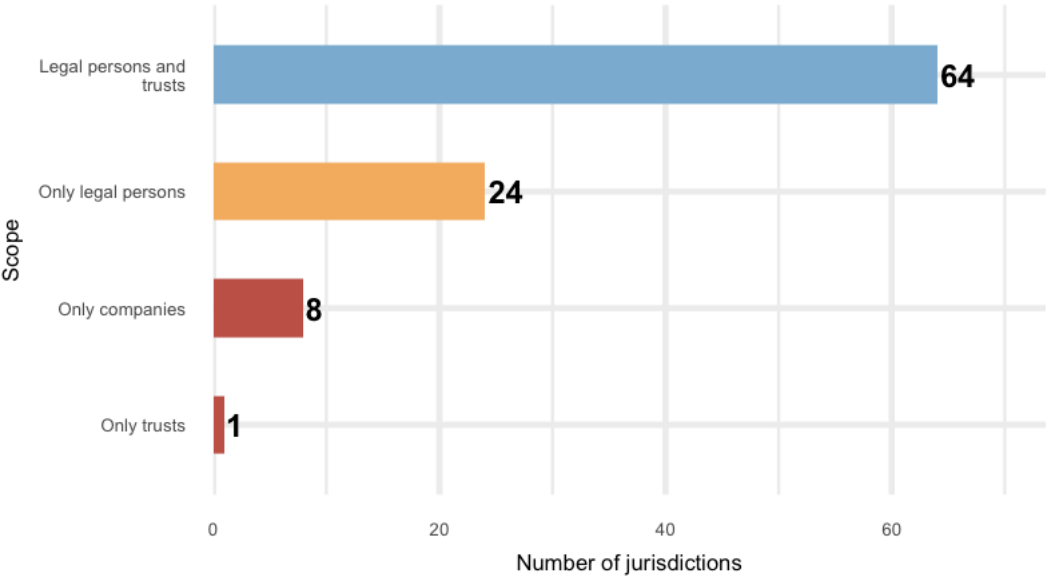
- only companies
- only legal persons (this includes companies, which are a type of legal person)
- only trusts (including other types of legal arrangements, such as fideicomiso)
- both legal persons and trusts (best case scenario)


The fact that a country is considered to cover legal persons does not necessarily mean that no exemptions apply in its coverage. For simplification purposes, this report considers countries' general frameworks regardless of specific exemptions for some types of companies. The figure below shows the most common scopes of registration.

³⁵ Tax Justice Network, 'Roadmap to Effective Beneficial Ownership Transparency (REBOT)', *Tax Justice Network* <<https://taxjustice.net/rebot>> [accessed 8 November 2022]



Figure 8. Scope of beneficial ownership registration





Based on data from the 2022 edition of the Financial Secrecy Index, the most common scopes of coverage are:

- Both legal persons and trusts: 64³⁶
- Only legal persons: 24
- Only companies: 8
- Only trusts: 1

Almost two thirds of countries covered by the Financial Secrecy Index that have laws requiring beneficial ownership registration apply the widest possible scope, covering both legal persons and trusts. However, close to a quarter only cover legal persons. On a positive note, our report [Trust Registration Around the World](#)³⁷, shows that trust registration is becoming mainstream and that most countries already have the legal infrastructure to require trust registration.

Conditions that trigger beneficial ownership registration

In the best case scenario, following the Tax Justice Network's [Roadmap to Effective beneficial ownership Transparency](#)³⁸, countries should require legal vehicles to locally register their beneficial owners whenever they are connected to the jurisdiction in one of the following ways: (1) the legal vehicle is locally incorporated, created according to local laws, or governed by local laws, (2) the legal vehicle has assets or operations in the country, or (3) the legal vehicle has a participant (eg director, legal owner, beneficial owner, settlor, etc) who is resident in the country. Unfortunately, just like in the previous section, most countries hardly ever exercise this best case scenario (requiring beneficial ownership registration whenever any of the three conditions is met).

While countries have many different frameworks, for simplification purposes, this report considers whether the conditions that trigger registration for legal persons are:

- local incorporation
- being locally subject to tax or being a tax resident
- “other” (eg having the headquarters or main activities in the jurisdiction, or having local assets)

³⁶ This number includes Latvia and Slovakia (while their laws do not require trusts to register their beneficial owners, they are required to do it based on the 5th EU AML Directive). This number also includes the US and its territories covered by the FSI: American Samoa, Guam, Puerto Rico and US Virgin Islands. The US BO law (the Corporate Transparency Act) will apply to all US territories and according to the [proposed FinCen regulations](#) (as of July 2022), “business trusts” (and other entities typically created by a filing with a secretary of state or similar office) will be covered by beneficial ownership registration.

³⁷ Andres Knobel and Florencia Lorenzo, *Trust Registration Around the World*, 2022 <<https://taxjustice.net/wp-content/uploads/2022/07/Trusts-FATF-R-25-1.pdf>> [accessed 8 November 2022].

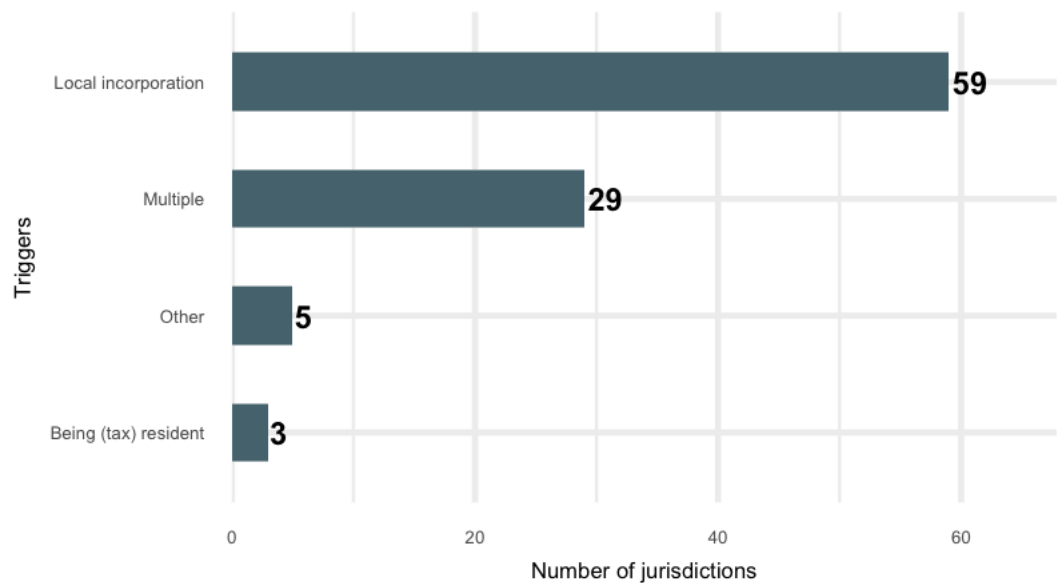
³⁸ Tax Justice Network, ‘Roadmap to Effective Beneficial Ownership Transparency (REBOT)’, *Tax Justice Network* <<https://taxjustice.net/rebot>> [accessed 8 November 2022].

- “multiple” (meaning more than one of the above).

Based on the data from the 2022 edition of the Financial Secrecy Index, the most common registration triggers for companies and legal persons exercised by jurisdictions are:

- Local incorporation: 59
- Subject to tax/tax resident: 3
- Multiple: 29
- Other: 5

Figure 9. Most common registration triggers for companies and legal persons



Almost two thirds of countries covered by the Financial Secrecy Index that have laws requiring beneficial ownership registration require registration only when the legal person is locally incorporated. While this is a responsible measure to ensure local entities adhere to sufficient transparency requirements, this does not guarantee beneficial ownership transparency in these countries. Entities incorporated elsewhere may be operating in these countries, either holding local assets or earning an income locally, without disclosing their beneficial owners to local authorities. This asymmetry risks distorting economic competition in a perverse manner, cloaking offshore entities that may be underpaying tax on local profits or breaching local anti-monopoly measures.

Elements in the beneficial ownership definition

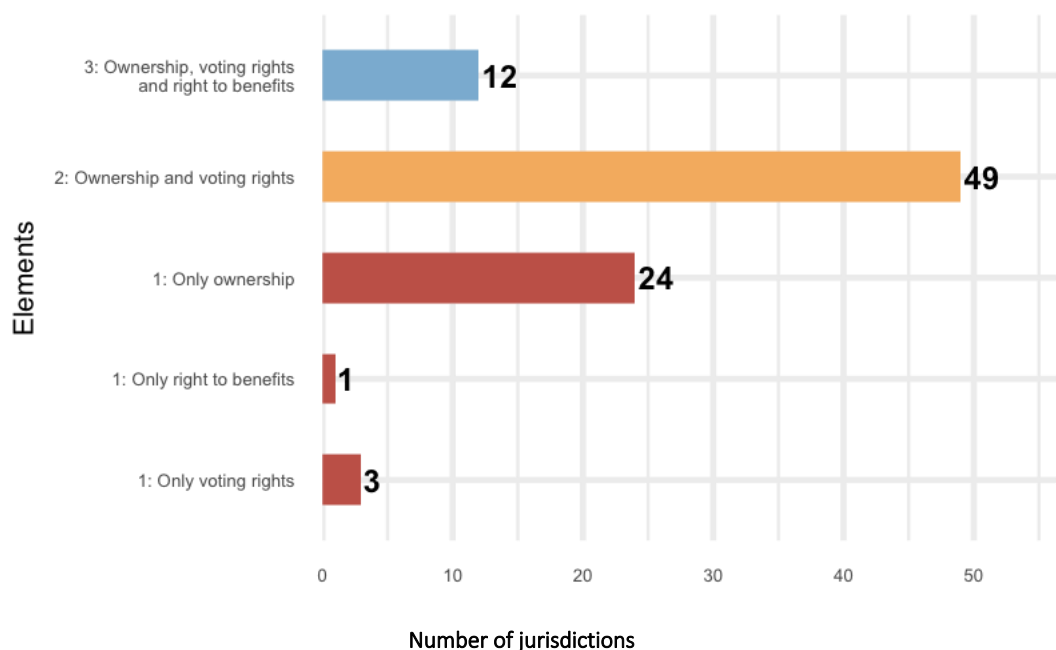
In the best case scenario, following the Tax Justice Network's [Roadmap to Effective beneficial ownership Transparency](#)³⁹, countries' beneficial ownership definitions should cover every individual who has at least one of the following three elements: ownership of the legal vehicle, control of the legal vehicle or benefits from the legal vehicle (eg right to dividends).

Most countries also include in their beneficial ownership definitions the residual test to cover “anyone with other means of control” or “anyone with effective control”. These more elusive means of control are sometimes defined as voting rights or the right to appoint or remove the majority of the board of directors.


Based on the data from the 2022 edition of the Financial Secrecy Index, the most common elements in the beneficial ownership definitions that countries use for legal persons are:

- Only ownership: 24
- Only voting rights: 3
- Only rights to benefits: 1
- Both ownership and voting rights: 49
- All three (ownership, voting rights and rights to benefits): 12
- Information on definition not clear: 7
- Not applicable: 1 (Sri Lanka only has a beneficial ownership definition for trusts)

Figure 10. Most common elements in countries' beneficial ownership definitions for legal persons



³⁹ Tax Justice Network, 'Roadmap to Effective Beneficial Ownership Transparency (REBOT)', *Tax Justice Network* <<https://taxjustice.net/rebot>> [accessed 8 November 2022]



While slightly more than a half of countries consider two elements (ownership and voting rights), almost a quarter of countries considers only the ownership element. Slightly more than 10 per cent of countries (12 in total) apply all three elements, ensuring the widest possible case of transparency.

Thresholds in the beneficial ownership definition

In the best case scenario, following the Tax Justice Network's [Roadmap to Effective beneficial ownership Transparency](#)⁴⁰, countries should not incorporate thresholds into their beneficial ownership definition. Thresholds set a bar that individuals who enjoy ownership, control or benefits have to first meet before they are recognised as beneficial owners. The most common instance of this is the "25 per cent or more" threshold which exempts anybody who owns or controls less than 25 percent of a legal vehicle, or enjoys less than 25 per cent of its benefits, from being recognised as a beneficial owner.

No matter how low a threshold is set, the incorporation of thresholds always makes it possible for companies to conceal their beneficial owners, for example by spreading the ownership across multiple individuals that each own less than the applicable threshold.

Anyone with at least one share of a legal vehicle should be identified as a beneficial owner. However, if thresholds are used, given that this is the case in most countries, thresholds should be as low as possible. A lower threshold still provides more transparency than a higher threshold.

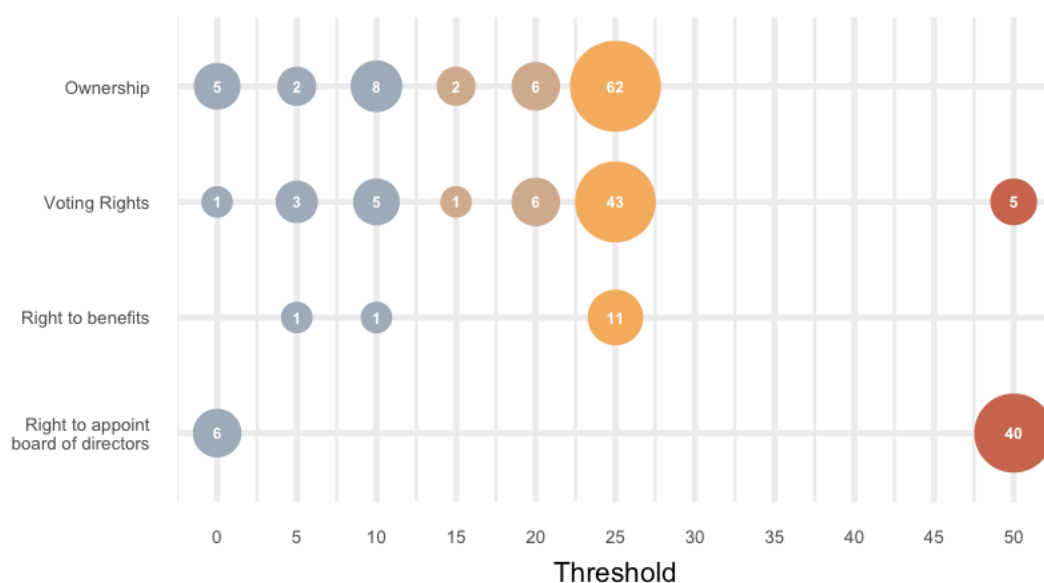
For simplification purposes, this report only considers cases where thresholds are used for:

- Ownership
- Voting rights
- Rights to benefits
- Rights to appoint or remove members of the board of directors.

Figure 12 below presents how many jurisdictions use thresholds for each of these listed categories, and provides a breakdown of the threshold levels (percentage) use for each of these categories. While most countries apply the highest possible threshold of ownership ("at least 25" or "more than 25" per cent), there is an increasing number of countries applying lower thresholds, including five leading jurisdictions that apply no thresholds at all.

⁴⁰ Tax Justice Network, 'Roadmap to Effective Beneficial Ownership Transparency (REBOT)', *Tax Justice Network* <<https://taxjustice.net/rebot>> [accessed 8 November 2022]

Figure 11. Number of jurisdictions using thresholds, broken down by element and threshold level



Any thresholds used by jurisdictions that require a “majority” are presented in the figure above as a 51 per cent threshold.

The use of thresholds for voting rights has a similar pattern to that for ownership - although worryingly a few countries use a “majority” threshold (51 per cent or more) for voting rights. As for rights to benefits, only a few countries use this element. However, most of these countries use the infamous 25 per cent threshold.

As for thresholds on appointing or removing the board of directors, most countries use a “majority” threshold while six countries consider the right to appoint or remove at least one director as sufficient expression of control.



Companies' effective ownership registration

Companies are legal persons or entities whose capital is usually divided into shares which are held by shareholders. Shareholders are liable to the creditors of the company up to only the value of their original investment in the company. This arrangement is referred to as a company limited by shares. In some unusual cases, a company's capital is not divided by shares but among members of the company acting as guarantors (company limited by guarantee).

Companies limited by shares may have different types of shares. Some types of shares provide only economic rights, such as to receive dividends. Others provide political rights as well (or instead), such as to vote or appoint a Director to the board.

Shares can also differ in how their ownership is assigned. Usually, the owner of a share is whoever is registered on a record somewhere as the share's owner (for example, in a book entry). "Bearer shares", however, assign ownership of a share to whoever physically holds the paper document representing the share. "Bearer shares" pose a serious risk to transparency since the ownership of shares (and ultimately of a company) can be transferred simply by handing a paper document to another person.

Examples of companies limited by shares covered in this section include joint-stock companies (also called Société Anonyme, Sociedad Anónima or S.A., Aktiengesellschaft or AG), limited liability companies (LLC, also called Sociedad de Responsabilidad Limitada or SRL, or Gesellschaft mit beschränkter Haftung or GmbH) and partnerships limited by shares (also called Sociedad en comandita por acciones or société en commandite par actions or SCA).

Bearer shares

Registration of companies' legal ownership information and beneficial ownership information, although considered in this paper independently, are both susceptible to risks posed by bearer shares if locally bearer shares:

- are available
- are immobilised by a party other than a government authority
- are not cancelled (ie lose all rights) if they fail to register and covert by a certain date

For the 141 jurisdictions assessed by 2022 edition of the Financial Secrecy Index, bearer shares are considered to be effectively regulated if they are not available (eg prohibited), or, when they are available, if they:

- must be immobilised or registered by a government authority

- are cancelled (ie lose all rights) if they remain unregistered or not immobilised.

To immobilise a bearer share means a government authority keeps hold of the bearer share instrument (so that its owner cannot freely transfer it). To register a bearer share means a government authority keeps a record of the owner of the bearer share, and no transfer of ownership is valid unless the authority is notified of the transfer. It is not sufficient for bearer shares to be immobilised by a private custodian instead of a government authority as this cannot guarantee transparency. For example, the private custodian may be a lawyer located abroad who may refuse to disclose ownership information to the authorities or who may fail to comply with the immobilisation. It is also not sufficient for bearer shares that fail to immobilise with a public authority to be merely suspended, which would still allow holders to reinstate the rights afforded by their bearer share at a later date or obtain economic compensation from them. Suspending bearer shares that are not immobilised allows ownership to continue to be transferred elusively up to the point when the current bearer chooses to "cash in" the shares.

Importantly, it is not enough for a country to prohibit new bearer shares. There should be provisions requiring the registration, conversion or immobilisation of pre-existing bearer shares.

Based on data from the 2022 edition of the Financial Secrecy Index, the number of jurisdictions that do and do not effectively regulate bearer shares is as follows:

a) Bearer shares are effectively regulated (do not pose risks):

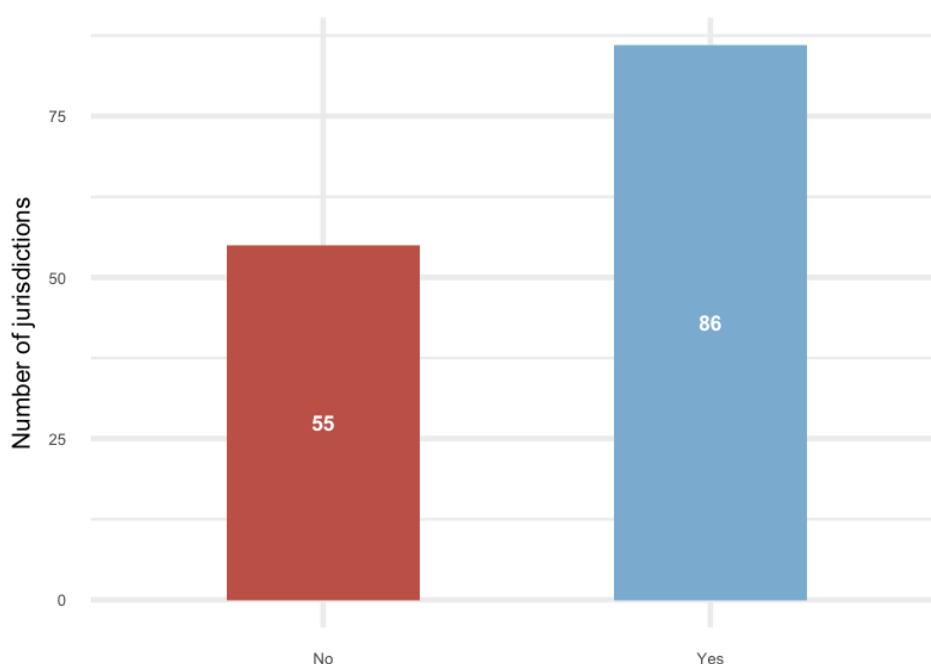
- Bearer shares are prohibited or not available: 74
- Bearer shares are immobilised or registered with a government authority: 12

b) Bearer shares are not effectively regulated (may pose risks):

- Bearer shares may be available, but their status is unclear: 9
- Bearer shares are freely circulating, or not properly immobilised, converted or registered: 45

For some of the jurisdictions assessed by the index, the situation is not clear enough to be able to conclude whether bearer shares are effectively regulated or not.

Figure 12. Does the country prohibit or effectively regulate bearer shares?



While many countries have approved beneficial ownership registration laws, they may still be failing to address the risks of bearer shares. Out of the 97 jurisdictions with beneficial ownership registration laws, almost two thirds (64 countries) effectively regulated bearer shares for local companies, but close to a third (33) still have problems.

Importantly, as described by our paper on [Complex Ownership Structures](#)⁴¹, 86 jurisdictions have provisions preventing local companies from issuing or having bearer shares. However, none of the countries appear to have established measures to prevent foreign entities with interests in any local company from issuing bearer shares. In other words, all countries may still suffer from secrecy created by foreign bearer shares which are part of the ownership chain that owns or controls local companies.

Legal and beneficial ownership registration

This report considers a country to be exercising effective legal ownership (LO) registration when:

1. All domestic companies are required to register all of their legal owners and;
2. This information is updated at least annually and;

⁴¹ Andres Knobel, *Complex Ownership Structures: Addressing the Risks for Beneficial Ownership Transparency*, February 2022 <<https://taxjustice.net/wp-content/uploads/2022/02/Complex-ownership-chains-Reduced-Andres-Knobel-MB-AK.pdf>> [accessed 9 November 2022].

3. At least some of this information (specifically, name and either address, date of birth or national identification number) is available online for the public to access and;
4. Accessing the information online is free (no fee or charge) and the information is available in an easily copiable format.

Similarly, this report considers a country to be exercising effective beneficial ownership (BO) registration when:

1. All domestic companies are required to register all of their beneficial owners and;
2. The beneficial ownership definition covers at least one of three possible elements – ownership, control or benefit – and any thresholds incorporated into the definition are not higher than “more than 25 per cent” and;
3. This information is updated at least annually and;
4. At least some of this information (specifically, name and either address, date of birth or national identification number) is available online for the public to access and;
5. Accessing the information online is free (no fee or charge) and the information is available in an easily copiable format.

The figures below illustrate how many jurisdictions meet each of the steps listed above for legal ownership and beneficial ownership registration, drilling down to the number of jurisdictions that meet all the steps and so are effectively exercising registration.

Figure 13. Legal ownership registration and public access for companies

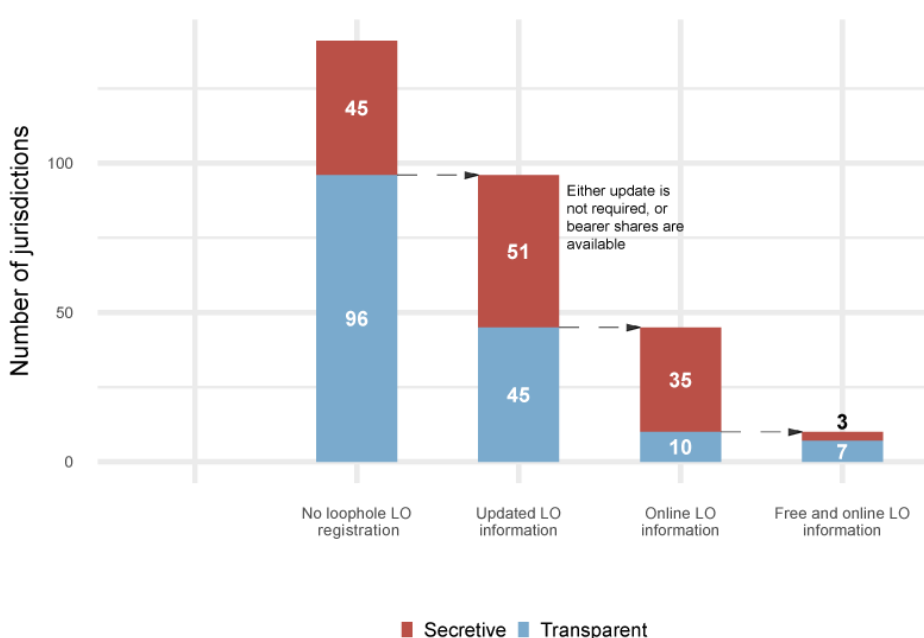
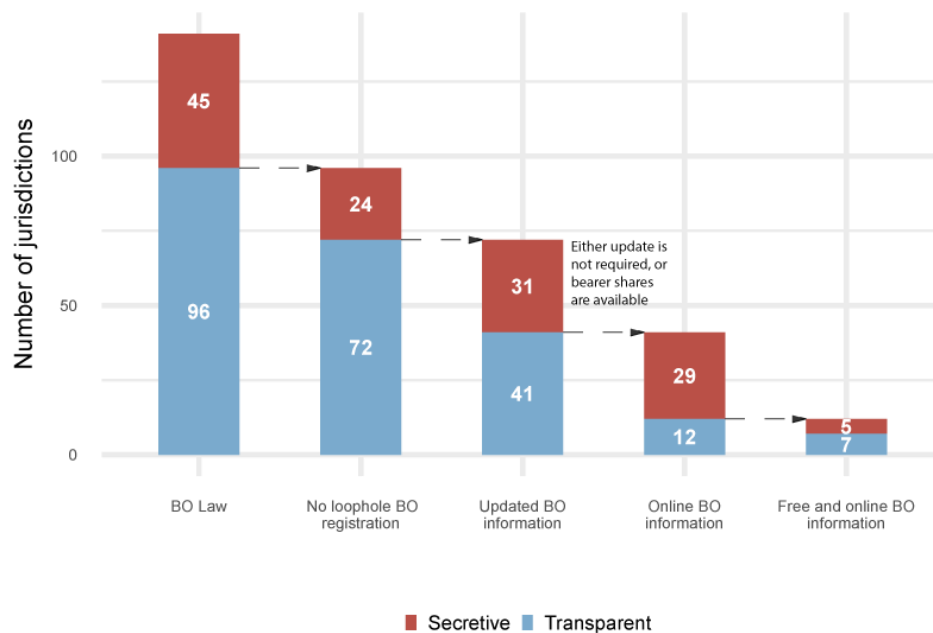


Figure 14. Beneficial ownership registration and public access for companies



While 96 countries require legal ownership information to be registered (without loopholes), more than half of these countries do not guarantee that this information is regularly updated, either because the availability of bearer shares make it impossible to guarantee this update, or because the update is not required by law. Further, among the countries where information is updated, less than a quarter of these countries make the information available online. All in all, only seven countries make this online information available for free in an easily copiable format and so only seven countries out of 141 meet all the steps for exercising effective legal ownership registration.

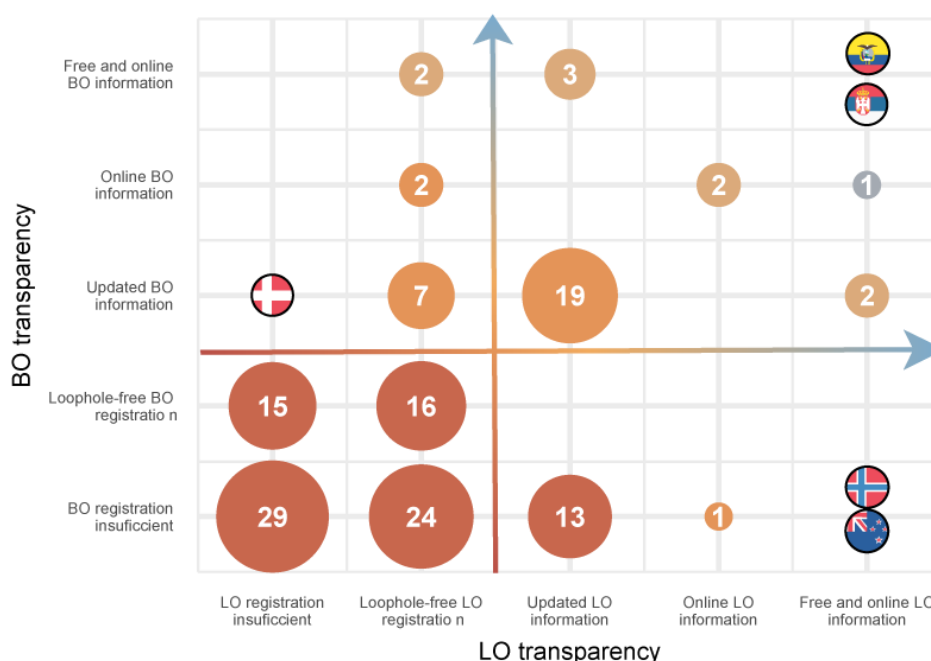
Regarding the effectiveness of beneficial ownership registration frameworks, from the 96 countries that currently have a beneficial ownership law requiring companies to file beneficial ownership information with a government authority, more than a fourth have some type of loophole (for instance, the framework does not cover all types of companies, or allows a legal entity to be registered instead of an individual). Among the countries that have a loophole-free beneficial ownership framework, 31 do not guarantee that this information is regularly updated, be it due to the availability of bearer shares or loopholes in the law. Further, among the 41 countries where the beneficial ownership registration law is without loopholes and information must be updated annually, only 12 countries make this information available online. All in all, only seven countries make this online information available for free in an easily copiable format and so only seven countries out of 141 meet all the steps for exercising effective beneficial ownership registration.

Ultimately, ownership transparency can only be truly effective when a country exercises both effective legal ownership registration and effective beneficial ownership registration. One without the other cannot guarantee

a full picture of ownership let alone verify it. Beneficial ownership registration cannot confirm the identity of the last layer of ownership, if the first layer of direct ownership – legal ownership – remains a secret. And legal ownership registration by itself (without beneficial ownership) is insufficient because it can refer to an entity or a nominee individual rather than the real natural person owner or controller.

The figure below looks at the steps for both effective legal and beneficial ownership registration, and shows where countries fall on these steps.

Figure 15. Interaction between legal and beneficial ownership transparency



While some countries offer online and free access to information on both beneficial owners and legal owners, such as Ecuador and Serbia, most countries fail in at least one of the dimensions. For instance, Norway and New Zealand have legal ownership information available online for free and in an easily copiable format, but as of March 2022, they did not have a framework requiring the registration of beneficial ownership information in place or without loopholes. In other words, both of these countries met all the steps for effective legal ownership registration but failed to move beyond the first step for effective beneficial ownership registration. Denmark transparency leans in the opposite direction. Although beneficial ownership information is collected, registration of legal owners has loopholes (only some legal owners need to be registered). Denmark meets the first three steps towards effective beneficial ownership registration but fails at the first step towards effective legal ownership registration.

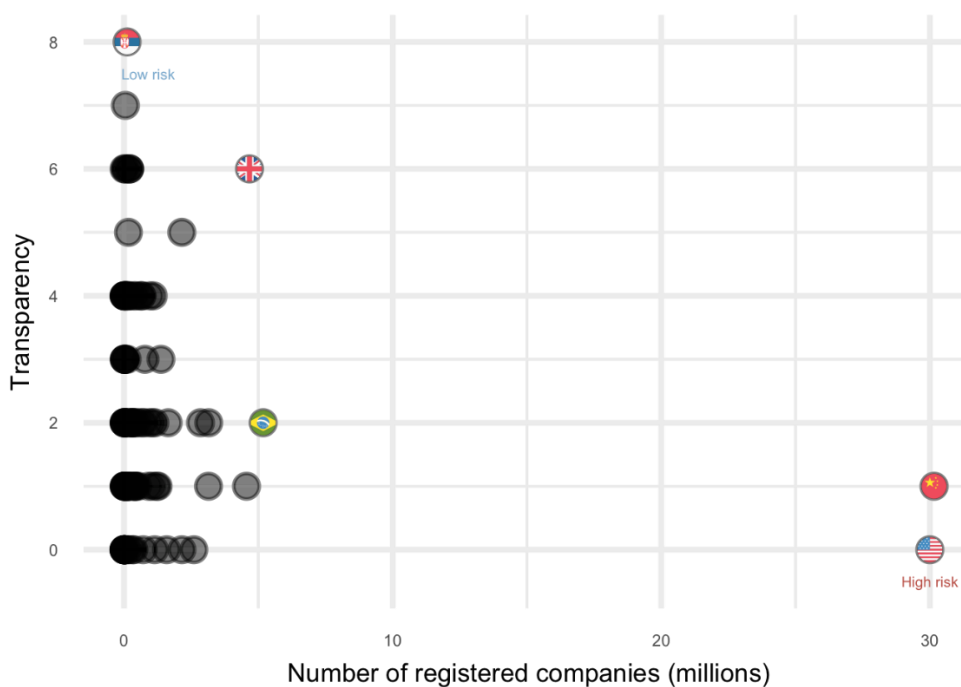
For a country to have a fully operational framework, both legal and beneficial ownership information must be collected without loopholes, regularly updated and published online for free in an easily copiable format.

Risk in practice: transparency vs number of companies

Of the 141 jurisdictions assessed by the 2022 edition of the Financial Secrecy Index, 127 have information available online on how many companies are registered in their jurisdiction. For these 127, we compare their company transparency registration levels against the number of companies that are registered within their borders to evaluate how much secrecy risk each jurisdiction creates.

A jurisdiction with the highest transparency levels would pose no risk, no matter how many companies are incorporated in the jurisdiction. On the other hand, a jurisdiction with low levels of company transparency creates more and more secrecy risks the more companies incorporate in the jurisdiction. These secrecy risks are not confined to the jurisdiction alone but can impact the whole world, especially if more and more people seeking to hide their financial affairs from the rule of law flock to establish opaque companies in the jurisdiction.

Figure 16. Countries' transparency level and number of registered companies



The US presents the highest risk, with 30 million registered entities and no comprehensive (loophole-free) registration of either legal ownership or beneficial ownership information. The next most risky jurisdiction is China which has the same number of companies. While legal ownership has to be registered in China, it cannot be considered to be regularly updated due to the availability of bearer shares. On the opposite side of the spectrum, Serbia represents even lower risk because it has both legal and beneficial ownership information freely available online, as



Figure 16 further above showed, and the country has less than a million registered companies.



Conclusion

This report shows that countries are clearly moving towards greater beneficial ownership transparency of companies and other legal vehicles. Since 2018, the world moved from having just 34 jurisdictions which required some type of beneficial ownership registration, to 97 which now require at least some legal vehicles to register beneficial ownership information with authorities. That in itself is a lot to celebrate.

However, pre-existing issues, as well as new challenges, need to be addressed to guarantee that such frameworks are implemented in an effective manner. It is disappointing to see, for instance, that some countries which have implemented beneficial ownership frameworks have failed to effectively abolish bearer shares. As long as bearer shares are available, they create secrecy risks which frustrate any effort on transparency of corporate vehicles, since they make it impossible to guarantee that beneficial ownership information is known or up to date.

In addition, the registration and publication of legal ownership information (which refers to the first layer of ownership) is crucial to verify beneficial ownership information, as well as to understand corporate structures and assess potential risks. Yet, even in countries which are at the forefront of beneficial ownership transparency, the frameworks to register the legal owners are still deficient.

The risks posed by bearer shares and the loopholes in legal ownership registration frameworks highlight the fact that beneficial ownership laws should not be regarded as panaceas, but as one component out of several that contribute to the transparency of legal vehicles. The growing prominence of beneficial ownership does not mean the other pieces of the puzzle can be disregarded..

Lastly, there is also a lot to work on when it comes to the publication of beneficial ownership information. Until October 2022, public access to beneficial ownership information seemed to be going on a slow but steady path in the right direction. In November 2022, an EU Court of Justice ruling invalidated public access to beneficial ownership information for local legal persons in the EU in relation to the fight against money laundering.

Although the ruling was a serious blow to the growing momentum on public access, there are some silver linings. First, not all EU countries decided to close public access to their beneficial ownership registries, explaining that public access served uses beyond anti-money laundering. Second, the ruling explicitly recognised that the media and civil society organisations related to the fight against money laundering have a legitimate interest to access beneficial ownership information. This recognition may be used to expand access by the media and civil society organisations in other regions where public access is still not in the agenda. Finally, other international organisations are continuing to push for public access, including the extractive industries initiative as well as the IMF in relation to procurement related to the Covid-19 pandemic.



Although there is a lot that can (and should) be improved, international momentum continues to move towards transparency, and sharing best cases is crucial for these opportunities to be followed by other countries.



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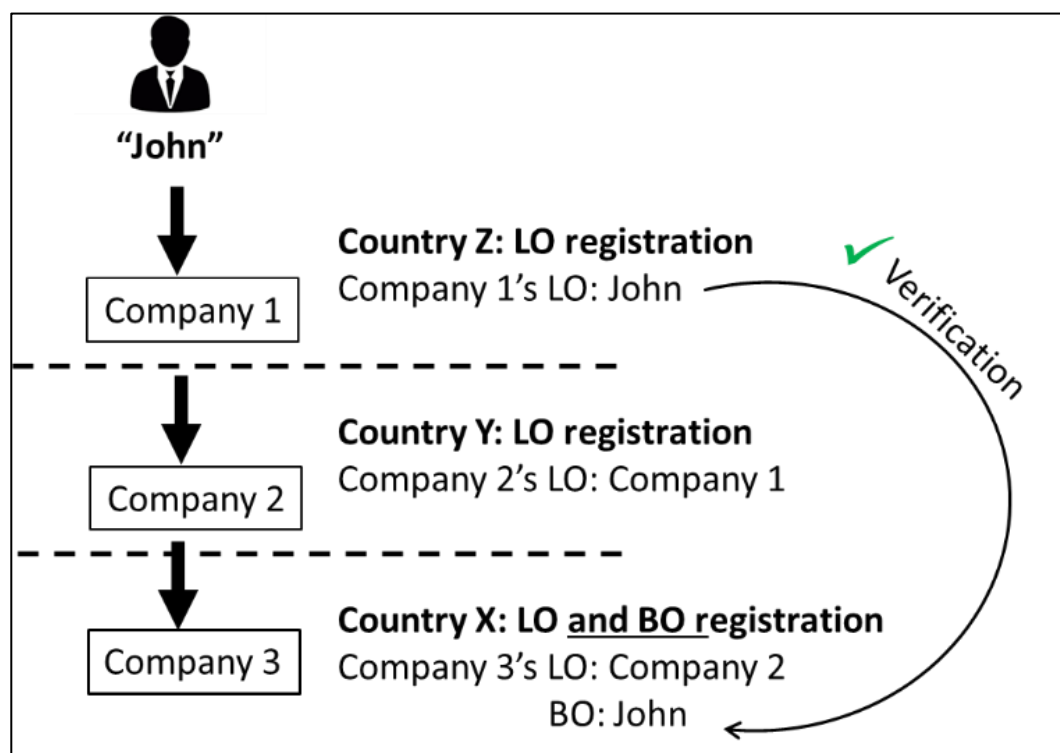
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Annex - Relationship between legal ownership and beneficial ownership registration

As expressed above, based on the FSI, when assessing a country's laws, beneficial ownership registration and legal ownership registration are assessed as two independent factors (we do not consider beneficial ownership registration to be dependent on legal ownership registration). This is consistent with FATF Recommendation 10, where financial institutions must identify the beneficial owners of their customers in any way possible (regardless of whether or not those customers have registered their legal ownership or beneficial ownership in any country).

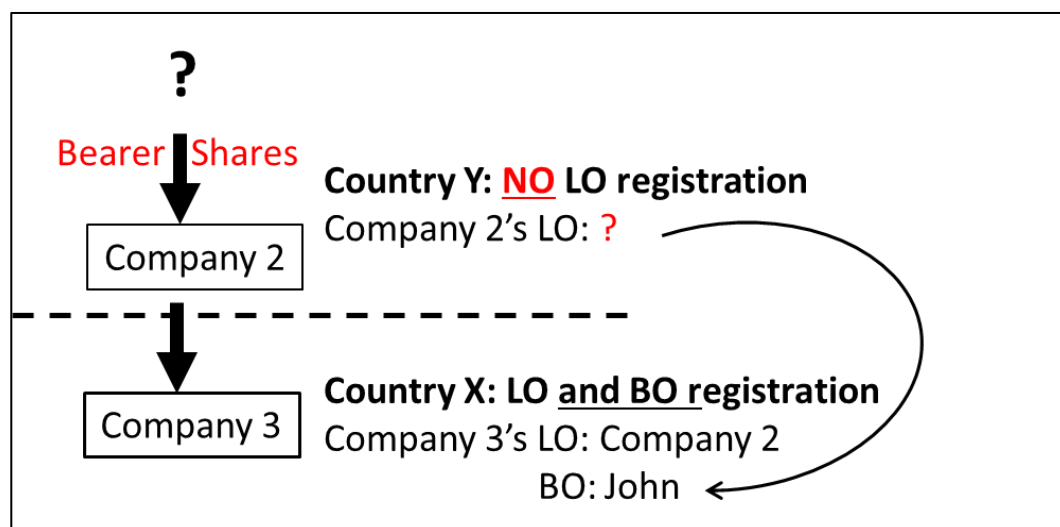
However, the best way to ensure the accuracy of such registered beneficial ownership information (making it easier both for financial institutions and for corporate registries and other authorities to verify information) would be to ensure that legal ownership information also has to be properly registered. This is especially relevant when the beneficial owner controls an entity, not directly, but through other entities.

Suppose the beneficial owner ("John") controls Company 3 through two intermediate entities: Companies 1 and 2. If Company 3 is subject to legal ownership and beneficial ownership registration, it would identify Company 2 as its legal owner (first tier) and John as its beneficial owner



(last tier).

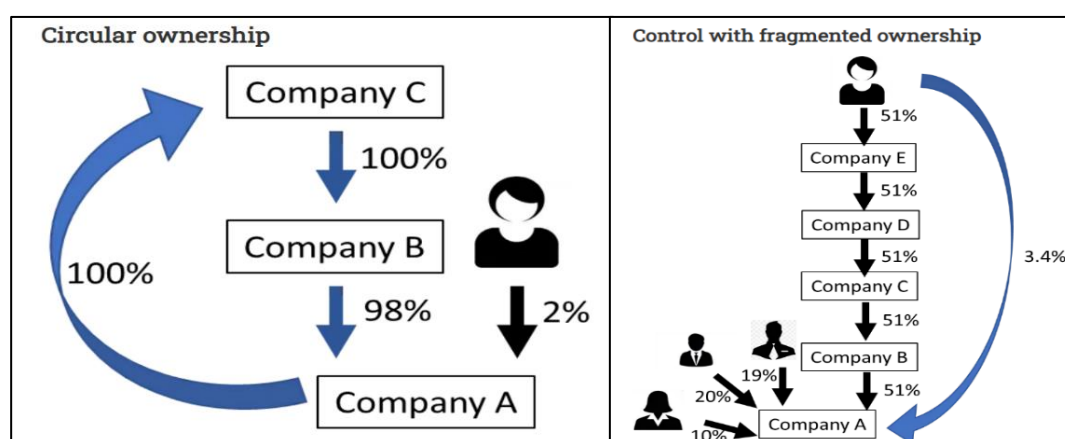
If both intermediate companies 1 and 2 were subject to legal ownership registration, identifying the beneficial owner of Company 3 should be



fairly easy, even if neither Company 1 nor 2 have to register their beneficial owner (who would also be John). Company 2 would identify Company 1 as its LO. Company 1 would identify John as its LO. Given that all the intermediate entities in the ownership chain of Company 3 have identified their LOs, it's possible to verify that John *really* is the beneficial owner of Company 3.

Instead, if either of the companies in the ownership chain (Companies 1, 2 or 3) were not required to register their LOs, it may be very hard to verify the beneficial owner of Company 3, because the chain of information would be broken.

Another case would be the use of circular ownership structures or fragmented ownership⁴² to prevent identifying or verifying the BO. Only by disclosing the full ownership chain would these schemes be identified:



⁴² Andres Knobel, 'More Beneficial Ownership Loopholes to Plug: Circular Ownership, Control with Little Ownership and Companies as Parties to the Trust', 2019 <<https://taxjustice.net/2019/09/06/more-beneficial-ownership-loopholes-to-plug-circular-ownership-control-with-little-ownership-and-companies-as-parties-to-the-trust/>> [accessed 9 November 2022].

Source: Knobel, A., "More beneficial ownership loopholes to plug: circular ownership, fragmented control and companies as parties to the trust", *Tax Justice Network*, Sept 2019.

The best way to ensure that registered beneficial ownership information in country X is *accurate* would be by checking the LOs of every entity in the ownership chain. However, as the FSI and this paper show, not all countries require legal ownership information to be registered, let alone publicly available.

However, countries can still take action while they're waiting for this ideal scenario to take place. First, they could require the full ownership chain to be registered (instead of only the first layer of LOs and last layer, the BO). However, the same risk would apply, because it may be impossible to determine that the ownership chain has changed, if say one of the intermediary entities changed its owners. Therefore, countries could impose unilateral transparency measures, imposing limits on the length and the quality of the ownership chain. They could require that for any entity incorporated (or having a bank account) in their territory (eg Company 3), the ownership chain (all the layers up to the BO) of that "Company 3" must include only entities that have been incorporated in countries that have effective legal ownership registration (eg where bearer shares aren't available). Finally, they could limit the number of layers up to 1 or 2, unless the entity justifies the need for more layers (that should not be related to secrecy or tax abuse)⁴³.

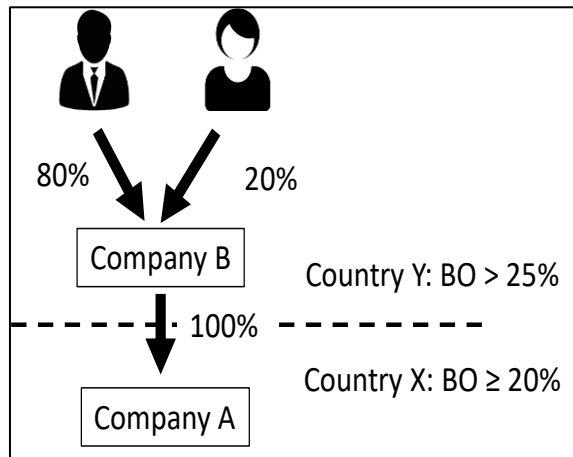
Unfortunately, these unilateral transparency measures have not been applied yet in any country, making it much harder for authorities and financial institutions to verify registered beneficial ownership information.

To sum up, most countries don't require effective *legal* ownership registration for all types of entities incorporated in their territories. What's more, no country establishes unilateral transparency requirements for the whole ownership chain of the entities incorporated in their territories (e.g. requiring a limit on the length and the quality of the chain). Because of this, countries that do require beneficial ownership registration will still find it hard to verify such registered beneficial ownership information. However, this difficulty in *verifying* beneficial ownership information is different from not having any beneficial ownership registration at all. In order to show and recognise those countries that do have effective⁴⁴ beneficial ownership beneficial ownership registration laws, the FSI assesses legal ownership and beneficial ownership registration independently: a country may be considered to have effective beneficial ownership registration even if doesn't have effective legal ownership registration or if it doesn't impose unilateral transparency measures on the ownership chain.

⁴³ Andres Knobel, *Beneficial Ownership Verification: Ensuring the Truthfulness and Accuracy of Registered Ownership Information* (2019) <<https://www.ssrn.com/abstract=3320600>> [accessed 5 August 2019].

⁴⁴ It's not enough to have a beneficial ownership registration law. The law has to be effective (e.g. there should be no exemptions in case the BO is a non-resident (Germany prior to January 2020), or in case the LO is a supervised entity (BVI)).

Does global beneficial ownership registration make legal ownership registration obsolete?



No, both beneficial ownership and legal ownership registration are necessary. While beneficial ownership registration is vital for identifying the individuals who are effectively controlling an entity, legal ownership registration is necessary for identifying the ownership chain, and to verify beneficial ownership information. Imagine Company A is created in Country

X where the beneficial ownership threshold is 20%. Company A is wholly owned by Company B from country Y. Company B is owned 80% by a man and 20% by a woman. Country A would identify Company B as the LO, and both the man and the woman as the beneficial owners. If Country Y doesn't require legal ownership registration and has a beneficial ownership threshold of 25%, Country Y will only require the man to be identified as the beneficial owner (instead, if it required legal ownership registration, it would identify both the man and the woman as its LOs too). While the woman would be identified as the beneficial owner in country X, there would be no registration of her in country Y, so it would not be possible to verify her identity using Country Y's official records.