

Roadmap to Effective Beneficial Ownership Transparency (REBOT)

This roadmap presents the Tax Justice Network's vision for beneficial ownership frameworks that achieve truly effective transparency. This version will be constantly updated based on new ideas or experiences to achieve the most ambitious transparency outcome.

We understand that political, technical and budget constraints may prevent countries from achieving this standard in the short or medium term. For this reason, the roadmap offers for each framework target the 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)

Context

Beneficial ownership transparency (ie the identification of the individuals who ultimately own, control or benefit from companies and other types of legal vehicles) has garnered significant interest from both policymakers as well as the general public in recent decades. This interest has been closely tied to efforts to fight illicit financial flows, corruption, money laundering, tax abuse, the financing of terrorism and so on. Many countries have approved beneficial ownership frameworks in recent years, however, almost all these frameworks are incomplete and either fail to cover all relevant legal vehicles (eg covering companies but not trusts), or fall short in regulating systemic provisions on sanctions, verification or legal ownership.

We present here the first version of the Tax Justice Network's Roadmap to Effective Ownership Transparency, which sets out a series of steps governments can take to reach a robust beneficial ownership framework that meaningfully delivers transparency. The roadmap builds on more than 10 years of policy and research experience from the Tax Justice Network on beneficial ownership, particularly drawing from more than 140 country-specific assessments conducted by the Tax Justice Network for the biennially updated Financial Secrecy Index.

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1. Which types of legal vehicles should be subject to ownership registration?

Short answer

Any legal vehicle (ie any structure different from a natural person) should be subject to ownership registration.

Why?

If a type of legal vehicle falls outside the scope of registration, anyone could abuse that type of legal vehicle to remain hidden from authorities.

Long answer

All types of legal vehicles (companies, trusts, partnerships, foundations, Anstalts, etc), regardless of whether they are considered a legal person or possess separate legal personality, should have to register their legal and beneficial ownership information before they are allowed to operate in a country's economy by owning assets, or providing or acquiring goods or services.

Exceptions to the scope of registration should not be allowed for any legal vehicle. Typically, most countries only cover legal persons, like companies, but not legal arrangements, like trusts. Some countries only cover a limited range of partnership types, or they exempt companies listed on the stock exchange or state-owned enterprises.

Why is this relevant?

Entities that fall outside the scope of registration can be exploited for illicit financial flows. For instance, the UK started covering companies and limited liability partnerships (LLPs) for beneficial ownership registration but didn't cover limited partnerships (LPs). It was only after finding out that limited partnerships (LPs) from Scotland were involved in [major money laundering schemes](#) that the UK extended its scope to cover Scottish LPs as well.

Steps

1. Which types of legal vehicles should be subject to ownership registration?

Minimum	Benchmark	Effective
<p>✓ All legal persons and trusts are subject to legal and beneficial ownership registration, with exceptions, eg:</p> <ul style="list-style-type: none"> ✗ listed companies ✗ investment funds ✗ state-owned enterprises ✗ NGOs ✗ low risk entities ✗ etc 	<p>✓ All legal persons and trusts are subject to legal and beneficial ownership registration, including listed companies and investment funds, with some exceptions, eg:</p> <ul style="list-style-type: none"> ✓ listed companies ✓ investment funds ✗ state-owned enterprises ✗ NGOs ✗ low risk entities ✗ etc 	<p>✓ All legal vehicles are subject to legal and beneficial ownership registration with no exceptions:</p> <ul style="list-style-type: none"> ✓ listed companies ✓ investment funds ✓ state-owned enterprises ✓ NGOs ✓ low risk entities ✓ etc

2. Who should be identified as a legal owner?

Short answer

All who have a title or any direct interest in the legal vehicle are legal owners.

Why?

Without complete legal ownership information (eg information on all shareholders), beneficial ownership cannot be verified. If you don't know who directly owns an entity, it's impossible to confirm who owns it indirectly.

Long answer

For corporate entities: every shareholder, member, or partner with any direct share, right, specific role, or title over the entity is a legal owner.

For trusts and private foundations: legal and economic settlors or founders, protectors/enforcers, trustees/foundation council members and beneficiaries are all legal owners. Additionally, any other legal or natural person with effective control over or special role in the trust/foundation

is also considered a legal owner.

Why is this relevant?

Beneficial ownership involves identifying the individuals who ultimately own, control or benefit from legal vehicles. Legal ownership involves identifying the first layer of ownership which beneficial owners can hide behind. Without identifying the first layer of ownership, it can be impossible to identify any further layers. For example, if shareholders with less than 5 percent shares are not required to register their information, it is impossible to determine whether these shareholders are serving as a front to hide another person’s ownership.

Steps: 2. Who should be identified as a legal owner?

	Minimum	Benchmark	Effective
Companies and similar entities	✓ All shareholders or members are registered as legal owners		✓ All who have a title or any direct interest in the legal vehicle are defined as legal owners
Trusts and foundations	✓ The settlor, trustee, protector and beneficiaries are registered as legal owners		✓ All who have a title or any direct interest in the legal vehicle are defined as legal owner

3. Who should be identified as a beneficial owner?

Short answer

Any natural person who in any way owns, controls, or benefits from a legal vehicle should be considered a beneficial owner.

Why?

Beneficial ownership is about identifying beforehand all the individuals who may be related to an entity in case this information becomes useful in the future and to detect undeclared relationships between entities and individuals (eg a beneficial owner of a company involved in money laundering also has a few shares, eg 0.1 per cent, in a procurement company).

Long answer

For corporate entities: Every individual (natural person) who directly or indirectly has at least one share, one vote or any interest or right to dividends, profit or assets of a legal vehicle should be considered a beneficial owner, including if they have exposure to economic benefits based on financial instruments (eg convertible stock, put or call options, or contracts). Additionally, those with the right to appoint/remove at least one director should also be beneficial owners. Finally, those who exercise control via other means including influence or power of attorney to manage, administer, or represent the entity or any of its assets, or have influence or veto rights over the administration, disposition or use of income or assets, including the management of bank accounts, should be considered beneficial owners.

For trusts and private foundations: All parties to the trust/foundation, including the legal and economic settlors or founders, protectors/enforcers, trustees/foundation council members and beneficiaries, and any natural persons with effective control over or special roles in the trust/foundation should be considered beneficial owners.

In the case of combined ownership structures, wherein any of the parties mentioned above is not a natural person (eg a trust company as the trustee), then the natural persons who directly or indirectly own or control (or benefit from) any of the (non-natural person) parties to the trust or private foundation should also be considered beneficial owners, regardless of the percentage interest in the legal arrangement they hold.

Why is this relevant?

By having information beforehand regarding all individuals (or as many as possible) related to an entity, it is possible to determine who is responsible in case an entity is found to be involved in any wrongdoing. In addition, having information on many potential controllers or ultimate owners can reveal unknown relationships between individuals and between other entities.

Steps

3. Who should be identified as a beneficial owner?

	Minimum	Benchmark	Effective
Companies and similar entities	✓ Natural person who passes a threshold should be a beneficial owner.	✓ Natural person with at least one share or vote should be a beneficial owner.	✓ Natural person who in any way owns or benefits from a legal vehicle, or who controls it (eg power of attorney, influence, convertible stock, financial instrument) should be a beneficial owner.
Trusts and foundations	✓ All settlors, trustees, protectors, beneficiaries and any other individual with effective control over the trust or foundation should be beneficial owners.	✓ Minimum met ✓ Applying the relevant beneficial ownership laws to any party to the trust/foundation that is a legal person.	✓ Minimum met ✓ If the party to a trust/foundation is a legal person, identify the beneficial owners as indicated under “Effective” in above row (no thresholds).

4. What conditions should trigger required ownership registration?

Short answer

Legal vehicles should be required to register beneficial ownership if they seek to incorporate locally, possess local assets, conduct local operations or have a local participant (eg a local legal owner, beneficial owner, settlor, director, etc).

Why?

To ensure that there will always be transparency about all local or foreign legal vehicles, regardless of what other countries are doing.

Long answer

A country should require legal and beneficial ownership registration if at least one of the following three conditions is present:

- **Place of incorporation or governing law:** A domestic legal person (such as a company) is incorporated in the country, or a domestic trust is created in accordance with or governed by the laws of the country.
- **Local assets or operations:** A legal vehicles is not incorporated in the country (eg is incorporated in another country), but seeks to hold assets (eg real estate or a bank account) in the country or to operate in the country (eg provide goods and services in the country or to local residents, or earn income or collect data from local residents).
- **Resident participant:** A legal vehicle is not incorporated in the country, but a resident of the country is related to the vehicle (eg by being a shareholder, director, settlor, protector, trustee, beneficiary, etc).

Why is this relevant?

- By registering information on legal and beneficial owners of corporations incorporated within their own jurisdictions, countries can exercise responsible behaviour towards preventing illicit financial flows occurring locally as well as abroad.
- Transparency about any foreign legal vehicle with assets or operations in the country helps protect the country against abuses of the foreign vehicle. Otherwise, the country may have no idea who's behind the foreign legal vehicles that own significant quantities of real estate or land in the country.
- In response to leaks like the Panama Papers and Pandora Papers, authorities wanted to find out which of the vehicles identified in the leaks were owned by local residents to make sure, for instance, those residents weren't engaging in tax evasion or money laundering. By requiring registration from foreign legal vehicles that have a local (resident) participant, such as a director, shareholder, beneficial owner or settlor, authorities will be collecting the same information that would otherwise only be made available by leaks and whistle-blowers.

Steps

4. What conditions should trigger required ownership registration?

	Minimum	Benchmark	Effective
Legal person	Triggers for registration: ✓ Locally incorporated	Triggers for registration: ✓ Minimum met ✓ Having local assets above a determined value ✓ Conducting specific activities.	Triggers for registration: ✓ Benchmark met ✓ Having any asset or operation in the country ✓ Having a participant (eg legal owner, beneficial owner, director, etc) in the country.
Trusts and foundations	Triggers for registration: ✓ Having a local trustee	Triggers for registration: ✓ Minimum met ✓ Created according to local laws ✓ Holding real estate in the country ✓ Establishing business relations in the country ✓ Having a party resident in the country (eg as settlor, trustee, etc).	Triggers for registration: ✓ Benchmark met ✓ Having any type of asset or operation in the country

5. Which identification details should legal and beneficial owners be required to register?

Short answer

Legal vehicles should be required to provide all identification details (eg tax ID) about both legal and beneficial owners to ensure there is no confusion of identity and to allow for special checks (eg status as

politically exposed person, aka PEP). They should also be required to disclose the full ownership or control chain (all intermediate layers) that illustrates how each beneficial owner benefits or has ownership or control over the legal vehicle.

Why?

There may be hundreds or thousands of individuals with the same name. It's necessary to identify the correct individual. Sufficient details can help detect risks (eg presence of a politically-exposed person) or confirm the validity of information. For example, if only the first layer and last layer are disclosed, it may be impossible to see the structure why the beneficial owner has ownership or control.

Long answer

Comprehensive identity details about all owners (legal and beneficial) and the type and nature of ownership for the full ownership chain should be recorded. This should include an owner's name, address, national identification number, date of birth, tax identification number, and, in the case of legal entities, their Legal Entity Identifiers. Information on the type and nature of beneficial ownership should include how the individual owns, controls or benefits from the legal vehicle (for example, direct ownership, voting rights, the right to appoint a majority of the board of directors), the percentage of their ownership or control, the date they became an owner (legal and/or beneficial owner), and, if applicable, the legal chain or nominees through which a beneficial owner exercises control.

Additional details such as PEP status or relationship, civil status, profession, and additional residencies or nationalities should be required in order to allow for sophisticated checks. It may be relevant to know, or at least to also consider, holdings by family members (to prevent a person from using family members to dilute their interests in a legal vehicle to be below thresholds, in case the definition still applies thresholds).

Why is this relevant?

To save time for investigations, it is necessary to have as many details as possible on owners to determine who they are, and not to confuse them with others who may share the same name, address or date of birth. Identification details based on numbers (eg passport numbers and tax IDs) are easier to determine, than names of persons or streets which could be written in many different ways (especially if they are based in another language). Some details are indicators of risk factors, such as an individual being a high-ranking official or someone with many residencies or nationalities. Disclosing the ownership chain can also expose complexity risks (eg too many layers compared to the industry average)

and confirm how each beneficial owner owns, controls or benefits from the legal vehicle.

Steps

5. Which identification details should legal and beneficial owners be required to register?

Minimum	Benchmark	Effective
Owner details to register: <ul style="list-style-type: none"> ✓ Full name ✓ Address ✓ National identification number ✓ Tax identification number ✓ Date of birth ✓ Nature of legal and beneficial ownership 	Owner details to register: <ul style="list-style-type: none"> ✓ Minimum met ✓ Full ownership chain ✓ Politically exposed person status ✓ Civil status 	Owner details to register: <ul style="list-style-type: none"> ✓ Benchmark met ✓ All nationalities / residencies ✓ Updated legal entity identifier ✓ Identity of direct family members

6. How often should legal and beneficial ownership registries be updated?

Short answer

Legal and beneficial ownership registries should be updated annually, even if to confirm nil changes, as well as upon any change in the relevant information.

Why?

Outdated data may be obsolete. Annual filings ensure that no one “forgets” to report information. Annual filings may only reflect a snapshot in time. To prevent the beneficial owner from appointing a nominee every 30 December for filing purposes and regain control every 1 January, every change should be registered in a history of changes.

Long answer

Changes to legal and beneficial ownership information should be required to be registered in order to take effect. In addition, legal vehicles

should be required to annually submit an up to date list of legal and beneficial owners, including the history of changes.

Ideally, updated information should identify from whom the legal vehicle was acquired in the case of a transfer of ownership or a change of ownership of another nature (eg the issuance of new shares, a merger, the appointment of a new beneficiary, etc). This information should also identify the family relation between the seller and purchaser, if applicable. For instance, it should be noted whether they are family members or unrelated. This would help identify or investigate cases in which persons transfer shares to their children or to unrelated individuals (who may be nominees) for the purposes of masking their ownership. Finally, to make sense of the information provided, the value of the transaction should be added. If it was a free transaction, such as a donation or an appointment of a new beneficiary, the reason for the transaction should be included. For instance, in a transaction between unrelated parties, recording the value ensures it will be possible to check whether the new acquirer has declared income or wealth to justify the purchase of shares. For another example, it may be logical for a parent to donate shares to a child (perhaps for succession planning), but the logic may be less clear when a person donates shares to an unrelated individual or appoints them as the beneficiary of a trust.

Why is this relevant?

Beneficial ownership information is only relevant if up to date. Information on the identity of owners that was last updated 10 years ago may be of little use, because authorities would need to spend too many resources to contact that old owner and find out all the changes up to the current ones. In addition, given that annual returns usually refer to the “snapshot” as of one date, eg 31 December, it is necessary to report all past changes (or to report this upon every change). Updates are also a good opportunity to ask for context of the change: the value of the purchased shares or the reason for appointing a new beneficiary. These additional details could reveal secrecy schemes, such as the appointment of nominees who would have never been able to afford those shares to begin with. In this way, the updating of information would also help the verification of ownership data.

Steps

6. How often should legal and beneficial ownership registries be updated?

Minimum	Benchmark	Effective
<p>✓ Legal and beneficial ownership information should be updated annually</p>	<p>✓ Minimum met</p> <p>✓ Changes to ownership should be updated within 15/30 days of change</p>	<p>✓ Benchmark met</p> <p>✓ Updates on changes to ownership should include details on seller or nature of the transaction, relationship to the seller/issuer, and value of the transaction (or justification in case of free transaction)</p>

7. Who should have access to legal and beneficial ownership registries, and how should registries be accessed?

Short answer

Legal and beneficial ownership data should be available to the public for free. Ownership registries should be available online in open data format.

Why?

The more parties able to access information, the more stakeholders will benefit (eg investors and businessmen can better know who they are doing business with, local and foreign authorities and journalists can better investigate wrongdoing, etc). More access to information also means more opportunities for data verification (eg banks can report discrepancies, journalists and civil society organisations can report mistakes).

Long answer

All ownership information should be accessible through a single central registry (or platform), available online for free to any local or foreign public. Information should be presented in open data format, or at least in copyable text and in a structured/tabular format. Eventually, all

registries should be interconnected to allow for automated cross-checks.

The online platform's search capability should allow "free-text" searches (ie no requirements for exact match searches), Boolean searches (eg AND, OR, NOT, ""), for any data field (eg company name, beneficial owner name, etc) and offer advanced filters to select types of legal vehicle, residency of beneficial owners, incorporation dates and so on.

Available data should include all identity details as well as the nature of the beneficial ownership (eg John has 80% of shares, Mary is the settlor, etc). All information should be downloadable and reusable. In the most transparent scenario, a history of all transactions, including the values of the transactions, their nature, and any relationships involved, should be accessible (eg John acquired 100 shares from Mary, an unrelated party, for \$1000, or Paul appointed his son Mike as a beneficiary of the trust for succession planning). The full ownership chain should be readily available. If the country has a red flagging system, this should be available online to warn users (eg "this company has failed to update its information").

Any case to restrict access should be decided by an authority (eg a judge) on a case-by-case basis and should be reserved for extraordinary circumstances.

Why is this relevant?

Beneficial ownership is relevant not just for authorities, but for many stakeholders including the private sector, financial institutions subject to customer due diligence obligations, civil society organisations and journalists. Facilitating open online access also frees resources for local authorities, who would otherwise need to spend time to respond to requests from foreign countries. As exemplified by Global Witness's analysis of the UK beneficial ownership register, external parties can have a big role in verifying and improving the registered data. However, to make access useful, all barriers should be removed, allowing for online and free access, in machine readable format.

Steps

7. Who should have access to legal and beneficial ownership registries, and how should registries be accessed?

	Minimum	Benchmark	Effective
Access	<ul style="list-style-type: none"> ✓ Central, public online access 	<ul style="list-style-type: none"> ✓ Minimum met ✓ Free in open data format (ie copyable text and tabular/structured) 	<ul style="list-style-type: none"> ✓ Benchmark met ✓ Full downloadable database of legal and beneficial owners and interconnection of registries
Search	<ul style="list-style-type: none"> ✓ Search by company name 	<ul style="list-style-type: none"> ✓ Minimum met ✓ Search by beneficial and legal owner names ✓ Advanced filters 	<ul style="list-style-type: none"> ✓ Benchmark met ✓ Search by any field (type of company, name or address of beneficial owner, etc) ✓ Boolean searches
Data	<ul style="list-style-type: none"> ✓ Identification details ✓ Dates and nature of beneficial ownership 	<ul style="list-style-type: none"> ✓ Minimum met ✓ Full history of changes to beneficial ownership 	<ul style="list-style-type: none"> ✓ Benchmark met ✓ Full ownership chain ✓ Full history of transactions affecting the ownership chain (including parties involved, dates, values of transactions and reasons for each transaction) ✓ Red-flags

8. How should beneficial ownership registries verify the integrity of information submitted?

Short answer

Beneficial ownership registries should conduct automated analysis to check for consistency with other databases (eg to confirm that all registered beneficial owners are living persons). The online registry should introduce red flagging based on outliers and suspicious characteristics (eg a single person as a beneficial owner of thousands of companies).

Why?

Wrong or outdated information is of little use and misleading.

Long answer

All registered data should be verified and confirmed by complying with the following steps:

- Require comprehensive data: All information, as recommended above in points six and seven (eg identity details, full ownership chain, value of transactions, relationships, etc) should be part of the registration.
- Ensure accessibility: Beneficial ownership registries should be as accessible and interconnected as possible to allow for more checks, especially from financial institutions, journalists, civil society organisations,²⁰ researchers, businesswomen and investors.
- Automate verification (rather than rely solely on manual verification by humans): Verification should be automated to the extent possible to allow for speedy and extensive checks, to save resources, and to automate penalties (eg the system could automatically penalise or flag entities that failed to file an annual return on time, noting on the registry that the information is outdated).
- Perform consistency checks and plausibility/legality checks:
 - Consistency checks: The registered data (eg name, address, tax ID number) should be verified to confirm that it matches other government databases as well as data held by financial institutions and other entities obligated to perform customer due diligence. This information should also be checked against lists of people under sanctions.
 - Plausibility and legality checks: Information should be verified to confirm that the registered person is still alive and is not a minor. The address should be verified as well to ensure it exists and corresponds to a building, rather than to a park, for example.
- Red flag concerns: Verification should involve an exploration of the data to determine what a typical company looks like in terms of layers, number of shareholders, etc. This should then be combined with additional government databases (eg declared income, credit card consumption, beneficiary of poverty pension, etc) to allow for red flagging based on the following:
 - Outlier characteristics (eg a small company with little declared income having an ownership chain of 20 layers of companies from secrecy jurisdictions up to the beneficial owner).
 - Suspicious characteristics (eg one beneficial owner appearing as the owner of thousands of companies, or an individual with no declared income appearing as the sole owner of a very profitable company, etc).

- Check foreigners on whom no local data is held: For cases of foreign beneficial owners on whom the country has no local data to cross-check against, zero-knowledge proof checks should take place with the foreign beneficial owner's resident country. This would involve the enquiring country's beneficial owner registry automatically querying the civil registry of the resident country about the data the individual has submitted to the enquiring country's beneficial owner registry. If the data the individual submitted to the enquiring country's beneficial ownership register perfectly matches the data held by the resident country's civil registry, the civil registry would respond, "Yes, the individual's declared name, address, birth date, and tax ID number match our records." If the data does not perfectly match, the civil registry would respond "No, it the data doesn't match." In either scenario, the resident country's civil registry would not have to reveal the data it holds on the individual, allowing the civil registry to verify the accuracy of the information on its residents without having to hand over information. If this zero-knowledge proof check reveals a mismatch in the submitted information, the enquiring country's beneficial ownership register should not allow the individual to register as a beneficial owner – and therefore not legalise the ownership the individual attempted to register and formalise. Countries willing to engage in zero-knowledge proof checks could establish a standard to define how these zero-knowledge proof queries could take place.

Why is this relevant?

Global Witness's analysis of the UK beneficial ownership register shows that despite the risk of harsh penalties (eg imprisonment), there are many mistakes in registered data, both involuntary and deliberate. To be able to make use of information on the register, it should be accurate and up to date. Cross-checks by authorities, the private sector or the general public help find simpler mistakes. The more automated checks are, the more checks can be done, freeing beneficial ownership register staff for other tasks. For professional criminals that may be more careful (eg submitting consistent information), more sophisticated analysis for red-flagging is necessary.

Steps

8. How should beneficial ownership registries verify the integrity of information submitted?

Minimum	Benchmark	Effective
<ul style="list-style-type: none"> ✓ Public access to allow all to analyse the information ✓ Require financial institutions to also report discrepancies 	<ul style="list-style-type: none"> ✓ Minimum met ✓ Cross-checks against other government databases (eg tax administration, civil register, or pre-filling of forms based on registered data) 	<ul style="list-style-type: none"> ✓ Benchmark met ✓ Cross-checks and red-flagging based on all relevant local and foreign databases and zero-knowledge proof checks ✓ Exploration and profiling of a typical structure of beneficial ownership to determine outliers

9. How should sanctions be used in the case of non-compliance with legal and beneficial ownership registration requirements?

Short answer

In addition to any criminal and/or monetary sanctions, administrative sanctions should be applied to remove non-complying legal vehicles from the registry and to revoke any rights from non-complying beneficial owners (eg votes or dividends).

Why?

Enforcement of the law is hard. It is much better if the legal system incentivises compliance by making rights dependent on registration.

Long answer

Economic and criminal sanctions, if applied, should be:

- Robust criminal sanctions in the case of wilful misreporting (including late reporting after a grace period)

- Monetary fines proportionate to the legal vehicles' assets or turnover, or a high fixed amount (whatever is higher).

More importantly, administrative sanctions should apply in the following scenarios:

- Legal vehicles that failed to register all their legal and beneficial ownership information. These entities should not be allowed to incorporate or have any legal validity. Therefore, they would have no possibility to hold assets, enter contracts, etc.
- Existing legal vehicles that fail to comply or update their information. These entities should be suspended and ultimately removed from the registry. During the time of the suspension, financial institutions should not be allowed to open accounts for these entities or transfer money. Any contract entered should be considered void.

The registry should have a “constitutive effect” wherein ownership rights come into effect upon registration and become void upon failure to comply with registration update requirements. An unregistered beneficial owner would have no rights to dividends or votes until they are registered. If the unregistered beneficial owner has a secret agreement with a nominee who is registered, the nominee will be considered the sole and absolute owner by the law. A resigned director would still be liable until their name is deregistered.

Beneficial owners who fail to identify themselves to their legal vehicles should lose all their rights to the legal vehicle (eg right to vote, receive dividends, etc).

To enforce these provisions, financial institutions and businesspersons should be required to check the beneficial ownership registry before engaging in any transaction with a legal vehicle to make sure that it is still considered “compliant” (at the beginning, this requirement may apply for say, any contract above \$10,000). An alternative may be that, just as companies may need to show compliance certificates on health or other safety conditions, they should also show proof of “beneficial ownership registration” before they are entitled to engage in business, provide goods or services.

Why is this relevant?

All countries have problems prosecuting crimes, no matter how harsh the consequences. For this reason, it's better to complement typical sanctions with an incentive system, where rights only start to exist after compliance. In other words, if a company will exist regardless of filing beneficial ownership data and the only consequence for failing to register data is a fine, it may decide to pay the fine as a low cost to commit an illegal activity. Instead, if the company won't even be incorporated (let alone allowed to open a bank account, make a payment or sign a contract), unless beneficial ownership data has been filed, individuals will have an incentive to comply.

Steps

9. How should sanctions be used in the case of non-compliance with legal and beneficial ownership registration requirements?

Minimum	Benchmark	Effective
<ul style="list-style-type: none"> ✓ Robust economic and criminal sanctions ✓ Suspension of local tax id (impossibility to operate locally) 	<ul style="list-style-type: none"> ✓ Minimum met ✓ Removal from the register ✓ Financial institutions are prohibited from operating with legal vehicles found non-compliant (at least with update of information or where discrepancies were found) 	<ul style="list-style-type: none"> ✓ Benchmark met ✓ Any non-compliant vehicle is prevented from being incorporated. Pre-existing ones are suspended and then removed from the register. ✓ “Constitutive effect” applied (rights exist only as of and following registration) ✓ Non-compliant legal vehicles are not allowed to exist, operate or hold any asset ✓ Any transaction with a non-compliant legal vehicle has no legal validity

10. What special cases should be considered in determining a legal and beneficial ownership registry framework?

Short answer

Prohibit bearer shares, discretionary trusts and nominees, discourage complex ownership chains, cover state-owned companies as well as listed companies and investment funds by applying even lower thresholds, and interconnect beneficial ownership registries with each other and with asset registries.

Why?

Loopholes, such as bearer shares, nominees and exemptions for listed companies, create secrecy risks that can be exploited. The full potential of beneficial ownership transparency can only be reached when beneficial ownership of legal vehicles is combined with asset ownership information.

Long answer

Bearer shares

Bearer shares should be prohibited. Any pre-existing bearer share that fails to be converted (even if no cases of bearer shares were found) should be considered cancelled (losing absolutely all rights, without any option to recover them or obtain compensation). The only alternative to cancellation should be immobilisation by a government authority (but not by a private custodian, like a lawyer or bank).

Why is this relevant?

Bearer shares make it impossible to determine the legal owner of a company and thus to confirm the beneficial owner. They serve no good purpose to society and should not exist.

Discretionary trusts

Discretionary trusts (trusts where on paper the trustee has discretion to choose whether or not to make a distribution in favour of beneficiaries, and if so when and how much to distribute) should be prohibited. Of course, a trust should be allowed to make changes, eg appoint or remove beneficiaries. However, changes to beneficiaries should work just like for companies. It is possible to change shareholders by registering the change in the commercial registry. Likewise, changes to beneficiaries should be registered before they are valid, rather than what currently happens where trustees may decide to appoint or remove beneficiaries without any authority being alerted.

Why is this relevant?

Discretionary trusts may be considered more secretive than bearer shares. In the case of bearer shares, it is very hard, but in theory possible to know the beneficial owner by knowing who has the paper bearer share at any given time. In the case of discretionary trusts, one would need to read the trustee's mind to know who they plan to appoint as beneficiary or distribute money to. Discretionary trusts are widely used to shield assets against the rest of society, where the trustee refuses to distribute money to beneficiaries who have creditors or who owe taxes. In addition, discretionary trusts allow beneficiaries not to be registered as beneficial

owners of the trust by claiming that they are merely “contingent” or “potential” beneficiaries, and their status as “beneficial owners” will depend on the trustee actually deciding to give them a distribution.

For more information on trusts see, the Tax Justice Network’s [“Trust secrecy and other abuses” collection](#).

Nominees

Both professional and de facto (informal) nominees should be prohibited. To enforce this prohibition, countries should first establish the “constitutive effect”, meaning that rights exist from and during “registration”. According to the law, any registered individual would be the real owner of an asset and entitled to its use and benefits. In other words, as a disincentive against the use of nominees, the law would recognise the nominee’s rights over a legal vehicle or asset, allowing the nominee to defraud the real beneficial owner. Second, countries should implement robust verification mechanisms to help detect fraudulent nominees (eg individuals with low or no declared income or assets who appear as beneficial owners of big profitable companies), enabling the law to better target and enforce sanctions against fraudulent nominees and the real beneficial owners hiding behind them.

Why is this relevant?

Beneficial ownership transparency is about identifying the real individuals who ultimately and effectively own, control or benefit from a legal vehicle. Allowing people to offer their name to hide the real beneficial owner defeats the whole purpose of beneficial ownership transparency. It would be similar to, and in fact it may create the risk of, sending the wrong person to jail, for a crime committed by someone else.

Companies listed on the stock exchange and investment funds

Companies listed on the stock exchange and investment funds should be fully covered by the beneficial ownership registration framework. If the framework will keep thresholds for general companies, the thresholds for companies listed on the stock exchange and investment funds should be substantially lower (eg 0.1 per cent) or ideally based on an investment value (eg any person who invested, or has interest valued at, at least \$1000 in the listed company). Filings to the stock exchange or financial regulator should not be considered a substitute for registering with the beneficial ownership register.

Why is this relevant?

Although no individual would be able to control a listed company or investment fund with merely 0.1 per cent of the shares, that tiny percentage may be worth millions of dollars. The person holding that investment may be engaging in tax evasion or money laundering, and an

interest as small as 0.1 per cent can result in millions in tax going unpaid or in dirty money making its way into the economy. That's why listed companies and investment funds should be covered with much lower thresholds.

For more information on companies listed on the stock exchange and investment funds, see the Tax Justice Network's reports [Beneficial ownership transparency for companies listed on the stock exchange](#) and [Beneficial ownership in the investment industry: A strategy to roll back anonymous capital](#).

State-owned enterprises

Although state-owned enterprises cannot have a beneficial owner (no natural person "owns" the State), they should not be exempted from beneficial ownership registration. Instead, special rules should apply such as disclosing all the public officials (eg ministers) who have authority over the state-owned enterprise, as well as any other official with power to administer its assets and bank accounts, or make decisions. In addition, all subsidiaries of the state-owned enterprise should be disclosed. Companies with mixed ownership, for example a company that is 51 per cent owned by the State, should apply these rules to the state-ownership. The 49 per cent which is privately held should be subject to the general beneficial ownership rules.

Why is this relevant?

First, state-owned enterprises can be exploited for domestic corruption (eg corrupt officials might diverge the state-owned enterprise's funds) so it's important to know who manages or has powers in the state-owned enterprise. For the same reason, it's important to investigate any entity with which the state-owned enterprise engages in business with. Second, state-owned enterprises can be abused for illegal activity abroad, especially in the extractive sector, illegal fishing, or when sovereign wealth funds invest in foreign assets. To make it investigations possible, it is necessary to have as much information as possible about each state-owned enterprise (eg their country of incorporation, the officials in charge, its mandate, etc).

Complex ownership chains

Complex ownership chains should be discouraged or directly prohibited. For instance, countries could require that local entities can only include in their ownership chains foreign entities which are created in countries with public beneficial ownership registries and where the local laws cover those types of entities.

Why is this relevant?

Verification is a big challenge, even if only focusing on local entities and local individuals. If a local entity is part of a very complex ownership chain that has many layers up to the beneficial owner, including entities from different countries (especially from secrecy jurisdictions), and that uses sophisticated types of legal vehicles (eg discretionary trusts or Anstalts), verification is made exponentially more difficult, if not impossible. Fortunately, most companies have very simple structures. Complex ones should be prohibited or discouraged, and when proven necessary, they should be subject to sufficient conditions so that they reduce their structural secrecy risks.

For more information, see the Tax Justice Network’s [Complex Ownership Structures: Addressing the Risks for Beneficial Ownership Transparency](#).

Asset beneficial ownership registries

Asset beneficial ownership registries (eg real estate registries, registries of cars, ships and aircrafts, luxury freeports, etc) should be interconnected with beneficial ownership registries to allow the beneficial owners of assets to also be identified. For example, the land register would disclose that the house is owned by foreign company A. The beneficial ownership register would disclose that the beneficial owner of Company A is John. Thus, John is the beneficial owner of the house.

Why is this relevant?

Having beneficial ownership on relevant assets is essential to expose unjust enrichment (when a person cannot explain the origin of their wealth) which may be related to corruption or money laundering. It is also essential for carrying out asset recovery, enforcing sanctions against oligarchs, applying wealth taxes and simply measuring inequality.

For more information, see the Tax Justice Network’s blog ‘[Global Asset Registries: a game changer for the fight against inequality and illicit financial flows?](#)’.

Steps

10. Who should have access to legal and beneficial ownership registries, and how should registries be accessed?

	Minimum	Benchmark	Effective
Bearer shares	<ul style="list-style-type: none"> ✓ Immobilise bearer shares with a government authority (not a bank or lawyer) 	<ul style="list-style-type: none"> ✓ Prohibit new bearer shares and establish deadline for conversion of pre-existing bearer shares ✓ Unregistered bearer shares should lose all rights (not merely suspend rights until conversion) 	<ul style="list-style-type: none"> ✓ Benchmark met ✓ Prohibit bearer shares throughout the ownership chain. No local legal vehicle should be allowed to have in its ownership chain a legal vehicle that issued (or could issue) bearer shares
Discretionary trusts	<ul style="list-style-type: none"> ✓ Identify all discretionary beneficiaries, regardless of whether they receive a direct distribution or not 	<ul style="list-style-type: none"> ✓ Minimum met ✓ Identify those who receive indirect distributions (eg the trust pays for their credit card bills) 	<ul style="list-style-type: none"> ✓ Prohibit discretionary trusts ✓ For a person to be allowed to receive a direct or indirect distribution, the trust instrument must be amended and the person must be registered as a beneficial owner
Nominees	<ul style="list-style-type: none"> ✓ Prohibit nominees 	<ul style="list-style-type: none"> ✓ Minimum met ✓ Apply verification to detect fraudulent nominees (eg one person owns hundreds of companies) 	<ul style="list-style-type: none"> ✓ Benchmark met ✓ Apply “constitutive effect”(rights exist only as of and following registration) ✓ Utilise advanced analytics to detect fraudulent nominees (eg compare declared income, assets, credit card consumption)

<p>Listed companies and investment funds</p>	<p>✓ Cover and apply low thresholds on listed companies and investment funds</p>	<p>✓ Minimum met</p> <p>✓ Instead of using “low” interest thresholds (eg 5%) which would fail to cover many investors, apply thresholds on the value of the investment (eg interest in listed company above USD \$50,000)</p>	<p>✓ Benchmark met</p> <p>✓ Increase coverage by applying no thresholds: anyone with at least one share or USD 1 should be identified as a beneficial owner</p>
<p>State-owned enterprises</p>	<p>✓ Require state-owned enterprises and their subsidiaries to file a nil return explaining why they are exempted</p> <p>✓ Require beneficial ownership registration from the part of the enterprise that is not held by the State</p>	<p>✓ Minimum met</p> <p>✓ Identify all representatives or officials (eg minister) who have control or decision-making power over the state-owned enterprise</p>	<p>✓ Benchmark met</p> <p>✓ Identify the full ownership structure and all subsidiaries of the state-owned enterprise</p>
<p>Complex ownership structures</p>	<p>✓ Prohibit bearer shares in the ownership chain</p> <p>✓ Analyse ownership structures (eg number of layers) to detect outliers</p>	<p>✓ Minimum met</p> <p>✓ Prohibit the ownership structure to include foreign legal vehicles if (1) they are from countries without (public) legal and beneficial ownership registries, or (2) they are “exotic” vehicles (eg Anstalt, protected cell company, discretionary trust, etc) for which the local beneficial ownership legal framework has no specific provisions</p>	<p>✓ Benchmark met</p> <p>✓ Disallow structures with more complexity than X layers (based on an understanding of the legitimate number of layers), unless the vehicle justifies a non-secrecy and non-tax commercial reason for such structure</p>

<p>Asset beneficial ownership registries</p>	<ul style="list-style-type: none"> ✓ Require legal ownership information to be collected and registered on all relevant assets (eg real estate, aircrafts, vessels, crypto, art, etc) ✓ Ensure the beneficial ownership register covers any foreign legal vehicle with assets in the country 	<ul style="list-style-type: none"> ✓ Have existing asset registries (eg real estate register) collect beneficial ownership data to cross-check data against the beneficial ownership register 	<ul style="list-style-type: none"> ✓ Benchmark met ✓ Connect asset registries and beneficial ownership registries to deduce and expose the beneficial ownership of assets, particularly for cases where assets are held by legal vehicles. ✓ Ensure the beneficial ownership definition is as comprehensive as possible (eg low thresholds, considers ownership, control or benefit, etc) ✓ Require value information to be included
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