

U4 Helpdesk Answer

U4 Helpdesk Answer 2023:6

The uses and impact of beneficial ownership information

Obscure ownership enables legal entities to become vehicles for illicit activities, act as pawns in corruption schemes, and evade or avoid taxation. Beneficial ownership information is perceived as a powerful policy tool to combat anonymity.

This Helpdesk Answer provides an overview of how a wide variety of stakeholders use or could be using beneficial ownership information and provides examples of impact. The answer also analyses what is known about how the conditions of beneficial ownership registers influence their use. Finally, it assesses how development practitioners can engage with the beneficial ownership transparency agenda.

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AUTHORS

**Maria Constanza Castro Orduna and
Adriana Fraiha Granjo (TI)**

tihelpdesk@transparency.org

REVIEWED BY

Sophie Lemaître (U4)

Maira Martini (TI)

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Query

Please provide an overview of the stakeholders using beneficial ownership information, how the information is used and the impacts/outcomes it has had. What areas require improvements to use beneficial ownership information more effectively? How can development practitioners engage in the work?

Contents

1. Introduction
2. Uses and impact of beneficial ownership information among key stakeholders
 - a. The use and impact of beneficial ownership information for AML
 - b. The use and impact of beneficial ownership information beyond AML
3. Lessons learned from the use of beneficial ownership so far
 - a. Accessibility of beneficial ownership information
 - b. Functionality of beneficial ownership registers
 - c. Quality and adequacy of beneficial ownership information
4. Beneficial ownership and development practitioners

MAIN POINTS

- Beneficial ownership registers, primarily established within AML frameworks, can be useful to competent authorities and obliged entities and to members of the public to effectively prevent, detect, and counter financial crime.
- Examples of uses beyond the AML sector have shown the untapped potential of the use of beneficial ownership information by a wider range of stakeholders advancing broader policy objectives, including public procurement, tax justice and sanction implementation.
- The type of access, available functionalities, and the quality of information in beneficial ownership registers influence their use and can lead to a proactive use of this data.

Introduction

Anonymous companies make it possible for real owners to remain opaque. Obscure ownership enables legal entities to become vehicles for illicit activities, act as pawns in corruption schemes, and evade or avoid taxation. There is mounting evidence showing how anonymity in legal entities

is often abused. The Panama Papers, for example, exposed over 140 public officials using more than 214,000 offshore entities to hide the ownership of their assets (Fitzgibbon & Hudson 2021). More recently, the Pandora Papers exposed offshore accounts by more than 30 world leaders, including heads of state, as well as public officials,

politicians, celebrities and business leaders ([Alecci et al. 2022](#)).

That is why it is essential to know who the beneficial owner is – the flesh-and-blood human being who ultimately owns, benefits from or controls (directly or indirectly a company or legal arrangement – to prevent and detect abuses.

The recognition of the importance of beneficial ownership transparency and the role played by beneficial ownership registers has increased globally. Commitments to improve beneficial ownership transparency and to implement beneficial ownership registers of legal entities have been made by countries across different multilateral forums, including the G7, the G20, the UN and the Financial Action Task Force (FATF). However, the international standards on beneficial ownership transparency, set by FATF and followed by more than 200 jurisdictions around the world, have for long time been considered inadequate ([Martini 2019](#); [FACTI 2021](#)).

To respond to criticism and the weak effectiveness among FATF members when it came to competent authorities' timely access to beneficial ownership information, FATF undertook a review of the standard. In March 2022, FATF adopted a multi-pronged approach to beneficial ownership transparency, requiring countries to establish a beneficial ownership register, or a similar alternative mechanism, in addition to requiring

obliged entities and companies to continue maintaining information on beneficial owners. The review confirmed the importance of beneficial ownership registers as a tool to ensure authorities had timely access to information. This trend has been observed since the approval of the Fourth EU Anti-Money Laundering Directive (AMLD4) in 2015 which required Member States to adopt central beneficial ownership registers. Beneficial ownership registers, usually maintained by a government body, have become recognised as the best practice. Registers have multiple advantages including ensuring direct, timely and unfiltered access, potential interconnection to other databases, and improving the quality, searchability and maintenance of information ([Transparency International 2022b](#)).

While beneficial ownership transparency has been primarily regulated through anti-money laundering and terrorist financing provisions, there is increasing evidence of its potential use and positive impact in other areas and sectors.

This Helpdesk Answer provides an overview of how a wide variety of stakeholders use or could be using beneficial ownership information and provides examples of impact.¹ The answer also analyses what is known about how the type of access, available functionalities, and the quality of information in registers influence their use. Finally, it assesses how development practitioners

¹ The analysis of uses and impacts of beneficial ownership information will be focused on registers, since as already discussed, they entail the global standard that foster wider use.

can engage with the beneficial ownership transparency agenda.

Uses and impact of beneficial ownership information among key stakeholders

Examples of how legal entities have been misused in the past show that the potential use of beneficial ownership information goes well beyond money laundering and associated predicate offences such as corruption and tax evasion. Beneficial ownership information has proven crucial in different areas and sectors and even instrumental to ensure rules and policies in different spheres of the government cannot be easily circumvented. This section explores the use of beneficial ownership information by a variety of actors to achieve different objectives, providing examples of impact.

The use and impact of beneficial ownership information for AML

Beneficial ownership transparency and in particular beneficial ownership registers have often been established within anti-money laundering frameworks and as such their main objective is to contribute to the prevention and curbing of money laundering, its associated predicate offences such as corruption and tax evasion as well as terrorist financing. The AML framework has granted access and hence use of

beneficial ownership information to a set of competent authorities and obliged entities with some countries extending access to civil society organisations, journalists, and members of the public.

Competent authorities

Authorities responsible for anti-money laundering and combating the financing of terrorism (AML/CFT) are among the main users of beneficial ownership information. Legislation that regulates AML/CFT functions and the level of access they may have to beneficial ownership registers vary from jurisdiction to jurisdiction. The level and modality of access will also depend on the role of each authority. In France, for example, the following authorities have direct access to the register: (i) judicial authorities, (ii) national financial intelligence units, (iii) custom administration officials, and (iv) public finance officials in charge of control and recovery in fiscal matters ([FATF 2019](#)).

Regarding anti-money laundering responsibilities, the following government authorities are potential users of registers:

Financial intelligence units (FIUs)

FIUs are among the most important government agencies tasked with curbing money laundering. Their core function is to receive and analyse suspicious transaction reports (STRs) and produce financial intelligence for further investigation by law enforcement and other authorities, where relevant. They also support and coordinate the

exchange of information with FIU counterparts in other countries. As such, accessing beneficial ownership information is crucial to provide a more complete picture of financial transactions and those behind them. When this information is available, FIUs can better assess the actual risk of transactions and provide better intelligence reports to other relevant authorities. That is why, for example, the French FIU has direct access to the electronic beneficial ownership register. When orientating the information or when further investigating, FIU officials can check instantly all the information transmitted by the company to the *greffier du tribunal de commerce* (commercial court's clerk) (FATF 2019).

In addition to investigations, FIUs can use beneficial ownership information to produce financial intelligence, such as an analysis of STRs, risk assessments and trend analysis, which they can share with other authorities. In Denmark, the FIU created a system interlinking the Danish company register with its STR database. The automatic linking of bulk data enables the FIU to use data and network science tools to model money laundering reports. These methods elevate money laundering detection from a manual random walk-around approach to algorithmic-community detection (Fraiha Granjo, Martini & Sipos 2023).

Law enforcement authorities

Given the widespread use of legal entities and arrangements by criminals, accessing beneficial ownership information is crucial for law enforcement authorities (LEAs) in the detection

investigation and prosecution of money laundering, associated predicate offences and even other crimes.

Beneficial ownership information is also important to seek remedies and actions against assets, such as non-conviction based forfeiture or illicit enrichment type of provisions. To this end, timely and effective access to beneficial ownership is instrumental for these authorities to be able to do their job. Without beneficial ownership registers, for example, LEAs have consistently raised concerns and highlighted challenges they face to access information on the real owners of companies in a timely manner (Transparency International 2019). In Canada, for instance, the FATF mutual evaluation report states: "While the legal powers available to LEAs are comprehensive and sufficient, the instances in which LEAs were able to identify the beneficial owners of Canadian legal entities or legal arrangements appear to have been very limited" (FATF 2016).

On the other hand, the more robust the information sharing the better chance LEAs have to carry out their mandates. For example, information held in the UK's beneficial ownership register, Companies House, led to the conviction of a glass eel trafficker with alleged proceeds of over GBP53 million (around US\$65 million) that was on its way to being exported to Hong Kong. The National Crime Agency found a link between the named recipient of the consignment and a company. Information held by Companies House showed that the trafficker owned 80% of that company (HM Treasury 2021).

Tax authorities

Beneficial ownership information can aid tax authorities in accurately assigning tax responsibilities, detecting tax evasion as well as to more broadly understand the ownership of taxable assets, for example, in verifying the declared ownership of assets among the wealthiest individuals in society who have more opportunities to fragment ownership ([Russell-Prywata 2020](#)). For this reason, it is not uncommon that tax authorities collect beneficial ownership information when legal entities and/or arrangements register for tax purposes. This is the approach used in Brazil ([Transparency International 2022b](#)). Having access to beneficial ownership registers may make it easier for tax authorities to undertake their tasks. When beneficial ownership information is available from more than one source (company registers, bank account registers, etc.), tax authorities can cross-check the data and spot potential inconsistencies that could be related to tax evasion.

Beneficial ownership information has already proved relevant in the framework of the Global Forum on Transparency and Exchange of Information for Tax Purposes which enables countries to receive the necessary information to conduct tax audits in cases of undisclosed offshore assets ([UNDESA 2023](#)). For example, Dutch tax authorities investigated dozens of people holding accounts, from the Swiss bank Credit Suisse, suspected of tax fraud and money laundering using beneficial ownership information ([Sterling & Franklin 2017](#)).

Supervisory authorities

Authorities designated as competent for the AML/CFT supervision of financial institutions (such as national banks, financial services and market and insurance authorities) also make use of beneficial ownership information. Supervisory bodies ensure that obliged entities conduct the risk analysis they should, perform due diligence activities when entering business relationships with their clients and report suspicious activities.

Anti-corruption agencies

Beneficial ownership transparency can reveal that apparently legitimate and unrelated companies and trusts are in fact part of a corruption scheme. Beneficial ownership information can also have a deterrent effect, enhancing corruption prevention efforts. For example, in the aftermath of the 1MDB (1Malaysia Development Berhad) scandal, the state-owned wealth fund was systematically embezzled and its assets diverted globally by the perpetrators ([Reuters 2022](#)). The Malaysian Anti-Corruption Commission, in collaboration with the Royal Malaysia Police and the Central Bank of Malaysia, used beneficial ownership information to investigate the perpetrators ([Malaysian Anti-Corruption Commission 2019](#)). The former prime minister was prosecuted and charged on counts of abuse of power, money laundering and criminal breach of trust in 2018 ([Lamb 2018](#)). Furthermore, beneficial ownership information was used to recover MYR1.2 billion (around US\$270 million) worth of assets embezzled from the nation ([Malaysian Anti-Corruption Commission 2019](#)).

U4 Anti-Corruption Helpdesk

The uses and impact of beneficial ownership information

Foreign competent authorities

Given that a great portion of financial crime involves multiple jurisdictions, foreign competent authorities also need to access beneficial ownership information. Very often they still need to rely on international cooperation requests to access beneficial ownership information which can take a significant amount of time.

The importance of beneficial ownership information and the delays in international cooperation also led the UK to establish a specific mechanism to exchange information with British Overseas Territories and Crown Dependencies. Through the exchange of notes (EoN), Overseas Territories and Crown Dependencies have 24 hours to share company ownership information with UK authorities. The exchanges of notes have provided UK LEAs with access to a substantially broader pool of information than was previously available to them. For example, in a case currently valued at approx. £25 million (around US\$31 million), a EoN process confirmed the beneficial ownership of a company holding high-value London property, enabling investigators to satisfy the requirements of the UK's first unexplained wealth order ([United Kingdom Home Office 2019](#)).

In countries that have public beneficial ownership registers, foreign competent authorities have made use of the general access to avoid lengthy international cooperation requests.

Obligated entities

Businesses and professional with anti-money laundering obligations, such as financial

institutions and designated non-financial businesses and professions (DNFBPs), including lawyers, auditors and real-estate agents, can also benefit from beneficial ownership registers when conducting due diligence checks. Information on beneficial ownership registers can be used to confirm or verify the information provided by their clients. In this context, the FATF standards recommend countries ensure that beneficial ownership information is also available to these professionals ([FATF 2019](#)). This is also the case in many countries where beneficial ownership registers have been created. In the EU, for example, obliged entities have guaranteed access to beneficial ownership registers. In Austria, obliged entities have access to a dedicated file containing all documents submitted by legal entities and their beneficial owners. This “compliance package” facilitates due diligence processes and the cross-checking of information by obliged entities.

According to the revised FATF Recommendation 24, obliged entities could also play an important role in supporting the verification and therefore accuracy of information in registers by, for example, being required to submit discrepancy reports. This is already a requirement in EU Member States where obliged entities have the responsibility to submit discrepancy reports to authorities whenever the information in the register differs from the information collected during due diligence processes (AMLD5).

In some countries, obliged entities are also involved in the incorporation of legal entities and are responsible for verifying the identity of the

U4 Anti-Corruption Helpdesk

The uses and impact of beneficial ownership information

beneficial owner. In Denmark, obliged parties subject to AML/CFT obligations (like lawyers or auditors) are often involved at the incorporation stage as the business register requires their confirmation. Further, when registering in the central business register, everyone must sign an electronic declaration stating that the information in the business register is correct ([FATF 2019](#)).

Civil society actors

Civil society actors such as journalists and civil society organisations can use beneficial ownership information to detect potential illicit activities and uncover wrongdoing. The fundamental role of these two groups has been recently acknowledged by the Court of Justice of the European Union in the SOVIM case. The court explicitly mentioned that journalists and civil society organisations connected to the prevention and curbing of money laundering have a legitimate interest in accessing beneficial ownership information ([Judgment of the Court in Joined Cases C-37/20 | Luxembourg Business Registers and C-601/20 | Sovim 2022](#)). Having open access to beneficial ownership information can serve as a powerful deterrent for financial crime as it increases the number of potential watchdogs. Public access can also improve the quality of data by increasing the avenues for discrepancy reporting.

Transparency International has documented several cases where public access to beneficial ownership registers enabled journalists and activists to uncover potential cases of grand corruption and complex money laundering schemes ([Transparency International 2021](#)).

Journalists have also made efforts to systematically scrape and analyse open beneficial ownership registers. The Open Lux investigation analysed beneficial owners registered in Luxembourg's corporate register. Investigations stemming from the data have found dozens of foreign citizens linked to corruption, embezzlement of public funds, organised crime and tax crime with companies in Luxembourg ([OCCRP 2021](#)). This marked a shift from previous collaborations by journalists. Previous investigations like the Panama and Paradise Papers relied on leaks. For the first time, journalists used available public data to uncover hidden owners using Luxembourg companies to own assets, open bank accounts, and do businesses across the globe.

In addition to uncovering wrongdoing, these actors can help with verifying the information available in registers. Global Witness analysed the UK's beneficial ownership register looking for mistakes and suspicious signs while also comparing information in the register with other datasets. The analysis revealed thousands of companies filing highly suspicious entries or not complying with the rules at all ([Global Witness 2018](#)).

Other civil society actors also can use beneficial ownership information. Academia, for example, can play an important role in analysing trends, patterns and produce policy-pertinent results and recommendations, especially when the information can be linked to other databases. For example, a forthcoming study combined beneficial ownership data with the French land registry to assess financial crime risk factors related to the

U4 Anti-Corruption Helpdesk

ownership of real-estate companies operating in Paris. Results showed the vulnerability of real estate to money laundering and financial crime with 48% of the assessed properties presenting at least one ownership risk indicator (Carbone et al. 2023).

The use and impact of beneficial ownership information beyond AML

Beneficial ownership information is useful for a wider set of policy outcomes beyond anti-money laundering and countering financing of terrorism. Some countries have acknowledged this through the creation of sectoral beneficial ownership registers (for procurement or extractive sectors, for example). Others have expanded the use of beneficial ownership registers that although initially set under AML frameworks have expanded their scope of application to welcome a broader set of stakeholders. This section compiles cases that expand the potential uses of beneficial ownership information.

Public procurement and government subsidies

Beneficial ownership information can increase transparency and effectiveness in the public procurement and public investment processes to ensure fair, equitable, transparent, competitive, and cost-effective spending. Beneficial ownership data can help prevent corruption and fraud by detecting actors trying to subvert the contracting procedure for personal gain. It can improve service delivery through increased competition and enhanced due diligence and it can verify the

eligibility of suppliers for preferential procurement to meet horizontal policy objectives ([Open Ownership 2021](#)). The latest revision to FATF Recommendation 24 states that countries should ensure that public authorities have timely access to beneficial ownership information on legal persons in the course of public procurement ([FATF 2023](#)).

There are different ways of ensuring the information is available, including through ensuring that all companies – foreign and domestic – bidding for public contracts are registered in the country’s beneficial ownership register and creating dedicated registers/databases of those bidding for or awarded public contracts with beneficial ownership information. Ideally, countries should seek not to create parallel structures but have a single register where different authorities can find the relevant information. For instance, in Ukraine, the procuring entity must refuse participation in the procurement procedure of the bidder if the unified state register (the central public beneficial ownership register) does not contain information about the beneficial owner of the legal entity. Furthermore, information of the beneficial owners of bidders and awardees is also available on Ukraine’s procurement platform Prozorro, allowing for public scrutiny and oversight ([GFAR 2017](#)).

Some countries, like Slovakia, implemented a beneficial ownership register specifically for companies that have a relationship with the state. In 2017, the Register of Public Sector Partners was established where all awardees need to register as a precondition for conducting business with the

U4 Anti-Corruption Helpdesk

public sector. Sanctions for not complying with registration can include withdrawal of agreements and even restrictions on future trading with the public sector ([Ivancik 2020](#)).

Audit institutions can use beneficial ownership information to detect illegal practices in procurement such as bid rigging, the submission of bids from different companies that share ownership. The US Government Accountability Office, for example, reviewed 32 cases of defence procurement and identified cases of “price inflation through multiple companies owned by the same entity to falsely create the appearance of competition” ([GAO 2019](#)). The cases were identified using beneficial ownership information by competent authorities.

Civil society organisations and journalists have also made use of beneficial ownership information to detect potential wrongdoing in public procurement. In the UK, during the COVID-19 pandemic, research by the New York Times revealed that of US\$22 billion spent on 1,200 published contracts, US\$5 billion went to politically connected companies. The contracts analysed included a company receiving its first payment of nearly US\$274 million in protective equipment contracts within three weeks of being set up and a number of companies that delivered materials that were deemed unusable by the National Health Service ([Bradley et al. 2020](#)).

In another example, in 2018, Transparency International Czech Republic uncovered a conflict of interest when they found that Prime Minister Andrej Babiš was the sole beneficiary of the two trust funds that owned shares in a Czech

conglomerate Agrofert ([Transparency International 2018](#)). Following the complaint, the European Commission confirmed Babiš’s conflict of interest and suspended all payments to his subsidiaries ([Transparency International 2019](#)).

More broadly, beneficial ownership transparency of legal entities that have a relationship with the state also benefits the private sector more broadly. Companies can assess the fairness of public procurement processes and raise questions if they suspect any favouritism or wrongdoing. Moreover, given the direct involvement of public resources, members of the public should also be able to assess and scrutinise this information.

Extractive industries

Knowing who has the rights to extract oil, gas and minerals is key to addressing risks of corruption or conflict of interest. The particular vulnerability of the extractive sector has been acknowledged by the Extractive Industries Transparency Initiative (EITI) which through Requirement 2.5 requests implementing countries to disclose beneficial ownership information for extractive companies ([EITI 2019](#)).

Authorities tasked with the administration and management of extractive contracts can use beneficial ownership information to decide if licences are granted to specific companies, enabling them to improve the regulation of licensing. For example, in Nigeria, since 2019, the Mining Cadastre Office made the submission of a beneficial ownership declaration form a precondition for new licence applications and renewals. From 2019 to

U4 Anti-Corruption Helpdesk

2021, more than 15,000 applications were rejected and in 2021 the revenue generated by the office doubled the revenue of the pre-beneficial ownership disclosure requirement (Markle and Kiepe 2022).

Civil society organisations and journalists can also use beneficial ownership to investigate irregularities in the extractive sector. For example, the civil society organisation NOPRA spotted wrongdoings by a company in Australia operating under a restructured ownership in Ghana. Using Ghana's beneficial ownership register, NOPRA could link the companies to Australia and informed the ministry of lands in Ghana who later revoked the licence (GBN 2022). Another case is the Joining the Dots platform that allows for searches of politically exposed persons or companies that hold public procurement contracts with the Colombian state or hold an extractive licence or contract using beneficial ownership information (EITI 2019).

The private sector conducting due diligence on customers, suppliers, vendors, and partners can identify wrongdoing through beneficial ownership information. For example, an international mining equipment manufacturer operating in Zambia performing due diligence on companies seeking to purchase equipment used beneficial ownership data from the sectoral register Zambia EITI to look for red flags on companies with mining licences. The company terminated relationships when due diligence raised red flags, including companies whose beneficial owners were politically affiliated (Markle and Kiepe 2022).

Tax justice

Tax justice is a policy outcome that, though tightly connected to offences persecuted by AML frameworks, also includes tax avoidance and abuses of tax regimes. Notably, beneficial ownership has been at the heart of the international tax transparency standards: both the exchange of information on request (the EOIR Standard) and the automatic exchange of information (the AEOI Standard) (OECD 2019). The Global Forum on Transparency and Exchange of Information for Tax Purposes is an intergovernmental initiative housed at OECD to oversee the implementation of tax transparency standards. Since 2014, the countries implementing the standard are required to collect and exchange information on the beneficial owners of financial accounts.

Beneficial ownership information can also aid in the adequate implementation of bilateral tax treaties and preventing double non-taxation. "Treaty-shopping" occurs when residents of third countries, not eligible for benefits of the treaty, establish a layered transaction or shell company in the hopes of claiming the benefits. Anti-treaty-shopping regulation can only be effective in reducing tax leakages if tax authorities have information on the ownership chains and the beneficial owners of companies (UNDESA 2023). For example, Mauritius has signed double tax treaties with at least 46 states worldwide, 18 of them African. A 2019 investigation by the International Consortium of Investigative Journalists (ICIJ) showed how Mauritius allowed multinationals to route

U4 Anti-Corruption Helpdesk

investments through “resident” shell companies and used double tax treaties to avoid taxes (ICIJ 2019).

Fair competition and ownership of key sectors

Regulators and competition authorities whose mandate is to foster competition and levelling the playing field in strategic sectors can use beneficial ownership information to detect fraud, collusion, bid rigging, predatory pricing and de facto monopolies. In a similar manner, consumer rights authorities can draw from beneficial ownership data to boost transparency of companies, diminishing the asymmetries of information that would prevent informed consumer’s choices and protect them from fraud and money laundering.

Threats to strategic and sensitive sectors, such as defence, energy, or telecommunications, can emerge through the inadvertent acquisition of ownership by hostile actors and beneficial ownership data can help uncover them. For example, the Dutch Investments, Mergers and Acquisitions Security Screening Bill requires “vital suppliers” (heat transport, nuclear power, air transport, ports and banking services) and “sensitive technologies” (including military goods) to disclose “the identity of the investors and ultimate beneficial owners, the control structure and value of the investment, the origin of financial resources, the business activities of the investor and the target, and criminal records” (de Vries 2022).

Beneficial ownership information can help shed light on media ownership by revealing the true owners or controllers of media companies which

may not be apparent from public records or corporate filings. This can be particularly important in cases where media companies are owned or controlled by individuals or entities with political or other agendas, as it can help ensure transparency and accountability in media ownership. For example, the New York Times used ownership information to reveal Sinclair's close ties to the Trump administration, including through its business dealings with Jared Kushner's family real-estate company (Fortin & Engel 2018).

Political party and campaign funding

Anonymous companies have also been used to circumvent political and campaign donation rules. Among other things, anonymous companies can help to circumvent donation ceilings, restrictions applied to certain sectors or individuals or to foreign donations. Ensuring the disclosure of information on the beneficial owners of all legal entities that donate funds to political parties, candidates or third parties is essential for a fair democratic process.

In 2010, the US supreme court’s Citizens United decision allowed corporations and unions to spend unlimited amounts of money on political campaigns, leading to the creation of groups that can donate large sums of money to political candidates and causes without disclosing the source of their funding (Dunbar 2012). For example, in the 2012 US presidential election, one such group, Crossroads GPS, spent over US\$70 million on political ads without disclosing its donors (Open Secrets 2012). Beneficial ownership information would allow journalists and

watchdogs to follow the money in political campaigns.

Beyond watchdogs, electoral supervision bodies can use beneficial ownership information to detect wrongdoing in funding. For example, in 2018, the UK Electoral Commission fined the Vote Leave campaign group GBP235,000 (around US\$289,500) for breaking electoral law by overspending during the Brexit referendum campaign. The commission also referred the case to the police who are investigating whether the group's use of opaque companies to funnel donations amounted to a criminal offence ([Electoral Commission 2018](#)).

National security and foreign interference

Beneficial ownership information can also have a positive impact on the strengthening of national security. Anonymously owned companies can create a threat to the security of states since a lack of visibility can aid actors to create security threats, from citizen safety (in the forms of organised crime or terrorism) to undermining their governance and sovereignty (interfering in strategic sectors, meddling with their democracy or rule of law) ([Open Ownership 2021](#)). In June 2021, President Biden listed beneficial ownership transparency and the reduction of offshore financial secrecy as solutions as “core United States security interest” ([US White House 2021](#)).

Beneficial ownership transparency is relevant for national security when corporate entities are involved in organised criminal activities, terrorist networks or foreign interference by authoritarian

regimes. Shell companies and anonymous structures can become attractive for the financing of crime and terrorism. For instance, FATF documented a case related to the financing of proliferation of weapons of mass destruction: “US authorities identified front companies used to conceal the ownership of certain US assets by Bank Melli which was previously designated by US authorities for providing financial services to entities involved in Iran’s nuclear and ballistic missile program... These assets included a tower in Manhattan with an appraised value of more than US\$500 million as well as other properties” ([Knobel 2021](#)).

Another potential use of beneficial ownership is the detection and prevention of foreign interference, or so called strategic corruption. The threat of strategic corruption is difficult to identify but some key areas that can be especially vulnerable are political campaign financing, media and funding of disinformation campaigns, and the buying of political influence ([Edelman et al. 2020](#)). Beneficial ownership information can be combined with when there are existing registers of people and companies who lobby governments, as is the case under the US’s Foreign Agents Registration Act or Australia’s Foreign Influence Transparency Act. In a similar manner, beneficial ownership information can be linked to campaign financing and political influence buying. In 2020, a UK Intelligence and Security Committee report stated that Russia influence had found “ideal mechanisms by which illicit finance could be recycled through what has been referred to as the London ‘laundromat’” mostly targeting Conservative party

members ([Intelligence and Security Committee of Parliament 2020](#)).

Recently, it has been reported by several outlets, citing unnamed officials and an unclassified US State Department cable, that Russia secretly spent US\$300 million to influence foreign elections in different countries, using shell companies to disguise the donations ([Walsh 2022](#)).

Implementation of targeted sanctions

Beneficial ownership information can be a powerful tool for implementing targeted sanctions as it can help authorities to trace assets connected to designated individuals or entities and make sanctions evasion more difficult.

Transparency International has documented how governments are facing a myriad of obstacles, including access to beneficial ownership information when targeting the illicit wealth of Russian elites. Germany, France, the Netherlands and the UK all maintain registers of companies' beneficial owners, but none of the four sufficiently verify the data in them. Australia, Canada, Italy and the US still rely on the information collected by financial institutions to identify the beneficial owners of companies, which has proven to allow for gaps in data or incorrect information ([Freigang & Martini 2022](#)).

On the other hand, the use of beneficial ownership by authorities has already led to positive results in sanction implementation. In April 2018, the US Department of the Treasury's Office of Foreign Assets Control (OFAC) imposed sanctions on several Russian oligarchs, including Oleg

Deripaska, Viktor Vekselberg and Suleiman Kerimov. In announcing the sanctions, OFAC noted that it had considered the beneficial ownership of assets by the designated individuals and that it had targeted entities that were owned or controlled by them ([United States Department of Treasury 2018](#)).

Improving the business environment

In addition to helping certain businesses fulfil their money laundering obligations, as discussed above, beneficial ownership information also has an important value for other companies and businesses, beyond obliged entities. In particular, beneficial ownership transparency can strengthen corporate governance, facilitate due diligence and integrity screening processes and generate an overall more transparent and competitive business environment. From a corporate governance perspective, registers of beneficial ownership hold important reputational gains and protect investors by reducing risks associated with illicit actors in their supply, partner and customer chains ([Van der Merwe 2020](#)). Beneficial ownership can also aid in complying with voluntary reporting frameworks such as environmental, social and governance standards ([Open Ownership 2022](#)).

Beneficial ownership registers can also increase competitiveness. By reducing the risk of corruption and other illicit activities, beneficial ownership transparency can create a more level playing field for businesses as companies that engage in such activities may gain an unfair advantage over those that do not. This was noted by the B20 Coalition of Business Associations from G20 countries which

U4 Anti-Corruption Helpdesk

has advocated for a harmonised beneficial ownership transparency approach in their countries (B20 2015).

Lessons from the use of beneficial ownership so far

The previous section presented the ways beneficial ownership transparency can help different stakeholders achieve a diverse group of goals. While there is limited information on how beneficial ownership information has been used by the different stakeholders, available evidence shows that effective use depends on a series of conditions, including accessibility and functionalities available to each stakeholder as well as the quality of the information. In this context, the extent and use by stakeholders are therefore influenced by the type of access and quality of information available. This section analyses these conditions, providing concrete examples, where available, from the literature.

Accessibility of beneficial ownership information

The types of access to beneficial ownership information have a high stake on whether the information will be used by the different stakeholders as well as on the effectiveness of this use. Central registers for beneficial ownership information will enable greater and more effective use by public authorities, obliged entities and all users mentioned in the previous section. This is

even more true if there is public access to these registers. However, this potentially extensive and effective use is conditional to the implementation approaches countries adopt.

Upcoming research led by Transparency International (Fraiha Granjo et al. 2023) shows, for instance, that in some EU countries not all competent authorities have direct, unfiltered access to all beneficial ownership data held by their countries' registers, even though the European Union mandated the creation of these registers already in 2015 to ensure, among other things, that competent authorities and FIUs had "timely and unrestricted access" to this type of information (Art. 30 §6 of the 4th AMLD).

Austria and the Netherlands are examples of countries where law enforcement agencies had no special access to their national registers, having to resort to their registers' public websites to consult a fraction of beneficial ownership information they were entitled to. At the time of the research, both countries made access to their public register's conditional to registration and the payment of a fee. Moreover, they only enabled searches using the name of the legal entity, meaning law enforcement agencies could not look on their own if a specific beneficial owner was listed in the register. Whenever supplementary data on beneficial owners was needed for investigations, the Austrian law enforcement agency reported they would consult with the Austrian FIU.

While this type of protocol was already likely to have a detrimental impact on the timeliness and effectiveness of investigations, this has probably been made worse by the European Court of Justice

ruling of November 2022 invalidating public access to beneficial ownership registers in the EU ([Judgment of the Court in Joined Cases C-37/20 | Luxembourg Business Registers and C-601/20 | Sovim 2022](#)). Following the decision, both countries shut down public access to their registers, which opens the question of how law enforcement agencies in these countries retrieve even basic information on beneficial ownership.

Competent authorities are not the only ones affected by how countries set up the access protocols to their registers. Obligated entities and civil society actors, who all have a role to play in countering money laundering and related crime, are also either constrained or empowered by these implementation choices.

Countries making beneficial ownership data free of charge and without the need for prior registration (e.g., Denmark, Estonia, and Latvia) enable not only competent authorities but also obliged entities and civil society actors of these and foreign countries to search for the information they need and receive *immediate* results (Fraiha Granjo et al. 2023).

Countries that opted for registration requirements as a minimum delay access and at worse prevent key actors from accessing the data. In Finland, where there has never been public access to the register, obliged entities and other parties with legitimate interest can retrieve beneficial ownership data through an annual subscription or by ordering single extracts on beneficial owners. Those making case-by-case inquiries have their access rights verified before each individual order is processed, an operation taking several days,

which also means an additional burden to registers that need to allocate human and financial resources to review requests.

In Croatia, for instance, where public access exists, only nationals from a handful of EU countries can access the register. This is because users must identify themselves via an electronic identification system (eIDAS) that is only available for some EU countries. In Portugal, access is even more restricted as users need a digital identification mobile key which they can only request if they have a Portuguese tax identification number.

Although public access exists in these countries, most foreign competent authorities, obliged entities and civil society actors have de facto no access to the register.

When mechanisms exist to ensure competent authorities and obliged entities have access to the register, they are normally aimed at national stakeholders (Fraiha Granjo et al. 2023). In Belgium, for example, obliged entities requesting access must be accredited by the registry authority. The latter can only do so after receiving a list from Belgian supervisory authorities of the obliged entities under their jurisdiction. Foreign obliged entities are excluded from this accreditation process, being deprived of institutional access.

Even countries that offer API access to the different users (see more on this in the next subsection) tend to disregard access by foreign stakeholders. Competent authorities that are more advanced in terms of proactive investigations and data-driven approaches to beneficial ownership data (e.g., Danish FIU) would be in a position to

U4 Anti-Corruption Helpdesk

profit from API's easier and structured access to data from other countries but are unable to do so as these are usually designed for national authorities only.

Functionality of beneficial ownership registers

The overall set up of registers and the functionalities they offer are key determinants of the effective use of beneficial ownership information. How the data is used and the impact this use yields depends, among other things, on the existence of centralised platforms for beneficial ownership data, the interconnection and interoperability of beneficial ownership registers across countries and with other datasets, the ability to connect with an API, to access data in bulk, and to search by legal entity and beneficial owner.

While some countries opt to create different registers for different types of legal vehicles – such as in Ireland where a beneficial ownership register exists for companies, another for trusts and a third one for certain financial vehicles – other countries centralise beneficial ownership data through a single platform (e.g., Austria) with positive implications for data users. Data users do not need to engage with multiple registration and/or payment requirements and user interfaces.

A single country may also have multiple registers at the sub-national level (especially in the case of federal states). This decentralised approach bears not only obvious usability disadvantages, but it

also increases the risks that the types and quality of information are not harmonised across the country. The latest FATF mutual evaluation review on the United Arab Emirates, for instance, highlighted the regulatory arbitrage stemming from the 39 corporate registers existing in the country and the consequent “rise to different levels of understanding, implementation and application of measures to prevent the misuse of legal persons” (Transparency International 2022b).

Cognisant of these challenges, the FATF's newly launched Guidance on Beneficial Ownership for Legal Persons, establishes that, while countries are free to opt for decentralised approaches, they should ensure the different databases are interconnected. The interconnection (i.e. linkage of different IT systems) and the interoperability of beneficial ownership registers (i.e. the ability of these systems to work together, having protocols and standards that are compatible) are paramount not only to ensure greater data quality, but also to empower faster and better analysis by the different stakeholders (FATF 2023).

In terms of data quality, by interconnecting beneficial ownership registers with other public databases, countries can run automatic cross-checks of information held by different authorities (e.g., tax registers, citizenship registers, and land and vehicle registers) to verify the accuracy of the declared information. Such checks exist in, for example, Austria, Belgium, the Czech Republic, and Denmark where registers automatically cross-check the information on beneficial owners, directors, and shareholders against other national

U4 Anti-Corruption Helpdesk

databases, including national identification register and address registers.

Different users may also interconnect the data held by beneficial ownership registers with other databases of relevance to them, as long as the register provides the proper conditions for this type of use. These include the availability of data in a structured format, access to data in bulk, the possibility of downloading datasets, and, at best, API connections.

When, for instance, competent authorities can access beneficial ownership data in its entirety (bulk access) and not only on a case-by-case basis, this means that these authorities can conduct proactive analysis, looking into patterns of money laundering in their jurisdictions, and not being restricted to specific probes. By being able to download datasets, authorities can create their own systems, giving priority to functionalities that would help them run analysis relevant to their work. This ability is further heightened by the presence of API connections, that facilitate the creation and maintenance of these systems. Denmark presents a good example in this regard. The country's FIU built a system connecting beneficial ownership information with the suspicious transaction reports (STRs) obliged entities submit which allows FIU agents to connect actors from different STRs through complex company structures and run other macro-level data analyses. This system was enabled by the Danish register's API connection, itself tailor-made for competent authorities. This connection allows for delta-updates which means that whenever the information changes in the register, it

automatically changes in the system built by the Danish FIU (as opposed to the latter having to repeatedly download the register dataset).

Unique identifiers are key for the proper interoperability of beneficial ownership registers as they serve as the common unambiguous elements allowing data from different sources to be linked. Natural and legal persons have similar or sometimes identical names which makes it hard to determine the exact entity or person to which a given piece of information is attributed. While unique identifiers established at the national level already help overcome part of the ambiguity issue and are employed by several countries, ideally, unique identifiers ought to be established at the supra-national level. This is to avoid the risk of "collision" (when multiple entities from different countries have the same identification number) and to ensure national registers can be merged at the international level. This is the case of the EU's Beneficial Ownership Registers Interconnection System (BORIS), a platform providing single access to beneficial ownership data from several member states. BORIS uses the EUID for companies which comprises a country code, the register identifier, the company's registration number (and possibly a verification digit).

Finally, the registers' searching options have a bearing on what the different users can do with the registered data. On the one hand, they can improve and refine the analysis undertaken by the user, such as by providing filtering options (e.g., in Denmark and Germany). On the other hand, they can prevent or make it difficult for users to find the data they need. Issues hindering the efficient or

effective identification of data are the need to enter specific numbers identifying legal entities (e.g., in Portugal and Poland), the inability to search by approximate terms (e.g., in Hungary) or even the need to use the Cyrillic alphabet in the case of the Bulgarian register. The inability to query by both beneficial owners and legal entities is also problematic when investigators and data users in general have at their disposal leads that are restricted to either one of these options (Fraiha Granjo, Martini & Sipos 2023).

Quality and adequacy of beneficial ownership information

The final condition that can leapfrog an effective use of beneficial ownership information is data quality and adequacy. Beneficial ownership information should be adequate, accurate and reliable.

The better that the beneficial ownership information disclosed adequately reflects all relevant ownership and control interests of the legal entity in question, the more useful the information becomes. Definitions of who qualify as beneficial owners should therefore be as robust and clear as possible. Most legislations stipulate definitions based on a threshold approach when it comes to share or voting rights. The EU AML framework, for example, sets up a 25% threshold which means only beneficial owners who own more than a quarter of its shares must be disclosed. Even when thresholds are a clear-cut approach, complex corporate structures make it possible for those seeking to remain anonymous to

delude percentages along ownership lines. Hence, multiple civil society organisations, jurists and experts recommend definitions with low thresholds accompanied by a risk based approach for particular entities, sectors and people (Kiepe & Low 2020; Open Ownership 2023). Some experts recommend definitions with no thresholds at all, some jurisdictions are already requiring beneficial ownership registration whenever anyone holds at least one share: Argentina, Botswana, Ecuador and Saudi Arabia (Knobel 2020).

Definitions should also explicitly state that all relevant forms of ownership include benefit and control, and specify that this can be held both directly and indirectly (Open Ownership 2023). Variance in the definitions across jurisdictions can create incentives for agents looking to remain opaque to exploit these differences which is why governments should harmonise their definitions nationally and, when possible, regionally, and internationally.

Beneficial ownership information should ensure availability in the type of data being captured and in the scope of legal entities obliged to disclose. Ideally, beneficial ownership registers would include all types of legal entities (e.g., companies, partnerships, foundations, etc.) and legal arrangements (e.g., trusts, etc.). At a minimum, they should cover all relevant vehicles (e.g., those that pose ML risks in each country). For example, Irish limited partnerships (ILPs) – a type of corporate vehicle exclusive to Ireland – do not have to disclose their beneficial owners. The number of incorporations of this type of legal entity increased significantly after beneficial

U4 Anti-Corruption Helpdesk

ownership disclosure requirements came into force for other types of legal entities in the country. In 2022, Bellingcat reported on multiple cases where ILPs were key players in cases of fraud, money laundering schemes and other crimes such as the disappearance of the deposits of close to 250,000 registered users of the Bitsane cryptocurrency platform (Donnelly & Higgins 2022).

The type of data collected about the beneficial owner, the beneficial ownership structure and the declaring company or legal arrangement should be detailed enough for users to identify the natural person disclosed and to reasonably verify the information (Open Ownership 2020). Most countries require some form of identification number, like a passport or a tax number (Russell-Prywata 2023).

Information on beneficial owners should be kept up to date. Registers or authorities responsible for this information should stipulate regular timeframes for companies and legal entities to keep the data up to date. Some civil society organisations, journalists and experts have made a point of the usefulness of historical data, as it could provide an understanding of ownership chains overtime (Armstrong 2022).

Beneficial ownership information should be reliable. Users should be able to trust that the data reflects the reality of who owns, benefits, or controls the entity in question at a moment in time. Verification of the disclosed information should be part of the beneficial ownership transparency systems. A set of verification measures are made at the point of submission. Information can be automatically crossed-checked

with other registries like company registers, law enforcement registers, land or tax registers. In Austria, Belgium, the Czech Republic and Denmark, for example, registers automatically cross-check the information on beneficial owners, shareholders and directors against other national databases, including the address registers and national identification registers (Transparency International 2022b). There is, however, a challenge to cross-check the data when the beneficial owner is a foreign individual (Russell-Prywata 2023).

Another form of verification at submission is to require supporting documents as evidence of the disclosed information. Other verification measures are made through discrepancy reporting that, depending on the jurisdiction, can be carried out by the register, other authorities, obliged entities and even the public (Transparency International 2021), as discussed in the first section of the answer. For example, in Austria if obliged entities encounter any discrepancies, they first check directly with their clients and ask them to correct their reports. If the clients fail to clarify the discrepancy and correct the entry, the obliged entity must report the discrepancies to the register (Russell-Prywata 2023). This approach illustrates how the use of beneficial ownership nurtures quality of data and vice versa.

U4 Anti-Corruption Helpdesk

Beneficial ownership and development practitioners

During the past decades, beneficial ownership information has consolidated itself as a powerful tool to counter money laundering, corruption, and other financial crimes. The potential uses (e.g., public procurement, extractive industries, campaign funding, foreign interference, etc.) show the wide range of policy outcomes that can be furthered with an effective use of beneficial ownership information.

Development practitioners can have an active role in the advancement of the beneficial ownership transparency agenda in several ways:

(i) promoting and supporting the establishment of strong beneficial ownership frameworks, including the creation and development of central, verified beneficial ownership registers in their countries and abroad as well as public access enabling a wide range of users to access beneficial information such as civil society or foreign law enforcement authorities.

(ii) providing technical assistance and capacity building to countries in the process of implementing beneficial ownership registers as well as to potential users of registers, including anti-money laundering and anti-corruption competent authorities, asset recovery offices and civil society actors.

(iii) promoting the importance of beneficial ownership registers across development practitioners operating in different sectors,

showing how beneficial ownership information could help advancing policy goals across different areas of work (natural resources, public services delivery, public procurement, political integrity, security, among others).

(iv) promoting the development of mechanisms that allow and strengthen the interconnection of registers within and among countries.

(v) funding the implementation of registers or reforms to make them more effective (e.g., G7 countries committed to support the implementation of registers across 15 African countries) ([G7 2022](#)).

(vi) fund projects and actors committed to further beneficial ownership transparency, including actors advocating for improved global, regional, and national standards and rules, supporting the effective implementation of policies and practices, and using beneficial ownership registers.

Development practitioners can have a powerful voice to advocate and promote the implementation of beneficial ownership transparency policies and the use of the information stemming from them. Having access to a wide variety of high-level forums and bilateral relations with governments and international organisations, development practitioners can advance and elevate the debate around beneficial ownership. Beneficial ownership registries should be at the forefront of these policies, followed by an informed discussion and promotion of registers' conditions that lead to a proactive use of the information. Making sure their own governments are complying with best practices is also an area of action.

U4 Anti-Corruption Helpdesk

Development practitioners can also be agents of capacity building and technical assistance in beneficial ownership transparency. Technical assistance can be provided, either directly or through partnering with specialised organisations, to governments setting up new registers or amending their registers to better suit their user's needs. Technical assistance to a wide range of government authorities (from law enforcement agencies to public procurement authorities) in the proactive and effective use of beneficial ownership for the advancement of their mandates can also be provided. Finally, development practitioners can engage in capacity building of other potential users of beneficial ownership information beyond the public sector, especially journalists and civil society organisations. Development practitioners can seed-fund beneficial ownership registers, especially in less developed countries where dedicated resources may be lacking. Funds can also be allocated to projects that proactively use beneficial ownership information to detect wrongdoing like financial crime or corruption.

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The uses and impact of beneficial ownership information

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www.U4.no
U4@cmi.no

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