



Final Report

Preparatory Action — Capacity Building, Programmatic Development and Communication in the Context of the Fight against Money Laundering and Financial Crimes

**Civil Society Advancing
Beneficial Ownership Transparency**

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Final Report

Preparatory Action – Capacity Building, Programmatic Development and Communication in the Context of the Fight against Money Laundering and Financial Crimes

Civil Society Advancing Beneficial Ownership Transparency (CSABOT) is a project that implements the Preparatory Action – Capacity Building Programmatic Development and Communication in the Context of the Fight against Money Laundering and Financial Crimes. This project is performed by Transparency International Secretariat (TI-S), together with Tax Justice Network (TJN), Transcrime – Università Cattolica del Sacro Cuore (Transcrime – UCSC) and the Government Transparency Institute (GTI), under a contract with the European Union represented by the European Commission. The opinions expressed are those of the contractors only and do not present an official view of the European Commission.

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1. Introduction

Preparatory Action — Capacity Building, Programmatic Development and Communication in the Context of the Fight Against Money Laundering and Financial Crimes (hereinafter Action) is being delivered under a contract with the European Union represented by the European Commission. The two-year Action, known publicly as Civil Society Advancing Beneficial Ownership Transparency (CSABOT), is led by Transparency International Secretariat (TI-S), in partnership with the Tax Justice Network (TJN), Transcrime – Università Cattolica del Sacro Cuore (Transcrime – UCSC) and the Government Transparency Institute (GTI) (jointly referred as the Group).

Contract conditions are specified in the following documents: Service Contract (FISMA/2020/OP/0005); Tender Specifications (Annex 1 of the Service Contract); Technical Tender (Annex 2 of the Service Contract). The Tender Specifications state that a final report is required 20 months after the kick-off meeting.

The final report provides a description of the Action, findings, conclusions and recommendations, including a summary report of the local events and closing events, trainings delivered, the network activities and written contributions by the network as well as all training material delivered and a non-technical description of the database and the data contained in it, including its design, functions, search criteria and accessibility. It covers the full duration of the Action, and therefore repeats and updates some of the information and recommendations shared in the inception, progress and interim reports. It is delivered with a full set of annexes containing the six written contributions of the network as well as a compilation of communication materials published to support the implementation of the Action.

2. Overview of the Action

2.1. Objectives of the Action

EU member states are taking steps to transpose and implement the EU 5th Anti-Money Laundering Directive (AMLD5), and many have already established public beneficial ownership registers as an essential tool to promote beneficial ownership transparency and safeguard the integrity of financial markets. Civil society, including non-governmental organisations (NGOs), journalists, academics, experts and trade unions, have a key role to play in this regard as users of beneficial ownership data to identify and expose corruption, money laundering and other financial crimes and as advocates for improving beneficial ownership transparency frameworks and registers. However, the ability of civil society actors to fulfil these roles and use beneficial ownership information varies significantly across member states due to a lack of capacity and access to publicly-accessible, reliable and accurate beneficial ownership data.

The Action promoted greater and more comprehensive use of beneficial ownership data by civil society actors and ensured that they are empowered to advocate for improved anti-money laundering and counter-terrorist financing (AML/CFT) frameworks. At the same time, this Action has been designed to generate evidence on strengthening relevant legal frameworks and their implementation across member states.

Against this background and as specified in the tender specifications, the Action pursued two major goals:

- To ensure that a wider range of civil society organisations and stakeholders (e.g. NGOs, journalists, trade unions, academic communities) are aware of the role that they can play in the fight against money laundering and financial crimes, are empowered to advocate for, and collaborate, in the design and implementation of actions to combat money laundering and financial crimes and have at their disposal instruments for research, training and outreach to potential partners (including media) that help them contribute to the fight against money laundering and financial crimes.
- To create synergies between the activities of civil society organisations and the efforts of the Union to put an end to money laundering, financial crime and other abusive and criminal practices.

To meet these goals, five specific objectives have been defined for the Action:

1. Build capacity among civil society actors by developing specific training material and delivering training sessions to raise awareness of the Union's policy on beneficial ownership information transparency and the tools to verify it.
2. Raise awareness of ML/TF risks related mainly to the lack of beneficial ownership transparency through local events with target groups.
3. Create a sustainable network of academics, civil society organisations (CSOs), journalists, experts and other interested parties to follow the Union's dedicated AML/CFT policy, mainly with regards to beneficial ownership transparency; this network should be able to engage in the discussion on new measures for ensuring greater transparency, accuracy and use of the beneficial ownership information registers in the European Union.
4. Develop and/or improve tools and instruments to further the fight against money laundering and financial crimes, mainly in the field of beneficial ownership transparency, such as verification of

data standards and criteria, the availability of quantified data and tools for assessing the efficient use of beneficial ownership data.

5. Put at the disposal of the public a ready-to-use database of information on beneficial ownership information and its use in fighting financial crime, derived from judicial investigations and decisions, media reports, academic studies and expert opinions.

A varied set of activities contributed to achieving these objectives, namely: (i) trainings, (ii) local participatory events; (iii) network of experts; (iv) database; and (vi) a closing event.

2.2. Organisation of the work within the Group

Transparency International led the Group, managing the project, coordinating the partners and providing the overall leadership of the Action. TI-S also relied on its network of national chapters to deliver on the local participatory events in 12 countries, the delivery of the trainings in 6 countries and the closing event and leveraged its network of experts to establish NEBOT.

With vast experience in research on corporate ownership, capacity building and trainings, Transcrime – UCSC led the development of the training materials, the design of the training modules and ensured effective delivery of the training curriculum. Local partners of TI-S and TJN ensured the local implementation of the trainings, and that each of the trainings responded to the local context and needs by reviewing and adapting the training materials and took steps to maximise the participation.

With demonstrated experience in the use of large-scale datasets and in the design of public databases in the field of transparency and good governance, Government Transparency Initiative led the design and set up of the database and made important contributions to NEBOT.

TJN used its experience and expertise on beneficial ownership transparency to ensure that the database includes all relevant beneficial ownership data and leveraged its network to lead the organisation of some of the local events.

2.3. Activities implemented under the Action

The Action provided unique opportunities to discuss progress and challenges in beneficial ownership transparency with hundreds of stakeholders from civil society and public and private sectors across 18 EU member states.

With input from experts and practitioners, the Group developed comprehensive, high-quality and re-usable training materials, including a handbook, case studies and presentations, which have been made available in English, Czech, French, German, Greek, Italian and Portuguese. 344 journalists, activists and students, among others, registered for the trainings, and 171 were trained in seven countries on the importance of beneficial ownership information and the use of registers (see chapter on trainings).

Fifteen participatory local events, bringing together 987 activists, members of CSOs, and representatives from the private and public sectors across the EU, were organised to raise awareness on ML/TF risks related mainly to the lack of beneficial ownership transparency (see chapter on participatory local events).

A closing event was organised on 30 November 2022, bringing together 98 participants in person in Brussels and 207 online to present and discuss the results of the Action, as well as the steps that the

EU should take to advance beneficial ownership transparency across member states (see chapter on the closing event).

The Network of Experts on Beneficial Ownership Transparency (NEBOT) brought together 31 renowned experts from civil society, academia, the media, the private sector, beneficial ownership register representatives and competent authorities to engage in in-depth discussions on innovative measures to ensure greater transparency, accuracy and use of the beneficial ownership information registers across the European Union. With the compilation of six written contributions on key aspects of beneficial ownership transparency, such as the definition of beneficial ownership for companies, the status of beneficial ownership registers in the EU, beneficial owners of European companies, gaps and loopholes in beneficial ownership registration for trusts, quality and verification of beneficial ownership information, and challenges in linking beneficial ownership data, NEBOT collected further evidence to substantiate the design of innovative policy solutions on how to improve the current anti-money laundering framework (see dedicated chapter on NEBOT activities).

Additionally, the development of a database of beneficial ownership-related information provides a wealth of information derived from judicial investigations and decisions, media reports, academic studies and expert opinions. The database was conceived as an instrument to further the fight against money laundering and financial crimes in terms of verification of data standards and criteria, the availability of quantified data, and tools for assessing the efficient use of beneficial ownership data (see chapter on the development of the database).

2.4. Challenges and opportunities

The Group faced a few challenges but also saw opportunities during the implementation of the Action. Uncertainties related to the COVID-19 pandemic introduced a certain level of unpredictability in the planning and implementation of the project as countries ramped up restrictions on travel and meetings. The Group had to adapt the planning and the format of the trainings, local events and NEBOT meetings accordingly. In consultation with DG FISMA, a decision was taken to postpone the organisation of the local events to the second year of implementation of the project, with the hope that COVID-19 restrictions would be lifted by then. The formats of the trainings and some of the NEBOT meetings, initially planned to be in-person, finally took place virtually. The next sections contain more information about how the COVID-19 pandemic affected each particular activity planned under the Action when this was the case.

Paradoxically, the dramatic developments in Ukraine highlighted again the importance of beneficial ownership transparency in the pursuit of broader objectives of the financial transparency agenda in the media and various policy forums. As countries struggled to trace the assets of individuals subject to EU sanctions, the need for efficient beneficial ownership registers became more apparent and there was greater appetite across different stakeholders to engage in discussions related to corporate ownership transparency.

Finally, as anticipated in the technical proposal, the level of awareness and engagement of civil society actors on issues related to beneficial ownership transparency varies greatly across countries. This meant that local partners had to adopt different strategies in the organisation of local events and trainings to ensure those already familiar with the topic could participate and benefit from the discussions and that new actors could be exposed to the theme and engage. See more information about this in sections 3 and 4 of the present report.

2.5. Key findings and recommendations stemming from the Action

The Action provided a unique opportunity to generate and increase knowledge on the status of beneficial ownership transparency across the EU and promote the use of beneficial ownership registers as well as to assess remaining challenges to ensure that beneficial ownership information effectively fulfils its goal of curbing money laundering and financial crimes.

Some issues were consistently highlighted by stakeholders across the different types of activities implemented under the Action. In-depth discussions on how to address some of these issues were carried out during the trainings, local and final events as well as by the paper written by NEBOT members. The issues highlighted vary from gaps and loopholes in existing rules to access restrictions to beneficial ownership information. In particular, they include issues around (i) beneficial ownership definition; (ii) access and functionalities of beneficial ownership registers; (iii) quality and verification of beneficial ownership information; (iv) interconnection of beneficial ownership registers and other data; (v) the use of beneficial ownership data. A summary of the discussions and recommendations on each of these issues is provided below.

2.5.1. Definition of beneficial ownership

At the EU level, a definition of beneficial ownership is provided in the AMLD5 but, in practice, countries have different operational definitions of beneficial ownership, and the methods for identifying the direct or indirect beneficial owner vary across countries. In many local events, participants raised concerns about the definition of beneficial owners currently in use in their respective country, especially how ownership interests are currently defined. The majority of countries have adopted the 25% threshold of shares or ownership interests. During the events in Austria, Denmark, Luxembourg, the Netherlands and Spain, for example, there were concerns that transparency through lower thresholds may lead to higher administrative costs for firms and obliged entities. Yet, many participants highlighted the need for lowering the thresholds to ensure that transparency rules cannot easily be circumvented. In particular, some types of legal entity may offer different money laundering risks, requiring knowledge of all beneficial owners as a risk mitigation measure. Participants discussed the need to better understand these risks and define a threshold that does not hinder corporate ownership transparency. Beyond the issue of ownership interests, participants in local events underscored the importance of more guidance and a consistent approach to the identification of beneficial owners, including those holding indirect control, across the EU. There were also calls to harmonise the disclosure requirements to ensure the adequacy, accuracy and timeliness of beneficial ownership data across EU countries.

Similarly, the definition of beneficial ownership was one of the main topics chosen by NEBOT members for further analysis and the design of policy recommendations. When it comes to the use of a threshold for defining ownership interests, there was consensus among NEBOT members that the current approach used across the majority of EU member states (25%) could harm the accurate identification of the beneficial owner. However, there was no agreement among all NEBOT members on the measures that should be taken to address this risk. While most NEBOT members agreed that beneficial ownership registers should not apply any threshold or at least lower the threshold following an analysis of risk posed by legal entities, some representatives from obliged entities were concerned that such an approach could impose a significant burden on them when conducting due diligence on clients. Experts authoring NEBOT paper 4 on the definition of beneficial

ownership suggest that it should be the governments' responsibility to set up and bear the costs of fully reliable beneficial ownership registers, with a comprehensive beneficial ownership definition, covering as many individuals as possible, potentially abolishing thresholds altogether. To be effective, this needs to include a requirement for governments to implement advanced IT systems and proper verification that can be relied upon by the private sector and obliged entities so as not to increase their compliance costs.

2.5.2. Beneficial ownership registers: access and functionalities

The local events triggered important debates on the overall approaches to the implementation of beneficial ownership registers in the EU, their successes and shortcomings. The discussions revolved around the accessibility and usability of the registers, as well as on the types of information collected and disclosed.

In terms of **access to beneficial ownership data**, the EU directive leaves it to the discretion of member states to require the registration of users and the payment of a fee, but research undertaken by NEBOT as well as discussions held during the trainings and events show that some countries have adopted registration requirements that end up restricting the use of the register by the public. In some countries such as Belgium and Portugal, for example, access to the register is restricted to nationals or people from certain EU countries by requiring users to electronically identify themselves. This in turn limits the ability of foreign stakeholders to access the register, including law enforcement and financial intelligence units (FIUs) as well as journalists. In Portugal, an investigative journalist reported being routinely asked by foreign journalists investigating cross-border cases to consult and retrieve information from the Portuguese beneficial ownership register on their behalf, as without a Portuguese identification document, creating an e-identification system is a complex task. In Sweden, although in line with the EU AMLD, panellists challenged the need for a login process based on an electronic identification process that they perceived as against the country's Act on Access to Public Information. The act allows anyone to request public information anonymously. In Belgium, participants identified the need to demonstrate a legitimate interest and the requirement to hold a Belgian ID card to access the data as limiting access to the beneficial ownership register.

Countries like Austria, Belgium, Germany, Malta, the Netherlands and Romania impose a fee to obtain access to beneficial ownership registers or for accessing specific types of information. While charging fees is in line with the AMLD with the view to providing resources to operate and maintain the register, this was mentioned in most countries as an important obstacle to accessing data, especially for civil society actors, journalists and the media. Recognising the importance of free access to this data, the fee was abolished in Estonia as of 1 October 2022.

Search and download functionalities were also mentioned during the events in Austria, Luxembourg, Malta, the Netherlands, Portugal, Romania and Sweden, among others, as important factors to consider and improve to ensure efficient access to beneficial ownership data. For example, the Austrian and the Swedish beneficial ownership registers require the user to provide the exact name of the company to conduct the search, while the Portuguese register requires the user to declare their reason for searching the register. In Malta, the register can only be searched by the name of the company, its registration number, or, when searching by person, the exact name of the beneficial owner/s and their ID card number. In these countries, participants called for more flexible search functionalities, allowing for example searches by name, the month and year of birth, the country of residence, and nationality of the beneficial owner and the nature and extent of the beneficial interest held. They also called for making the data available in open and machine-readable

formats, allowing automatic searches and pattern recognition. The Danish register was mentioned as an example of a register providing structured data in machine-readable format, allowing for the download of large amounts of data based on the selected search criteria. It also provides information on the companies controlled by the same beneficial ownership and those registered at a given address.

In terms of the **types of information collected and disclosed in the registers**, most public registers across the targeted countries make the set of beneficial ownership information required by the EU AMLD publicly available. In France, journalists and academia pointed to limitations related to the lack of information on the place of incorporation of foreign entities in the ownership chain of a French company. In many countries, participants raised challenges associated with keeping data up to date, with a timely record of changes in beneficial ownership data. In Denmark, Estonia, France, Luxembourg and Malta, participants called for recording and providing access to historical data, including data of struck-off companies. In Denmark, for example, participants stressed the importance of maintaining and making historical records of beneficial ownership available to the public for a minimum of 10 years (as opposed to the current three years). Participants also highlighted the importance of updating requirements at the EU level, extending the types of information to be collected by the register to ensure a harmonised approach across the EU. In particular, historical data has been mentioned as key to understanding corporate structure and should be considered as part of the AML package currently under discussion.

Based on desk research, surveys, and interviews, NEBOT paper 5 identifies challenges similar to those raised during the events and provides an overview of EU registers' accessibility and usability as well as the availability and reliability of the information they hold. Recommendations emerging from the paper include ensuring free access to beneficial ownership data, widening the scope of entities with beneficial ownership disclosure requirements, collecting and publishing additional types of beneficial ownership information and improving functionality requirements.

2.5.3. Quality and verification of beneficial ownership information

The timely and accurate submission and storage of beneficial ownership information in the registers was also discussed in most events. In all targeted countries, the need to ensure the quality and accuracy of the information was mentioned as paramount to maximise the impact of beneficial ownership registers. This involves checking the information submitted to spot potential inconsistencies in the name or nationality of the beneficial owner, in the ownership interest or in the type of person declared as the beneficial owner. The need to establish and strengthen efficient verification mechanisms was perceived as instrumental in this regard, with adequate and proportionate sanctioning for non-compliance. These points were particularly stressed in Austria, Denmark, Estonia, France, Portugal and Sweden. In many countries such as Belgium, Estonia, Portugal and Sweden, participants mentioned that relevant authorities lack the resources and capacity to monitor the entries, check for accuracy of beneficial ownership information, perform adequate controls when entities register beneficial ownership information and ensure the high quality of the data. In some cases, authorities do not even have the legal mandate to perform independent checks or request additional documents or information. In Estonia, for example, there are no legal provisions allowing the register to undertake additional checks based on identified risks or red flags. In Sweden, France, Germany and Romania, participants recommended that beneficial ownership data be cross-checked with other registers (including real estate registers), lists and databases such as sanction and enforcement lists, politically-exposed persons (PEP) lists, to verify

their consistency or raise red flags or to conduct identity checks for beneficial owners not registered in the country.

In many countries, participants also raised the extent to which the sanctions regime for non-compliance or submitting false information is proportionate and dissuasive. In Sweden, the only sanction available to the companies registration office is to issue an administrative fine, which is considered highly inefficient. In France, some categories of professionals are rarely sanctioned, but public authorities are considering removing companies that fail to comply with their disclosure obligation from the trade register, which would de facto prevent any commercial activity on French territory. In contrast, in Denmark, sanctions range from fines to the withdrawal of legal entities' licences to operate in the country. In Austria, the sanctioning mechanism was considered to be effective and includes stepwise financial penalties (in contrast to prison sentences) and can lead to criminal convictions of CEOs. In addition, risk-based controls have been pointed out as one specific strength of the Austrian beneficial ownership register and a good practice. In some countries, like Denmark, participants recommended imposing stricter disclosure obligations to companies involved in public procurement.

Good practice cases were also highlighted from sector-specific registers. These could serve as inspiration for central beneficial ownership registers across the EU. In Slovakia, for example, the register of public sector partners (RPSP) covers approximately all Slovak and foreign legal entities doing business with the state. It has special beneficial ownership disclosure procedures including verification by notary, attorney or bank, reversed burden of proof and possibilities of a special review procedure by a specialised court. Sanctions for non-compliant entities include removal from the register, de facto barring them from doing business with the state for two years, which constitutes a strong incentive to comply.

Based on a comprehensive review of 24 national legal frameworks of EU member states, a survey with representatives of beneficial ownership registers in 18 member states, and a case study conducted with one of these registers, NEBOT paper 2 confirms the issues raised in the local events. While almost all member states have some sort of verification mechanism(s) in place, they are not comprehensive enough to ensure the accuracy and timeliness of the data. Recommendations to address these gaps include mandating beneficial ownership data verification in law, requiring beneficial ownership disclosure for new entities within clearly-defined timeframes, verifying the identity of both domestic and foreign beneficial owners, collecting information about the full ownership chain and implementing proportionate and dissuasive sanctions for non-compliance.

2.5.4. Interconnection of beneficial ownership registers and other data

The need and importance of ensuring the interoperability of beneficial ownership registers across Europe as well as linking them to other datasets and registers such as fiscal data, real estate data, trade registers, assets declarations of public servants and politically-exposed persons, etc. was mentioned in most local events, including Austria, Denmark, Estonia, France, Germany, the Netherlands, Romania, Spain and Sweden. In Estonia, Slovakia and Sweden, participants emphasised the need to interlink national beneficial ownership registers in the EU to support cross-border investigations and international controls. There were concerns about the delays in implementing the planned EU interconnection system and the functionalities, including how registration requirements and fees could hamper the effective use of the Beneficial Ownership Interconnection System (BORIS) currently under implementation. In Austria, participants praised the automatic integration of the register with other national registers (company register, register of associations, central resident register and *Ergänzungsregister*) as a good practice and called for

extending this approach to other datasets. In the Netherlands, some participants recommended an expansion of the register to include real estate beneficial ownership data, including from foreign buyers and valued assets.

Based on three case studies looking respectively at linking politically-connected firms and public procurement data in Bulgaria, investigating beneficial ownership of German real estate and the European Business Ownership and Control Structures (EBOCS) project, NEBOT paper 6 identifies several challenges, recommendations and issues to consider when linking datasets. Among them were the scope, depth, accuracy, accessibility, interoperability of the datasets, both at the national level and beyond (see section below on summary of written contributions). NEBOT paper 5 also discusses the interconnection of beneficial ownership registers across the EU, making recommendations to the Beneficial Ownership Interconnection System (BORIS) being implemented by the European Commission.

2.5.5. The use of beneficial ownership data

The local events, closing event and trainings also provided opportunities to share examples of how civil society actors, investigative journalists and law enforcement have been able to use beneficial ownership data to expose wrongdoings and financial crimes.

In Denmark, the representative of the Danish FIU stressed how instrumental the beneficial ownership register has been for investigating financial crime in the country. With its own data science unit and drawing from several public and private data sources, the Danish FIU is able to conduct automated analyses on the 70,000 reports the agency receives on average annually. The FIU has also built its own red-flag systems and data models to make sense of the data. The FIU also uses public access to beneficial ownership registers in the EU to access information on foreign companies when investigating cross-border cases. In Latvia, the beneficial ownership register is consulted around 1.3 million times a year.

In France, as the register has been accessible free of charge since 2021, journalists and academics are already using this register. For example, they conducted an assessment of money laundering risks in the real estate sector in France, which was made possible by cross-referencing the beneficial ownership register with the real estate cadastre. Although not an EU-based example, a PhD student analysed the UK beneficial ownership register and observed the rising of offshore capital in the London real estate sector. Beneficial ownership information has also been instrumental in the enforcement of sanctions against designated individuals. TI France, for example, used the public beneficial ownership register and the open real estate cadastre to identify assets connected to designated Russians and report them to authorities.

Public access to beneficial ownership registers is also proving crucial for the verification and quality of the data, as members of the public can spot and report inconsistencies and discrepancies. In Slovakia, for example, 95 per cent of discrepancy reporting in the Slovak dedicated Register (containing information on companies with a contract / relationship with the State) came from journalists, civil society and the public.

Similarly, in Germany, participants discussed the results of the ongoing research into real estate ownership, illustrating how to make data analysis accessible and affordable to investigative journalists, academia and policymakers. The results of the research suggest that such an analysis is already possible using existing data and how combining beneficial ownership data with data from company registers is important for a full understanding of ownership structures.

In Austria, France and Germany, the discussion on beneficial ownership transparency and access to timely and accurate data was discussed in the context of tracing Russian politically-exposed persons and designated individuals' assets by competent authorities.

In Portugal, investigative journalists provided examples of their own experience in using the register as a tool to expose corruption and money laundering schemes but raised the difficulties in accessing it through ID card authentication as a major obstacle to their investigations. NEBOT paper 5 also assessed the challenges in using beneficial ownership registers by different stakeholders, including the public, obliged entities and the public sector. The findings of the paper corroborated the discussions held during events and trainings. It is worth noting that the use of the register by competent authorities, such as law enforcement and financial intelligence units, also seem to be affected by accessibility, functionalities and quality of the data. In many countries, not all authorities have direct and unfiltered access to the register, which limits the way the information can be used in the detection and investigation of financial crimes.

During the training sessions, trainers always attempted to access local beneficial ownership registers and conducted exercises with trainees. During these, many of the challenges highlighted during events and the NEBOT papers were experienced in practice.

2.6. Communication strategy

The Group developed a communication strategy aimed to ensure that all communication-related activities and outputs were informed by the Action's objectives and that there was consistent communication of key messages and communication guidelines across all tasks and deliverables.

2.6.1. Local partners' communication plans

Local partners were responsible of the communication strategy for local events and trainings, capitalising on their local channels and languages. Communication strategies typically included pre-event communications, dissemination of quotes, pictures and highlights of the event during and after the events through the local partners' social media channels. In some cases, a recording of the event has been made available for the general public. In other, summaries of the findings of trainings and / or events were published by local partner or participants. In France, for instance, a journalist participating in the training published an online article about the main points discussed.¹ In Germany, the results of the local event were presented and published in a cover story of Die Welt at the beginning of October.² The results of the event were also part of a radio broadcast released on 2 September 2022.³

2.6.2. Communications support provided by the Group

The Group created templates for the local events to ensure a consistent visual identity for the Action and that all communications at the local level respected the visual requirements of the Action. The Group also stressed General Data Protection Regulation (GDPR)-compliant practices when it came to the registration of participants and communication about the event in kick-off calls and communication briefings.

¹ Gotham City. 2022. "[Registre des bénéficiaires effectifs: la France peut mieux faire](#)".

² See: Netzwerk Steuergerechtigkeit. 2022. "[Neue Studie: 15.000 bis 20.000 anonyme Briefkasten-gesellschaften besitzen deutsche Immobilien](#)".

³ Deutschlandfunk. 2022. "[Wirtschaft und Gesellschaft, komplette Sendung 02.09.2022](#)".

Transparency International and the partners also engaged with the posts shared with local partners to maximise the visibility of the Action (see table below for examples).

The Group also supported the promotion of the trainings on LinkedIn and Twitter. A similar promotion approach was used to communicate about the closing event (see section on the closing event below).

Table 3 Overview of TI social media posts*

**Table 3 displays the total impressions, engagement, shares and clicks from the date the communication was*

Channel	Total Impressions	Engagement	Shares	Clicks	Date	Link
Twitter	3564	136	14	27	06.07.22	https://twitter.com/anticorruption/status/1544615647967158272
Twitter	4256	49	8	8	01.09.22	https://twitter.com/anticorruption/status/1565323774370762753
Twitter	4020	34	3	0	22.09.22	https://twitter.com/anticorruption/status/1572902986694725632
Linked In	14,400	486	36	225	23.11.21	https://www.linkedin.com/posts/transparency-international_dark-money-is-dark-power-that-was-one-activity-6868835432092717056-liiU/
Linked In	4200	112	7	56	06.07.22	https://www.linkedin.com/feed/update/urn:li:activity:6950418091969269760
Linked In	3600	83	8	27	12.07.22	https://www.linkedin.com/posts/transparency-international_the-network-of-experts-on-beneficial-ownership-activity-6952509360652599296-1hpB/
Linked In	6800	203	11	11	12.09.22	https://www.linkedin.com/posts/transparency-international_civil-society-advancing-beneficial-ownership-activity-6974984976639389696-vNnS/
Linked In	4500	83	2	42	30.09.22	https://www.linkedin.com/posts/transparency-international_on-14-september-members-of-the-network-of-activity-6981666242646421504-YpBo/
Linked In	5200	129	11	65	09.12.2022	https://www.linkedin.com/feed/update/urn:li:activity:7007058181851897857

posted to the final edit of this report on 8 February 2023.

The Group also distributed dedicated newsletters, highlighting relevant Action news and development and upcoming events to about 139 people.

In addition, the Group created a project page,⁴ which included a dedicated page for NEBOT with a description of the network, experts' bios and a recap of the meetings.

The links to posts and communication materials published by the Group and the local partners are compiled in Annex 1: Communication results.

⁴ Transparency International. 2022. "[Civil Society Advancing Beneficial Ownership Transparency](#)".

3. Trainings

3.1. Overview of trainings

Between May and November 2022, the Group organised seven two-day virtual trainings in the Czech Republic, France, Germany, Greece, Ireland, Italy and Portugal. The trainings were organised in partnership with TI local chapters in Czech Republic, France, Germany, Greece, Ireland, Italy and Portugal, and in partnership with TJN's local partners in Germany, Italy and Ireland. The involvement of local organisations was crucial to ensure the content of the training was targeted and reflected the issues and context of each member state. In addition, all trainings were held in the local languages, with simultaneous interpretation services provided for international visitors. The training materials were also made available in the local languages.

The development of the training modules and production of training materials in seven languages in preparation for the trainings contributed to the stock-taking and advancement of the state of knowledge and practice on beneficial ownership transparency-related issues and resulted in the compilation of an up-to-date, high-quality and re-usable handbook, case studies and handouts. These training materials cover a wide range of beneficial ownership transparency-related issues such as the role of beneficial ownership transparency data in the fight against money laundering and financial crimes, EU provisions on beneficial ownership transparency as per the EU AMLD, best practices for the design, organisation and functioning of the beneficial ownership registers, the means to ensure accuracy and verification of beneficial ownership transparency data, and the role of civil society actors, among others.

Across the EU, the implementation of the trainings resulted in equipping 194 individuals involved in the fight against money laundering and financial crimes with the skills to use and verify beneficial ownership transparency information and assess potential legal and institutional loopholes. It helped create a space for building communities of practice, bringing together experts and practitioners with the interest and ability to develop knowledge in the topics covered at the national level. As mentioned, COVID-19 imposed a virtual format for the trainings which were originally planned as in-person events. This new format, together with the relatively small size of the community of experts and practitioners engaged on this agenda in some targeted countries, posed challenges to consistently ensuring a high number of participants as it is more challenging to attract and sustain participants' engagement virtually for two full consecutive days. In spite of this, participants in the trainings actively engaged with the sessions and were very pro-active and interactive, asking many questions, making comments and contributions and actively participating in the assignments and practical exercises. While the online format of the trainings limited networking opportunities, participants in Germany, France and Italy expressed a need to stay in touch and meet. Overall, through the Action, a total of 344 people registered for trainings in the seven countries and 171 were trained (an average of 24-25 per country).

3.2. Production of training materials

3.2.1. Development process

The training materials were developed following extensive consultations with local partners and a preliminary needs assessment survey. This helped to ensure that the trainings would respond to the needs of the target audience in each country.

The Group used the local partners' input in the preparation of the handbook and case studies as a starting point to better understand the transposition of beneficial ownership provisions in the EU AMLD5 across member states, assessing in particular the existence and accessibility of beneficial ownership registers. The Group undertook further research on the applicable framework in all targeted countries, using primary research, analysis of the legal frameworks as well as desk research. Eight case studies covering topics relevant to the countries where the trainings would take place were compiled to illustrate how beneficial ownership data has been used by CSOs across the European Union using publicly available sources of information.

The handbook and case studies were validated by local partners and also submitted for external peer review by independent experts with knowledge on beneficial ownership transparency, EU AML rules or with geographical expertise, including some of the NEBOT members. External experts offered new insights, while confirming the high quality of the training material.

In addition, the Group also consulted with DG FISMA on the training agenda, training handbook and case studies, and shared the draft training materials for review. The final training materials were shared with training participants and with DG FISMA.

3.2.2. Training materials outline

In addition to providing training support during the sessions, the training material was designed to be used as long-term references for future curricula, events, research, investigations and policy actions.

Overall, the training materials covered four major thematic areas, including:

- Thematic Area 1: EU and national AML/CFT policies, particularly those related to beneficial ownership transparency
- Thematic Area 2: Role, organisation and functioning of beneficial ownership registers in EU member states and beyond
- Thematic Area 3: Collection, verification, quality assessment, processing and use beneficial ownership data
- Thematic Area 4: Cooperation and networking tools among civil society actors in beneficial ownership transparency and AML/CFT prevention

3.2.2.1. Handbook

The handbook was drafted as a comprehensive tool to serve as the training manual and consists of around 180 pages, structured around five major pillars which formed the basis for designing the training agendas, including:

- Threats and risks associated with the lack of beneficial ownership transparency
- The AML/CFT policy context in the EU and in training countries: a focus on beneficial ownership transparency

- Role, organisation and functioning of beneficial ownership and company registers
- Verification and use of beneficial ownership and legal ownership data for AML/CFT purposes
- Civil society cooperation mechanisms and networking tools in the AML/CFT field

3.2.2.2. Case studies

Eight case studies were compiled in a 30-page report on the use of beneficial and legal ownership data to detect financial crimes and legislative loopholes. They illustrate how criminals can exploit corporate ownership structures for money laundering purposes and how beneficial ownership data can be used to detect financial crimes and legislative loopholes. They also provide concrete examples of how civil society actors and public authorities have used beneficial ownership data for different purposes to prevent and detect money laundering and other financial crimes. They include:

- Case study 1. Anonymous beneficial ownership in the Berlin real estate sector
- Case study 2. Danish bank's failure in complying with AML legislation
- Case study 3. OpenLux investigation
- Case study 4. Conflict of interest involving a high-level PEP
- Case study 5. Analysis of ownership data to detect and monitor financial crimes risks
- Case study 6. Operation Metropolis
- Case study 7. Operation Matrioskas
- Case study 8. Operation Volcano

3.2.2.3. Presentations

The PowerPoint presentations followed a similar structure as the handbook and were produced by both international and local trainers. Parts of the presentation covering information relevant to all countries (e.g. those related to the European regulatory framework on beneficial ownership transparency and overview of beneficial ownership registers across EU member states) were developed by the Group in English and translated into all local languages. These were used in all seven countries. Other parts of the presentation have been made country-specific and were directly produced in local languages by the local trainers. Those specifically relate to local context (e.g. national legislation and functionalities of the national beneficial ownership register).

3.2.2.4. Handouts

Handouts were developed to provide guidance to trainees during the training sessions. They include a training agenda and assignments. Two different training agendas were prepared: one for countries with a public beneficial ownership register (France, Germany, Ireland and Czech Republic) and one for those with a private beneficial ownership register or no register at all (Greece and Italy). Training assignments consist of practical cases and exercises that were undertaken during the trainings' interactive sessions, with three broad types of assignments:

- Real-time survey to check trainees' understanding of basic concepts related to beneficial ownership and ownership structures
- Set of exercises to access and use beneficial ownership registers
- Group work to collect and verify beneficial ownership and legal ownership data as well as analysing beneficial ownership and legal ownership data to detect ML/TF risks

While some group work was prepared in English and used in all trainings, most were produced in local languages by the local trainers and are not available in English as they were adapted to fit the

local context (where possible). As with the presentations, most of the training assignments were adapted to the local context and therefore differed across countries.

3.3. Preparatory actions for the trainings

3.3.1. Selection of the local and international speakers

In all trainings, speakers were selected based on their expertise in the topic and their availability while ensuring a good balance between international and local speakers across the different training sessions. In all trainings, a local moderator, typically a representative of the local TI/TJN chapter, i.e. the local organiser, was appointed to ensure the smooth running of the programme, transitions between sessions, provide technical guidance and address any arising issues.

3.3.2. Adaptation of the training material

Based on the material compiled in the handbook and case studies, the Group drafted PowerPoint presentations adapted to the local contexts by the local partners shortly before the trainings. This approach allowed for integrating some developments or changes related to the status of beneficial ownership registers in some of the countries (e.g. Italy and Greece). The local speakers also customised cases and exercises (assignments) to respond to local needs. Exercises prepared in the local language are not available in English because they are relevant only to the local context.

3.3.3. Virtual platform set up

Prior to the training, local partners were provided with detailed guidance for creating a Zoom Event platform dedicated to the training and performed test sessions ahead of the trainings. All organisers set up the platform, creating a new event using the Action's visual identity, setting up the languages, conference times and uploading short bios for all local and international speakers delivering the training. For the 'About conference' section of the platform, they were provided with standard text to describe the training and the purpose of the Action.

Once the event was published and a link to the event generated, it was communicated to all registered participants ahead of the training, who were encouraged to create an account and register to the platform before the training. In all countries, detailed guidance was sent to all speakers and trainees with step-by-step instructions on how to register and join the training to prevent any potential technical issues on the day of the training.

3.3.4. Outreach to potential participants

In all trainings, the local chapters of Transparency International and TJN identified and invited potential participants. They gave priority to individuals and organisations with expertise, practical experience and/or interest in using beneficial ownership data. This approach aimed to promote a homogeneous level of understanding and literacy with the topic across participants to help maximise the quality and value of peer-to-peer interactions and active participation of trainees during the training sessions. It was also to ensure that trainees would actually benefit from and use the skills transferred during the training in their work and research as well as create opportunities for networking and collaboration among like-minded practitioners.

Trainees were mainly selected from civil society (NGOs, academia, investigative journalists) with activities related to the field of AML/CFT or beneficial ownership transparency and other stakeholders (e.g. AML experts in the private sector, relevant authorities), drawing from local partners' existing networks. In many cases, as in France, Greece, Italy and Ireland, the organisers

also conducted a stakeholder mapping exercise prior to the training to target key individuals and organisations at the national level and used this opportunity to expand their network of existing contacts working in this field.

When this targeted approach to identify and invite potential trainees failed to secure enough interested participants, local partners advertised the training to broader audiences using social media channels. While this approach managed to boost the number of registrations, it created some challenges for ensuring the homogeneity of the audience in terms of level of literacy in beneficial ownership transparency-related issues. According to local partners, participants recruited through the social media channels also tended to be less committed to attend the training, and many registered participants finally did not join the training. The Group also contributed to promote the trainings through their social media and networks and following DG FISMA's recommendation, some of the trainings were also promoted through university programmes focused on related issues.

The handbook, case studies and agenda of the trainings in the local languages were shared with all registered participants before the training. After all trainings, a thank you email was sent to all participants with a link to the evaluation survey to allow organisers to assess the quality of the training and level of satisfaction of the participants along with an invitation to register for the CSABOT newsletter.

In kick-off and communication briefings organised prior to each training, the Group provided local partners with guidance on the visibility requirements of the Action as well as compliance with GDPR provisions.

3.4. Implementation of the trainings

3.4.1. Germany

The training took place on 16 and 17 May 2022 from 9:00 to 17:45 in German. Twenty participants registered to take part in the training and 17 participated. Sixteen participants filled out the evaluation survey and provided very positive feedback to the organisers. Another positive outcome of the training is that participants expressed an interest to meet physically to foster cooperation among the CSO actors and create opportunities for further collaboration and networking on AML/CFT and beneficial ownership transparency. The local event organised on September 1 also provided an important opportunity to bring the participants back together and connect them to other experts and practitioners in this field. One participant from the Ministry of Finance, impressed by the quality of the training materials, enquired about the possibility to disseminate the handbook internally.

3.4.2. Czech Republic

The training in the Czech Republic took place on 30 and 31 May 2022. The local partner prioritised the invitation of participants with interest, knowledge and some level of expertise on issues related to anti-money laundering. They believed this approach would not only contribute to the quality of the interactions during the training but would also ensure that the knowledge acquired would be used. However, in the Czech Republic, there is a very small number of experts and practitioners, journalists, NGOs and academics working on these issues. This affected the number of participants able to attend the training. Participation in the training was lower than expected, with 11 registrations, and 8 trainees effectively attending the sessions. However, in spite of the low attendance, participants engaged actively with the training. Informal feedback collected by the local partner indicated that they found the sessions focused on the local context as well as practical

sessions particularly relevant for them. They especially appreciated the interactive exercises aimed at identifying beneficial owners, pointing to the usefulness of the chosen approach of using real-life examples of Czech corporate structures.

3.4.3. France

The training in France took place on 29 and 30 June 2022. Thirty participants registered and 27 attended the training. The local partner received nine responses to the evaluation survey, providing very good feedback on the training. Some participants not only completed the evaluation survey but additionally sent an email to express their satisfaction with the training. Some media coverage was produced by participants to the trainings, including a report⁵ by a journalist who participated in the training. In view of the feedback received, level of attendance and engagement of the trainees in the various sessions, the training was considered a very successful event by the local partner and created opportunities for further cooperation and networking across different segments of French civil society.

3.4.4. Greece

In Greece, the training took place on 12 and 13 September 2022. The local partner reviewed and adapted the local presentations shortly before the training took place, as there were recent amendments to the Greek AML legislative framework. 33 participants registered and 16 finally attended the training. The local organiser invested considerable efforts to remind participants to fill out the evaluation survey and managed to get all participants to provide their feedback. Feedback received was overall very positive with some comments made on improving the format, length of the sessions and the duration of the training.

3.4.5. Italy

In Italy, the training took place on 13 and 14 October 2022, coordinated by the Tax Justice Network Italy. 56 participants registered and 33 attended the training. Participants actively engaged with the training, with very lively discussions taking place during the sessions. While Italy has not yet implemented a beneficial ownership register, the training provided a good background to the challenges posed by the lack of identification of beneficial ownership data, how to overcome these challenges and the relevance of different legislation at the EU and Italian levels, along with how to retrieve data on beneficial owners in the absence of a beneficial ownership register in Italy. Although the virtual format of the training limited networking opportunities, some participants expressed interest in building future collaborations among the participants and the other organisations working on the topic. Eight participants filled out the evaluation survey and reported a high level of satisfaction with both the content and organisation of the training.

3.4.6. Portugal

In Portugal, the training took place on 26 and 27 October. 140 participants registered for the training and 51 finally attended it. Those who filled out the evaluation survey gave positive feedback on the training. Most of them found the content easy to follow but somewhat challenging and valued the case studies and analytical tools provided.

⁵ Gotham City. 2022. "[Registre des bénéficiaires effectifs: la France peut mieux faire](#)".

3.4.7. Ireland

The training in Ireland took place in November 2022. 46 participants registered for the training. To keep the audience engaged and assess their level of literacy with the issues prior to the training, the local partner conducted a training needs analysis and sent a survey to the registered participants along with the training materials. Seventeen registered participants responded to this survey, providing useful information to adjust the content to the level of literacy of the participants. Nineteen finally attended the training. The fee applied by the Irish beneficial ownership register to access beneficial ownership data constituted a challenge to implement the interactive sessions and practical assignments.

3.5. Lessons learned

A few lessons can be drawn from the trainings conducted in all seven countries. Based on feedback received through the evaluation surveys, and the trainers' assessment of the audience's level of participation in the various sessions, the trainings' content and structure were designed in an effective way to allow skill transfer while keeping the audience engaged.

Firstly, the training methodology developed by the Group, alternating more theoretical lectures with interactive sessions and practical examples proved successful to keep training participants engaged and sustain their interest over the whole duration of the training. This demonstrated the importance of using interactive training sessions with practical exercises to ensure that trainees "learn by doing", apply new concepts to concrete cases and put them to use through practical exercises. Feedback received from participants confirmed this approach. They typically especially appreciated sessions in which lecturers used real case studies and involved attendees in practical assignments and workshops (e.g. how to use beneficial ownership registers and how to validate data).

Secondly, in their assessment of the relevance of the training to their knowledge needs, participants highly valued efforts invested in tailoring parts of the training to the local context instead of implementing a standardised approach across all countries. While the expertise and quality of international speakers' interventions were also highly valued, this confirmed the value of involving local experts as trainers and adapting the local presentations to the local realities.

In spite of this positive feedback, due to the format, duration and profile of the targeted audience, local organisers faced challenges in selecting a critical mass of trainees to take part in the trainings in most countries for several reasons. The trainings were initially designed to target a community of practitioners with interest in, basic knowledge of, or already working on beneficial ownership transparency in order to ensure the quality of the interaction and a relatively homogeneous level of knowledge and expertise among participants. This community is very limited in many countries, especially small countries such as the Czech Republic and Ireland but also in bigger countries such as France and Germany. In spite of intensive and pro-active outreach efforts by all local organisers to select and target potential participants, it has proved challenging in most countries to identify such a base of experts and practitioners. The countries in which the number of participants were higher are those in which the marketing and promotion of the trainings were extended beyond the local community of experts. This in turn has created challenges in delivering the trainings, as expectations and level of knowledge and awareness of beneficial ownership transparency-related issues varied greatly among participants. Where outreach efforts targeted a broader audience through social media networks and channels, there were major challenges in managing various levels

of literacy in beneficial ownership transparency issues among a heterogenous audience of participants during the trainings.

Feedback received also indicated that different categories of stakeholders had different expectations from the training. In Germany and France for example, journalists highlighted being particularly interested in practical sessions aimed at strengthening their skills in finding, verifying and analysing beneficial ownership information, while NGO representatives and academics were more interested in the legal aspects of AML/CFT and beneficial ownership transparency for their advocacy work. Consideration could therefore be given in the future to further segment the target audience and adapt the training to their specific needs and expectations.

In all countries, the required length and format of the trainings (two full days of virtual training) had been an obstacle to participation as many participants could not afford to be away from work for two full consecutive days. In all countries, some participants could not attend all the training sessions. This is especially true for journalists who have to cover the news cycle and can be called at any time by their news outlets to cover a story. In Germany, Greece and Ireland for example, some participants cancelled their participation at very short notice to cover breaking news or important events. Making recordings of all training sessions available can be a way to address this challenge.

In addition, the COVID-19 pandemic imposed the virtual format of the training, which was also generally less attractive and engaging for participants and severely limited networking opportunities. The online format requiring participants to sit for two full days in front of a screen to digest complex information may have been too demanding for some participants, especially those who had little knowledge of beneficial ownership-related issues before the training. It could be beneficial in future to conduct a training needs assessment of the participants prior to the training, as the local partner did in Ireland, to assess not only the participants' training needs but also to further investigate the best format to deliver the training in terms of time, duration, format, etc., in a particular country. Local organisers in the Czech Republic, Ireland and Portugal for example recommended considering splitting the training into a series of sessions conducted at regular intervals over several weeks to make the training format more attractive in the future.

At the same time, this online format made it possible to increase the number of participants without generating additional costs and ultimately reach a much broader audience than initially planned.

The more theoretical lecture-type sessions were recorded in all countries but Portugal, with the view to sharing them with participants unable to attend all sessions of the training or making them available to a broader audience after the training, should local partners agree with this approach. Interactive sessions involving the active engagement of participants were not recorded for privacy reasons. Recordings are clearly useful for all the participants who were not able to follow the whole training or for participants who registered but were not able to join, and there could also be great value in making them available to a wider audience.

Lastly, the experience of conducting the training in seven countries showed that context matters and validated the Group's approach to tailor the training to the local context as much as possible. What works in one country does not necessarily work in another in terms of outreach strategies or format of trainings, and future trainings could go even further in adopting country specific approaches to deliver the trainings, both in terms of contents and format.

4. Local participatory events

4.1. Overview of the local participatory events

Fifteen local events took place in Austria, Belgium, Denmark, Estonia, France, Germany, Italy, Luxembourg, Malta, Netherlands, Portugal, Romania, Slovakia, Spain and Sweden between April and October 2022. In total, 987 individuals drawn from non-governmental organisations, the media, obliged entities, academic communities, and competent authorities, including law enforcement and financial intelligence units, participated in the local events in person or online. The local events served as a platform to raise awareness on ML/TF risks due to the lack of beneficial ownership transparency and create synergies between different actors involved in the fight against money laundering and financial crime at the national level.

4.2. Preparatory actions for the local events

4.2.1. Selection of countries, context and stakeholder analysis

Countries were selected based on various considerations, including the state of the debate and level of engagement of civil society on issues of beneficial ownership transparency at the local level as well as the local partners' experience and capacity to organise such events, convene a wide range of stakeholders and previous engagement in research and advocacy actions on beneficial ownership transparency and anti-money laundering.

The Group held preparatory consultations for the events with local partners in all 15 countries. The purpose of these preliminary consultations was to inform the decision-making process on the objectives, format, duration and areas of focus of each local event.

As part of this process, the Group prioritised a tailor-made approach for each local event to ensure that the event design process took into consideration the local context and the state of the debate on beneficial ownership transparency in each country. To inform this process, local partners conducted an analysis of the status of beneficial ownership transparency in their countries, reflecting on the prominence of beneficial ownership transparency-related issues on the local political agenda as well as the level of engagement of strategic target groups in the fight against money laundering and financial crimes.

They also conducted a stakeholder analysis of actors engaged in the fight against money laundering and financial crimes at the local level to map the potential allies and key stakeholders and maximise participation in the event. For example, in some countries, like Denmark and Austria, the local partners targeted the organisations who had submitted an expert opinion to the consultation on transposing the AMLD5, using the local event to reinvigorate their engagement and commitment to this agenda. In other countries, like Portugal, Germany and France, with long-standing experience in conducting research and advocacy on beneficial ownership transparency-related issues, the local partners relied on their networks of existing contacts in the relevant policy, academic and media communities.

4.2.2. Local event design process

After the initial consultation process and based on their context and stakeholder analysis, the local partners compiled targeted concept notes to plan their event in a way that ensured it would respond to the needs and challenges each country faces and generate country-relevant knowledge on specific measures to be taken to ensure beneficial ownership registers are used as an effective transparency tool at the local level. These concept notes spelled out the overall approach and strategy chosen for the event for each country, including the rationale behind the chosen dates, format and thematic focus of the event. They clarified the main objectives of the event, the best event format to achieve these objectives, key speakers and participants, agenda structure, research and other material needed, the ideal date to maximise the participation of targeted stakeholders, dissemination and communications strategy, as well as an indicative workplan and potential follow-up actions.

In addition, to support the local partners' smooth planning and running of the events, the Group also prepared organisational and communication checklists outlining the various steps they needed to take before, during and after the event. This checklist was shared with all partners as a planning tool to ensure that the selection and invitation of participants, speakers, booking of venues or virtual platforms, and sending participants the necessary information about the content and logistics of the local events were done in a timely manner and according to the requirements in the tender specifications.

In addition to these measures, kick-off meetings were organised with all local partners to provide the necessary guidance for the compilation of the concept notes as well as reporting and visibility requirements of the Action and protection of personnel data (GDPR).

Local partners were also informed of the reporting requirements and asked to submit a report including the full list of participants, programme and results of the evaluation survey within two weeks of the event taking place.

4.3. Implementation of the participatory local events

Decisions on the format of the local events were informed by the context and stakeholder analysis conducted by the local partners and took into account the status and prominence of beneficial ownership transparency in the country and the level of engagement of key stakeholders. In countries such as Belgium, Denmark, Slovakia, Malta and Romania, local partners used the local events to facilitate closed technical discussions between experts and practitioners on specific reforms to improve beneficial ownership transparency in their countries. In other countries like France, Germany, Italy, the Netherlands, Portugal, Spain and Sweden, the local partners chose an open format to raise awareness among the public on the overall need for beneficial ownership transparency to curb money laundering and financial crime and build support for reforms. A summary of the discussions and recommendations for each country are compiled in the notice of events.

The Group also liaised with their strategic partner, Open Government Partnership, to identify synergies and opportunities for collaboration and engagement in the local events at the national level.

4.3.1. Denmark

In Denmark, the local event took place as a closed in-person roundtable event on 26 April 2022 at Copenhagen Business School, Copenhagen. The event brought together participants from a diverse set of backgrounds – from competent authorities, civil society and the media to obliged entities – which enabled substantial discussions and active participant engagement on beneficial ownership transparency from both the perspective of implementers as well as of beneficial ownership data users.

Discussions held during the event focused on the importance of beneficial ownership transparency in Denmark and how different stakeholders use the Danish beneficial ownership data to spot and investigate overall wrongdoing. Participants identified several challenges relating to the beneficial ownership definition, coverage of legal entities and historical data, interlinkages with other publicly available data, the need to improve awareness of obligations among gatekeepers, data quality and verification, among others.

All participants filled out the evaluation survey and provided very good feedback to the local organisers. As a follow-up activity outside the scope of the Action, the local partner produced a report with policy recommendations⁶ on improving beneficial ownership transparency in the country, which was shared with local stakeholders.

4.3.2. Austria

In Austria, the local event was organised as a closed event under Chatham House rules and took place on 24 May 2022 as an in-person half-day conference. 36 participants attended the event (and in total 58 registered).

The conference focused on the strengths, weaknesses and potential improvements of the Austrian beneficial ownership register. The introduction in the first part brought all stakeholders to a similar level of understanding on beneficial ownership registers. In the second part of the event, a comparison between different beneficial ownership registers effectively allowed for the active engagement of participants and triggered a substantial debate about the country's beneficial ownership register. In terms of strengths of the Austrian beneficial ownership register, participants mentioned the good quality and coverage of the register, its automatic integration with other national registers (and its mandatory yearly actualisations, risk-based controls, and effective sanctioning mechanism as well as a compliance package that reduces administrative costs for firms). Issues related to the accessibility of data for journalists, civil society and academia, high thresholds of 25% at the first and 50% at the second level, the lack of interconnection with the land register and bank account register, and loopholes for individuals with multiple nationalities and passports were mentioned as weaknesses. More controversial points related to the trade-off between transparency and privacy; some panellists raised the concern of transparency ultimately being detrimental to data quality, as privacy concerns could incentivise non-disclosure or even inaccurate registration.

The evaluation survey was completed by 14 out of 36 participants who generally provided very positive feedback on the event. In addition, the organiser received positive spontaneous feedback

⁶ Transparency International Denmark. 2022. "[Beneficial Ownership: Experiences from the Danish implementation of a Beneficial Ownership Register.](#)"

from all experts after the event in which they expressed their satisfaction with the agenda, organisation and discussions during the conference.

4.3.3. Sweden

In Sweden, the local event was organised as an open to the public and recorded seminar (the recording is available on TI Sweden's YouTube channel)⁷ and took place on 24 May 2022. Seventy-five people registered for the event and approximately 45 participated from the public and private sectors, including the financial sector, as well as civil society.

Discussions primarily focused on three major issues, namely the quality, use and accessibility of the beneficial ownership register data. There was a large consensus among panellists and participants on the need to ensure the data quality through timely disclosure, adequate sanctions for non-compliance with disclosure requirements, adequate control and verification of the data. Participants felt that beneficial ownership data is not widely used in financial investigations by, for example, the Swedish FIU due to the poor quality of the data and the high risk of inaccuracies. In terms of accessibility, although the EU AMLD5 allows member states to impose a registration fee, panellists and participants agreed that in the context of Sweden, the beneficial ownership register should be free and open to all.

Twenty-three participants responded to the evaluation survey with very good results, ranging from "good" to "excellent" on the overall organisation, coordination and implementation of the event.

4.3.4. Slovakia

In Slovakia, the event took place on 14 June 2022 and was organised as a closed roundtable event targeted at a closed list of invitees selected for their expertise, knowledge and experience of using beneficial ownership information to allow for technical and expert discussions on specific reforms to improve beneficial ownership transparency in Slovakia. The local event was attended by 21 experts, including the most important institutional actors involved with the register of public sector partners.

The event was designed to build on the findings of the assessment of the beneficial ownership registers conducted by TI Slovakia,⁸ which was published shortly before the event. The outcome of the discussions was presented in a dedicated panel during a public international conference on related issues organised the day after. Slovakia has not only created a register of legal entities (beneficial ownership register) covering all Slovak business entities but also the register of public sector partners (RPSP), a special register covering all entities doing business with the public sector. Participants identified as a major strength the fact that the beneficial ownership register covers all Slovak business entities and is publicly accessible free of charge, but questioned the quality, format and weak verification of the data as well as the limited possibility for state authorities to interlink the register with data from other registers. Similarly, participants recommended that the RPSP be connected with other public databases, including, for example, an automated comparison with data from the register of businesses or the declared property relations of public officials, etc. Ten participants responded to the evaluation survey with excellent feedback overall.

⁷ Transparency International Sweden. 2022. "[Verkliga huvudmän - ett verktyg i arbetet mot korruption](#)".

⁸ Transparency International Slovakia. 2016. "[The Register of Beneficial Ownership In Slovakia: Revolutionary Transparency, Questionable Implementation, Unsure Benefits](#)"

4.3.5. Malta

In Malta, the local event was organised as a half-day closed in-person roundtable discussion with no public audience and took place on 15 June 2022. Fifty-five individuals from 37 organisations and institutions were invited to the conference, drawn from civil society organisations, the media, academia, the public sector, the private sector as well as business and workers' representatives; 23 individuals confirmed their participation, and 20 attended the event.

A first panel focused on the accessibility of the beneficial ownership register and a second panel focused more on whether the existing framework is adequately addressing risks for specific sectors such as the shipping industry. In Malta, efforts to promote beneficial ownership transparency are often met with resistance from the information and data protection commissioner. Particularly when it comes to publishing residential addresses, security concerns were raised, especially considering that beneficial owners tend to be "high net worth" individuals. Participants called for improving the accessibility of the Maltese beneficial ownership register for journalists and civil society actors beyond law enforcement by strengthening the searchability of the register and making data available free of charge and in an open-data format.

Eleven participants filled out the evaluation survey and provided very good feedback on the event. A summary of recommendations has been compiled based on the event's discussions and shared with key stakeholders at the beginning of July.

4.3.6. The Netherlands

In the Netherlands, the local event took place on the 1 July 2022 in The Hague. It was organised by local partners, TI Netherlands, Tax Justice Netherlands and the Open State Foundation as an in-person event open to the public. There was a valuable and continuous interaction with the audience of about 60 well-informed participants. The event focused on beneficial ownership transparency in the fight against illicit financial flows in the Netherlands.

Participants were introduced to the state of beneficial ownership transparency in Europe, with beneficial ownership data availability differing widely across EU countries. Participants identified weaknesses of the Dutch register, including the searchability, lack of historical data and the existence of a fee to access beneficial ownership data. Foreign companies investing in the country, such as in the real estate sector, are also not required to register their beneficial owners. Further sessions focused on how beneficial ownership data has been used by investigative journalists to trace Russian money in the Netherlands or detect fraud and wrongdoing. A recommendation was made to lower the beneficial ownership registration threshold from 25% to 5% of a company's shares to limit beneficial owners with criminal intent from avoiding registration. Some participants also called for establishing an open-source global beneficial ownership register.

Three out of the 60 participants filled out the survey, providing good feedback in terms of overall focus, organisation and coordination of the event. While responses to the survey were limited, the local partners also received reactions immediately after the event, as well as via email. Most feedback was positive, with one participant even referring to the event as the "best transparency event so far".

4.3.7. Romania

In Romania, the local event took place on 20 July 2022 as a half-day technical roundtable discussion. It was planned as a hybrid event, in-person and online to allow participation from stakeholders outside of Bucharest and to be mindful of COVID-19 restrictions. Considering the technical nature of the topics covered and limited interest from the public for related issues in Romania, the aim was to first target an informed audience of experts, beneficial ownership information users and key stakeholders, drawn from the law enforcement authorities and responsible institutions, business, CSOs, media and academia to ensure a balanced representation of interested parties. This strategy opened the space for an informed, substantial and constructive debate on beneficial ownership transparency in Romania. It also provided opportunities to build a small community of key allies across various organisations and sectors that can provide continued support to the reform agenda.

The meeting was opened by a presentation on the new Financial Action Task Force (FATF) recommendations and their implications for Romania, followed by topical presentations and discussions on how the beneficial ownership register has been implemented and used in Romania three years after it was established. Participants then discussed possible measures to improve compliance and demonstrate the value of the beneficial ownership register. Among other recommendations, participants emphasised the need to consolidate the three existing beneficial ownership registers to allow for easier access, use and verification of beneficial ownership data in Romania. They agreed on the importance of promoting a more transparent and efficient system of accessing beneficial ownership data for key stakeholders, especially journalists, CSOs and law enforcement authorities. They also emphasised the need for interoperability of the beneficial ownership registers with other public databases, such as fiscal data, data on real estate, data on owned shares, assets declarations of public servants and politically-exposed persons, etc.

The event was attended by 34 participants; 21 out of the 31 participants (excluding TI Romania's staff) completed the evaluation survey and 97% rated the overall event, invitation process, keynote speaker, speakers, moderator, location, venue and networking opportunities as good or excellent.

4.3.8. Germany

In Germany, the local event took place on 1 September 2022 as a livestreamed open in-person event targeting journalists, researchers and business representatives working with beneficial ownership information as well as policymakers at the representation of Saarland in Berlin. The programme was structured around three pillars, starting with a smaller, more content-focused session tailored for professionals working on related topics and taking place during working hours, followed by a more policy-focused evening session targeting the wider policy community. The event ended with a reception that brought together experts from the first part of the event with policymakers and analysts from the second part of the event and resulted in very lively discussions and exchanges to foster opportunities for networking and collaboration among participants.

Discussions focused on three major areas, including the availability and quality of beneficial ownership data in Germany as well as reform potential, the role and design of the new body for the fight against complex money laundering cases, and the link between AML reform efforts and the efforts around sanctions implementation. In particular, participants discussed the results of ongoing research into real estate ownership, stressed the importance of combining beneficial ownership data with data from company registers. They concluded with a call for improving access to real estate ownership data in Germany, with unclear regulations across German states, being prohibited or prohibitively expensive in some states or cities while possible and free in others. The results of

the event were part of a radio broadcast⁹ released on the 2 September and a story in Die Welt¹⁰ at the beginning of October.

The meeting was attended by around 80 people in person and followed by around 310 people via the livestream. Only 19 participants filled out the evaluation survey, providing overall very positive feedback, with 63% of respondents rating the event as “excellent”.

4.3.9. Portugal

In Portugal, the event took place on 15 September in Lisbon. It was organised as a one-day conference aimed at developing knowledge-sharing on the fundamentals of fighting anonymous ownership and the importance of promoting accurate and up-to-date basic beneficial ownership information. Although open to the public, the local partner targeted and prioritised a list of around 50 selected stakeholders to ensure all parties involved in AML/CFT prevention were represented. The event brought together 41 experts and practitioners drawn from law enforcement authorities and responsible institutions, CSOs, the media, the private sector and academia. The event communication and dissemination strategy was developed according to TI Portugal’s long-standing experience in organising local events on beneficial ownership transparency and resulted in an extensive communication campaign using social media channels and other communication platforms.

Participants agreed that while a lot has been done in Portugal from a legislative point of view, more still needs to be done from an operational and enforcement perspective. The national legislation is complex, with multiple entities and departments with similar missions, leading to a lack of communication and coordination and preventing greater compliance. The panellists also called for a global response to stop money laundering as national legislations will fail to effectively prevent money laundering and financial crimes if other jurisdictions, including others in the EU, continue to offer several services aimed at facilitating money laundering and tax avoidance.

Twenty participants filled out the evaluation survey, providing very positive feedback overall on the conference and expressing interest to learn more about the topic and/or to be engaged with future developments related to beneficial ownership transparency in Portugal.

4.3.10. Estonia

In Estonia, the local event took place on 20 September 2022 in Tallinn as a half-day closed in-person event that brought together 46 representatives from various civil society organisations and competent authorities. After a set of presentations by local and international experts, participants were divided into three groups of 10-12 people to allow for more in-depth discussions and engagement.

Presentations focused on the status of beneficial ownership transparency in Europe and Estonia, the use of beneficial ownership transparency data by activists, investigative journalists and law enforcement, and good practice in data disclosure, accessibility and verification. In particular, participants identified the existence of fees as an obstacle to providing open access to beneficial ownership transparency data for a wider circle of stakeholders (e.g. CSOs and independent journalists). They also emphasised the need to promote data interoperability and consistency across

⁹ Deutschlandfunk. 2022. [“Wirtschaft und Gesellschaft, komplette Sendung 02.09.2022”](#).

¹⁰ See: Netzwerk Steuergerechtigkeit. 2022. [“Neue Studie: 15.000 bis 20.000 anonyme Briefkasten-gesellschaften besitzen deutsche Immobilien”](#).

the EU in terms of data format, disclosure requirements, accessibility and quality. Participants also called for the technical quality and reliability of the data to be ensured and for applying enforcement mechanisms and adequate sanctions in the case of non-compliance with disclosure requirements.

Eighteen participants filled out the evaluation survey, providing overall good or excellent feedback on the event in terms of location, organisation, moderation, etc. Evaluation results were mixed with regards to the duration of the event, the length of the sessions and timekeeping by the panellists.

4.3.11. Spain

In Spain, the local event took place on 23 September 2022 in Madrid. As the main goal of the event was to raise public awareness on the need for beneficial ownership transparency, it was organised as an open hybrid event (both in-person and online). Communications plans were designed accordingly, with a social media campaign targeting the public combined with targeted outreach to experts and organisations involved in advancing the anti-money laundering agenda. Eleven international and local experts participated in the discussions, providing an overview of the status of beneficial ownership transparency in Europe and in Spain; 135 people registered for the event, out of which 53 attended online and 47 in person.

While Spain has been a pioneer in promoting beneficial ownership transparency with the creation of a database of beneficial owners¹¹ as early as 2012, the country is experiencing delays in establishing a centralised register of beneficial owners due to challenges associated with bringing together several existing national databases. The event also provided an opportunity to compare experiences and draw lessons from other European registers (e.g. Italy, Austria and Luxembourg) for the upcoming Spanish central register. Speakers and participants stressed the importance of ensuring adequate, accurate and up-to-date beneficial ownership data with independent verification mechanisms, promoting the use and accessibility of the data by all relevant stakeholders and making progress to ensure the interconnection of data. Participants also called for international collaboration and coordination.

Seventeen participants filled out the evaluation survey, providing overall good to excellent feedback on the event in terms of location, venue, organisation, programme and content of the discussions.

4.3.12. Italy

In Italy, the local event took place in Rome on 26 September 2022 as an open in-person event, livestreamed on YouTube. 68 participants registered for the event, but only 24 actually attended the event in-person due to the COVID-19 pandemic increasing transmission rates at the time. 36 participants joined online. Attendees came from a diverse set of backgrounds, from competent authorities, civil society, the media and obliged entities, providing an opportunity to foster networking and collaboration with the main relevant stakeholders in the AML sector in Italy.

The event was organised around two pillars: a first roundtable focused on recent developments in AML legislation in Italy and their practical impact on the prevention and fight against money laundering and financial crimes, and a second roundtable on the opportunities for improvements to increase the transparency and accessibility of beneficial ownership information. The speakers provided insights into the information that will be included in the forthcoming register of beneficial owners, its role in preventing and combating financial crimes, the mandate of the Italian AML

¹¹ Consejo General del Notariado. 2017. "[El Notariado identifica a los titulares reales de 2.229.372 sociedades y organizaciones](#)".

stakeholders and further collaboration with civil society actors. Participants stressed the importance of open, publicly-accessible, reliable and accurate beneficial ownership registers to fight money laundering and financial crimes.

Only two participants responded to the evaluation survey, providing overall good or excellent feedback on the event.

4.3.13. Luxembourg

In Luxembourg, Collectif Tax Justice Luxembourg Luxembourg (CTJL) held a closed, in-person half-day conference on 27 September 2022 in Luxembourg City. The event brought together 16 participants from a diverse set of backgrounds, from competent authorities, to civil society and the media, to obliged entities.

Participants discussed the strengths and weaknesses of the Luxembourg beneficial ownership register. While they generally commended the coverage and good quality of the register in terms of its free of charge accessibility and interactive functionality when compared to other beneficial ownership databases, they questioned the high threshold of 25% ownership for inclusion in the register. They also recommended improving the searchability and compiling historical data, recording every change in the ownership of a company. They debated the trade-off between transparency on the one side and privacy rights on the other and called for more severe sanctions applying to companies which do not comply on time with the beneficial ownership disclosure requirements.

Thirteen participants responded to the evaluation survey giving overall positive feedback on the conference.

4.3.14. France

In France, the local participatory event was held as an open in-person event in Paris on 28 September 2022. More than 80 experts from 140 registered participants from non-profit organisations, academia, journalism, law enforcement, the private sector and public bodies attended the event. The event opened with a networking breakfast followed by two roundtables.

In the first roundtable, the French AML public authorities and representatives of regulated professionals discussed the progress made since the creation of a beneficial ownership register in France. The second roundtable collected the views and experience of civil society on how they have been able to use the register to investigate money laundering, tax fraud and evasion and financial crimes, including cross-analysing the French beneficial ownership register and the real estate register. Among other issues, participants discussed the availability and quality of beneficial ownership data in France and its interconnection with other data and the extent to which sanction regimes against professionals and entities subject to disclosure and anti-money laundering obligations are dissuasive. Journalists and academia raised several limitations related to the lack of historical data in the French beneficial ownership register and the lack of information on the place of incorporation of foreign entities in the ownership chain of French companies, while NGO representatives called for trust beneficial ownership registers to be open to the public as well as for enlarged access modalities to beneficial ownership companies registers.

Twenty-one participants responded to the evaluation survey, indicating a very high level of satisfaction with the overall event, with 42.9% of respondents rating it as “excellent” and 57.1% rating it “good”.

4.3.15. Belgium

The local participatory event took place on 18 October 2022 as a closed, in-person event in Brussels from 13:30 to 17:30. The event was organised by Transparency International Belgium in partnership with the law firm Loyens & Loeff, a leading legal and tax firm. 50 people registered and 31 attended the local event.

The agenda was structured around two keynote speeches focused on the role of beneficial ownership transparency and the beneficial ownership register in combating corruption and the efforts made by the EU AML/CFT Global Facility in the alignment of beneficial ownership registration across EU member states. It was followed by a panel discussion on the status of the beneficial ownership register in Belgium and recommendations for improvements.

Participants highlighted challenges faced by civil society in accessing the beneficial ownership register in Belgium, including the need to demonstrate a legitimate interest and the requirement to hold a Belgian ID card to access the data. They also stressed weak compliance due to complex registration processes and inadequate resource allocations as an obstacle to enforcement, resulting in incomplete and poor-quality data. They also emphasised the need for harmonisation across the EU in terms of beneficial ownership definition and format of reporting, and called for exploring innovative ways of verifying beneficial ownership data and for promoting beneficial ownership registration worldwide. Eight people completed the evaluation survey, with 87% of the respondents rating the event as good (37%) or excellent (50%).

5. Network of Experts on Beneficial Ownership Transparency (NEBOT)

5.1. Overview of NEBOT

A network of 31 experts and practitioners working on beneficial ownership transparency issues was set up as part of the Action, in close collaboration with DG FISMA. The composition of the network was conceived with the notion of promoting representation from different sectors of society involved in advancing the beneficial ownership transparency agenda, including representatives from civil society, media, academia, the private sector, FIUs, beneficial ownership registers and law enforcement agencies as well as a gender and regional balance to ensure a diversity of views and perspectives.

Throughout the duration of the Action, the network held two virtual meetings and one in-person meeting as part of its activities. The first meeting was held to launch the network and clarify its mandate, objectives and expected contributions. It served as a forum to set priorities and to plan, in a participatory manner, the six NEBOT written contributions, including thematic focus, lead authors and contributors. The second meeting was designed to collect expert feedback on the six draft NEBOT contributions and, more broadly, to trigger substantial discussions on the status of beneficial ownership transparency in Europe and collect expert recommendations on how to advance this agenda. The third NEBOT meeting was designed to hold informed discussions between NEBOT members and EU policymakers on the future of beneficial ownership transparency in Europe, based on the outcomes of the six written contributions. The first in-person meeting also provided NEBOT members with opportunities to network, strengthen their networks and relations and discuss sustainability of the network beyond the Action. All NEBOT meetings were held in English without interpretation and recording, as they followed Chatham House rules.

Six written NEBOT validated contributions were submitted to DG FISMA along with this report focusing on key issues that were prioritised by the network to advance the beneficial ownership transparency agenda (see Annex 2: NEBOT written contributions):

- Paper 1: Beneficial owners of European companies and related risks
- Paper 2: Quality & verification of beneficial ownership information
- Paper 3: Beneficial ownership registration for trusts – gaps and loopholes
- Paper 4: The beneficial ownership definition for companies – challenges and opportunities
- Paper 5: Beneficial ownership registers in the EU: Progress so far and the way forward
- Paper 6: Linked beneficial ownership data? Challenges and opportunities

5.2. Constitution and composition of the network

The Group started by developing a concept note and terms of reference for the network, providing a brief description of the objectives of the network, its main deliverables, and the role/expected level of engagement of its members to guide network activities throughout the Action. The Group then proceeded with selecting members of the network, using several criteria, including their expertise on AML and beneficial ownership transparency, as well as their interest in following beneficial ownership transparency issues across the EU and pursuing related activities in their work. The Group also sought to ensure gender and regional balance, as well as representation from

different sectors (civil society, media, academia, etc.). After consulting with DG FISMA, the Group reached out to FIUs, representatives of beneficial ownership registers and law enforcement agencies. As a result of these outreach efforts, 32 experts confirmed their membership to NEBOT, representing a 24% increase in the number of members the Group had initially committed to invite (namely 25) and more than twice the minimum number of members foreseen in the tender specifications (15). Letters of commitment formalising the membership of NEBOT experts were prepared, and a mailing group, in compliance with GDPR requirements, was created to centralise all communication pertaining to the network. The establishment of NEBOT, its objectives, and the short biographies of its members is featured on a dedicated webpage¹² on TI's website, following experts' approval. In June 2022, a NEBOT member from the academic sector decided to withdraw from the network as their professional commitments no longer allowed their meaningful contribution, bringing the number of NEBOT members to 31. The network's webpage has been duly amended to reflect this change.

Table 6 Distribution of NEBOT members per sector

	Current count	Current percentage
CSO(s) total	9	29%
CSO & Group member	3	-
Academia total	6	19%
Academia & Group member	2	-
Public authority*	6	19%
Register representative	4	13%
Private sector	3	10%
Media	3	10%
TOTAL	31	100%

DG FISMA was consulted and provided feedback and approval for the network membership, objectives, concept and agenda of the network meetings, and engagement of external speakers as well as the online format of the two first meetings imposed by the COVID-19 pandemic.

5.3. Activities of the network

5.3.1. NEBOT's first meeting

NEBOT's inaugural meeting took place virtually on 9 and 10 November 2021,¹³ bringing together 27 experts along with members of the CSABOT team and representatives from DG FISMA. All sessions were held virtually via Zoom and externally moderated.

As well as kickstarting the work of the network, this meeting had the following specific objectives:

1. To introduce the NEBOT network and discuss its objectives and ways of working

¹² Transparency International. 2022. "[Civil Society Advancing Beneficial Ownership Transparency – Network of Experts on Beneficial Ownership Transparency](#)".

¹³ Given the virtual format of the sessions, it was agreed with DG FISMA to hold half-day online sessions to maximise and sustain participation and engagement of NEBOT members throughout the whole meeting.

2. To take stock of the current state of play of beneficial ownership transparency in the EU
3. To identify the issues on which the network would focus and topics for developing six papers or policy positions on aspects of the use of beneficial ownership as a transparency tool in the EU
4. To identify people to lead and otherwise contribute to the development of each paper

At the end of NEBOT's first meeting, an evaluation survey was disseminated among the participants, seeking their overall feedback on the meeting and their views on the extent to which it achieved its expected objectives. Out of the 27 NEBOT members who joined the meeting, 15 responded to the evaluation survey. All respondents saw specific objectives 1 and 3 of the meeting – namely introducing NEBOT and identifying focus areas and topics for the network's papers – as being either fully or nearly met, and all but four also regarded objective 4 on identifying leads and contributors to papers as either fully or nearly met. More than 70% thought that this was also the case for objective 2 (on the review of beneficial ownership transparency in the EU), which was an ambitious objective to cover in the time available. The Group also received overall outstanding feedback and the highest rating for the meeting being run professionally and appropriately for the task and for the preparation and advance communication to enable a successful meeting.

In this meeting, NEBOT was tasked with the identification of focus areas for the network and topics for developing its policy papers and written contributions. In preparation for the meeting, the CSABOT team conducted an extensive mapping of potential priorities, which served as a basis for a preparatory survey that was shared with experts before NEBOT's first gathering. The feedback received from experts through the survey was then presented and discussed in the meeting to identify the focus areas of the six NEBOT contributions. Participants also agreed on the timeline and process of developing the six papers and volunteered their contributions.

5.3.2. NEBOT's second meeting

The second NEBOT meeting was split into two half-day virtual sessions, held on 28 June 2022 and 14 September 2022. As with the first NEBOT meeting, the decision to split the second meeting into two sessions was made after consultation with DG FISMA to secure maximum participation of NEBOT members and sustain their engagement throughout the meeting, considering the virtual format of the meeting. Both sessions were professionally moderated.

The main objective was to collect feedback and conduct an in-depth discussion of the different issues being addressed in the policy papers and written contributions. After months of research and writing, the authors of the papers, in consultation with several NEBOT members, successfully concluded six preliminary drafts that were submitted to the network for review, two weeks ahead of the meeting. NEBOT members had access to live documents to provide direct and centralised feedback to the authors. The live documents remained open for an additional week after the presentation of the papers, providing a total of three weeks to comment.

During the sessions, authors presented the drafts and main recommendations stemming from their analysis. Discussants selected by authors from NEBOT members who were not directly involved in that specific paper offered an initial critical analysis and recommendations, triggering further discussions among the participants. The feedback received during and after both sessions have been considered and incorporated by the authors in the final version of the contributions submitted to the contracting authority.

In addition to members of the CSABOT team, 17 experts attended the first session on 28 June 2022, and 16 participated in the second session on 14 September 2022. At the end of each session of the

NEBOT second meeting, an evaluation survey was disseminated among the participants and 59% (10) and 56% (9) of NEBOT participants responded for the first and second sessions of the meetings respectively. About 70% of respondents saw specific objectives of the second NEBOT meeting – namely to discuss in-depth the different issues being addressed in the policy papers and written contributions – as being either fully or nearly met (combined results for both sessions).¹⁴ Around 80% of those who responded to the surveys gave organisers outstanding feedback for the meeting being run professionally and appropriately for the task and for the preparation and advance communication to enable a successful meeting. The Group received conflicting feedback on the length and duration of the meetings, with some respondent finding that the second session of the meeting could have been shorter, while others would have liked it to have been longer to include a brainstorming session at the end.

5.3.3. NEBOT's third meeting

The third NEBOT meeting took place in person on 28 and 29 November 2022 in Brussels and was the first opportunity for NEBOT members to meet in person, discuss what had been learned from their contributions, maximise the impact of the work done by presenting the findings to EU policymakers and ensure the network's longer-term sustainability.

Due to the COVID-19 pandemic, all previous NEBOT meetings were held online, limiting opportunities for network members to connect and exchange their work.

The first day of the meeting was attended by 19 NEBOT members, three representatives of DG FISMA and 8 members of the partner institutions. The second day of the meeting was attended by 18 NEBOT members, 5 EU policy makers and 8 members of the partner institutions. Both sessions were moderated and held in English under the Chatham House Rule.

The first day primarily focused on fostering networking and collaboration opportunities for NEBOT members. The meeting was opened by presenting the CJEU's Judgment of the Court in Joined Cases C-37/20 and C-601/20, which reduced access to beneficial ownership information to those with a demonstrated legitimate interest, followed by a discussion on the implication of the ruling for the anti-money laundering agenda. A summary of the CJEU ruling-related discussions is provided below. Three network members presented their ongoing work on beneficial ownership transparency, beyond NEBOT's written contributions. After the presentations, the evening continued with a dinner which offered more casual networking opportunities.

The second day provided a space for exchanges between NEBOT members and EU policy makers on the recommendations emerging from the written contributions. For the first part of the session, two panels were held to present the findings and recommendations derived from the written contributions. The first panel focused on bridging beneficial ownership registers gaps and the second panel centred around increasing the AML and CFT potential of beneficial ownership registers.

¹⁴ Please note that these combined results include answers from both surveys circulated after the end of each session. There is some overlap regarding respondents who answered both surveys.

First Panel

Second Panel

Paper 5: Beneficial ownership registers in the EU: Progress so far and the way forward

Paper 1: Beneficial owners of European companies and related risks

Paper 4: The beneficial ownership definition for companies – challenges and opportunities

Paper 3: Beneficial ownership registration for trusts – gaps and loopholes

Paper 2: Quality and verification of beneficial ownership information

Paper 6: Linked beneficial ownership data? Challenges and opportunities

These exchanges were also particularly relevant in the context of the recent CJEU ruling, which dominated the discussions throughout the day.

In this regard, NEBOT members shared the view that this ruling represents a major step backwards to this agenda and an obstacle to the role civil society can play in exposing financial crimes and holding companies accountable. FIUs using public access to obtain information from other member states' beneficial ownership registers may now also have to rely on international cooperation requests to obtain information on foreign beneficial owners.

NEBOT members shared the view that post-ruling discussions should focus priority on the definition of legitimate interest. While the ruling acknowledges that civil society and journalists have a legitimate interest to access beneficial ownership registers, defining who has legitimate interest and how remains a challenge. There was also a concern that because legitimate interest access will probably rely on government approval, this could be used as a means of censorship by some governments. Freelance journalists may also find it challenging to prove that they are journalists, as in some countries journalists are not registered as such. The scope of people with legitimate interest should be broadened to additional stakeholders such as academia and researchers, private sector entities which are not obliged entities (for conducting checks on their suppliers for example), etc.

Therefore, in the view of several NEBOT members, legitimate interest should be defined as broadly and homogeneously as possible across the EU and case-by-case approaches to demonstrating legitimate interest for journalists and civil society organisations should be avoided. Such approaches would also require considerable resources for authorities to check and validate legitimate interest on a case-by-case basis, which appears to be an unrealistic approach. Considerations could also be given to establishing an independent and centralised mechanism, possibly at the supranational level, to validate legitimate interest. NEBOT members also discussed the option of better defining the layered or tiered access to beneficial ownership registers, addressing the concerns made by the court. The issue of re-use of the data accessed by people with legitimate interest was also mentioned.

The last topic discussed by NEBOT on day two was the future of the network beyond the Action. There was a large consensus on the value of sustaining the network, which was also reflected in the evaluation survey with the majority of respondents committed to contributing further to the network. NEBOT members took the opportunity to exchange on what could be the focus of future network activities, membership and possible coordination mechanisms to ensure the sustainability of the network.

In terms of scope of potential future NEBOT activities, the need to focus on countries beyond the EU was mentioned, as to be effective, AML and beneficial ownership regimes need to permeate other countries, with a special emphasis on economically-powerful countries. Considering the CJEU ruling, future work could focus on other thematic areas such as the definition of threshold and legitimate interest.

NEBOT members agreed that NEBOT's added value primarily lies in the diversity of views, profiles and stakeholders represented in the network, allowing for a variety of perspectives on the topics discussed. A suggestion was made to explore enlarging membership to other stakeholders in future, including data specialists, data protection experts, other types of authorities and registers (e.g. real estate and land registries, asset registers), lawyers specialised in European law, and Council of Europe experts, among others.

In the absence of resources allocated to sustain the network beyond the end of the Action, NEBOT members suggested several options for the coordination of the network in future:

- First, it was suggested to establish a rotating coordination mechanism to spread the workload evenly among NEBOT members.
- NEBOT members will use the NEBOT mailing lists as a simple mechanism to update each other on latest developments.
- Virtual meetings will be organised at regular intervals, on a quarterly basis for example, on topical issues.
- Sub-groups could be established focused on specific issues such as access to and use of data, legitimate interest, data-driven research, etc.
- Coordination with other existing groups could also be explored to strengthen linkages with other networks working on relevant issues.

5.4. Written contributions

5.4.1. Drafting process of the written contributions

Following the first NEBOT meeting, a drafting protocol was developed for the contributions. Working groups of NEBOT members interested in contributing to each paper were established with a lead from the CSABOT team. Each working group lead was requested to submit the draft of the written contribution(s) for which they were responsible two weeks prior to the second NEBOT meeting. This was conceived as an opportunity for network members to discuss in detail the different issues being addressed in the written contributions and collect feedback. The papers were open for peer review and comments for three weeks, and the authors were asked to submit a final draft of their paper for submission to DG FISMA on 14 October 2022. The Group received initial feedback from DG FISMA on the draft contributions, which was addressed by the authors in the course of November.

These final drafts incorporated feedback from NEBOT members through the peer review process and during the second NEBOT meeting held on June 28 and September 14, as per the contributions' drafting protocol. The incorporation of feedback has also been validated by the reviewers who commented on the papers. The papers have also been professionally copy-edited and were reviewed by the CSABOT team at TI-S. Finally, they were submitted to NEBOT members for a final validation before final submission to DG FISMA with this report (see Annex 2: NEBOT written contributions).

While the papers primarily reflect the views of the authors, their findings and recommendations have been validated by all NEBOT members. With the exception of one policy paper – Paper 4 on the definition of beneficial ownership of companies – NEBOT members were in agreement with the findings and recommendations made in all papers. Paper 4 is accompanied by a dissenting opinion that explains some of the concerns and challenges the European Banking Federation sees with the adoption of a lower threshold of asset ownership as discussed in the paper.

5.4.2. Summary of written contributions

NEBOT paper 1: Beneficial owners of European companies (and related risks)

This paper provides an empirical analysis of financial crime risks factors related to the ownership of European firms by a) providing an overview of ownership anomalies and risk indicators related to European firms and their ownership structures and b) applying a sample of these indicators to a selected sector and region in Europe. As regards the latter, the research reported in this paper analysed the ownership anomalies of 4,499 firms which owned 504,975 real estate properties in Paris. This case study demonstrates the vulnerability of real estate to money laundering and financial crime. The results showed that 234,724 properties had owners with an anomalously complex ownership structure; 4,268 had ownership links with entities registered in AML/CFT blacklisted/grey-listed countries and 4,892 to other secrecy jurisdictions; 16,822 had owners linked to trusts and other opaque legal vehicles; 3,707 were owned by politically-exposed persons (PEPs) or their family members/close associates; and 740 by individuals targeted by enforcement measures for financial crimes. The paper confirms the utility of accessing company and real estate registers to understand how risks spread across regions, sectors and assets.

NEBOT paper 2: Verification and quality of beneficial ownership information in the EU

Based on a legal review of 24 EU member states, a survey with representatives of beneficial ownership registers in 18 member states and a case study of the Austrian register, this paper assesses the different approaches and strategies used by member states to ensure that beneficial ownership information is high quality, accurate and up-to-date. These strategies may include relying on different sources of beneficial ownership information, the existence of verification mechanisms upon incorporation of the company, a sanctioning regime and other incentives. The paper concludes that while most countries have some sort of verification mechanism(s) in place, these are not comprehensive enough to ensure the accuracy and timeliness of the data and are often weakly implemented. It concludes by proposing some policy recommendations, including:

- Member states should legislate thoroughly to address loopholes on verification mechanisms of beneficial ownership information (i.e. ownership chains)
- Member states should narrow the gap between national and foreign beneficial ownership verification responsibilities
- Member states should conduct automated verification checks on all entries in beneficial ownership registers and combine these with a risk-based approach.

NEBOT paper 3: Beneficial ownership registration for trusts – gaps and loopholes

This paper analyses the beneficial ownership legal framework on trusts established by the Financial Action Task Force and by the EU Anti-Money Laundering Directive and compares them with the provisions applicable to legal persons. It looks at how EU member states have transposed the AMLD5 in relation to beneficial ownership registration for trusts and access to that information. The

paper identifies Denmark as best practice, providing free, online and public access to beneficial ownership information on trusts. The paper proposes some policy recommendations, including:

- Beneficial ownership registration should be extended to any domestic trust or to any trust which acquires real estate or business relations in any EU member state.
- A domestic or foreign trust's legal validity should be contingent on the trust having registered its beneficial owners.
- In case a legal person is a party to the trust, the directive should clarify who has to be identified as a beneficial owner.
- Discretionary trusts should be prohibited.
- There should be public access to beneficial ownership information on trusts.

NEBOT paper 4: The beneficial ownership definition for companies – challenges and opportunities

This paper analyses how the beneficial ownership definition is implemented in each member state and identifies the challenges associated with thresholds, indirect ownership and the chosen elements (e.g. ownership, control and/or benefit). It identifies avenues for improving and harmonising the beneficial ownership definition to address the current loopholes in the context of the proposed AML package. Conceptual accuracy and consistency are needed across obliged entities, competent authorities and EU member states. The challenges for a unified definition include the need for it to be understandable by all stakeholders; implementable both by central registers as well as by the private sector; usable both in terms of collection and access to the data; enforceable by competent authorities; and effective in terms of achieving all AML and CTF goals. The paper argues that a more comprehensive and transparent beneficial ownership definition should equally cover ownership, control or benefit, apply no thresholds (anyone with at least one share should be a beneficial owner) and add mechanical rules to the determination of “control via other means”, e.g. having a power of attorney to manage the entity or its bank account. Recognising that this approach to beneficial ownership definition could significantly increase the compliance burden on the private sector and obliged entities, the paper argues that governments should bear the costs as it is their responsibility to set up efficient beneficial ownership registers with advanced IT systems and proper verification that can be relied upon by the private sector and obliged entities.

This paper triggered many discussions and some level of controversy among NEBOT members, with one member representing the views of obliged entities expressing their dissent with some of the recommendations of the paper. While this divergence of views is discussed in the paper, the version submitted to DG FISMA and attached includes a dissenting opinion by the European Banking Federation to ensure that all views are considered when analysing the topic.

NEBOT paper 5: Beneficial ownership registers in the EU: Progress so far and the way forward

Through desk research, surveys and interviews, this paper assesses the overall status of the implementation of beneficial ownership registers in the EU. More specifically, the paper focuses on understanding the extent to which competent authorities, obliged entities and the public at large (including civil society), in the course of their efforts to prevent and tackle money laundering and financial crime, are able to access, use and trust the information held in beneficial ownership registers across the EU. While most EU member states have centralised publicly-accessible beneficial ownership registers, with the exception of Spain, Italy, Greece and Cyprus, challenges were identified in existing registers with respect to their accessibility and usability as well as the availability and reliability of the information they hold. The paper concludes with a set of recommendations to address the challenges identified and strengthen beneficial ownership

registers in the EU. These include providing free access to beneficial ownership data, widening the scope of entities with beneficial ownership disclosure requirements, collecting and publishing additional types of beneficial ownership information, and improving functionality requirements.

NEBOT paper 6: Linked beneficial ownership data? Challenges and opportunities

Using a combination of desk review and case studies and considering the policy goals of beneficial ownership registers, this paper assesses what types of data can be used in combination with beneficial ownership information to trace illicit funds. Based on three case studies looking respectively at linking politically-connected firms and public procurement data in Bulgaria, investigating beneficial ownership of German real estate, and the European Business Ownership and Control Structures (EBOCS) project, the paper concludes that linked data can significantly boost the possibility for investigating and tracing illicit financial flows. Linking data can also help identify inconsistencies across databases and detect hidden connections between companies or individuals. This can be done through using various datasets, including beneficial ownership data, public procurement, real estate registers, company registers and others. The paper identifies a set of challenges associated with linking data, including the difference in units of analysis across countries, time coverage, data accuracy and overlapping variables. It concludes with a set of technical recommendations to address these challenges, calling for additional efforts to develop and implement data standards in governmental agencies, as well as making data open to the general public and NGOs for them to use it for independent investigations.

6. Development of the database

The database was conceived as a repository of information on beneficial ownership transparency and its use in fighting financial crime. It compiles and systematises both quantitative and qualitative data on beneficial ownership, including information on judicial investigations and decisions, media reports, academic studies, expert opinions, and legislative and regulatory frameworks across the EU, as well as risk patterns over time and across countries.

The database contains information about the concept of beneficial ownership, from basic definitions to an overview of beneficial ownership registers in EU countries, as well as legislative documents, reports and investigations using beneficial ownership data.

However, the database was developed prior to the ruling of the Court rendered on 22 November 2022. This ruling not only brought about major legal changes related to access of the general public to beneficial ownership information, but also led to substantive changes to the previous factual situation, as Member States have been changing access modalities to their beneficial owner registries in order to comply with the judgment.

Given that the conception and development of the database was finalised before the judgment was rendered, these substantial changes could not be taken into account, and some of the database content does not reflect the current legal and factual situation. To be suitable for publication, the database would need an update and overhaul, which cannot be covered by the current contract.

Therefore, the developed database will be transferred to the Commission as agreed, and a decision as to the final use of the database will be taken by the European Commission at a later stage.

6.1. Overview of the database development

During the inception phase, the Group conducted a structured assessment of user needs to collect the views, demands and expectations of all potential stakeholders and users. As part of this process, using an interview guide, the Group conducted structured user interviews with representatives of different TI local chapters and TJN partners, as well as law enforcement agencies, journalists, and academia.

During the implementation phase, the Group held bi-weekly consultations and discussions with all the partners involved in the project from the beginning until April 2022 (when most data had already been collected). After the final decisions on design and content were made, the technical specification and portal wireframe were developed and passed to the programmers. At the same time, the data collection process was started, requiring each partner to provide specific types of relevant data.

After the first round of data collection and the first export of documents, a designer was asked to develop the visual identity of the database. The design was then incorporated, and the next batch of data was uploaded. The final modifications and fixes were done in autumn 2022 based on consultations with partners and programmers.

6.2. Description of the data

The data collected for the database provides users with all the key information on beneficial ownership data and its application for countering money laundering, terrorist finance and various

types of corruption. The scope of data is mainly narrowed to European Union countries, with a timeframe of 10 years (2012-2022). A few documents also provide information on countries outside the EU or provide insights on earlier studies and reports.

The first type of data collected is **academic papers**. These documents are scientific articles written by academics on the use of beneficial ownership data, articles on the institutional challenges related to implementation of beneficial ownership regulations, as well as studies on corruption risks which can be identified with the help of beneficial ownership data. The articles cover 2008-2022 and can be useful for impact evaluation and data-driven policymaking. They also provide a good overview of existing literature on the topic and references for further reading.

The next type of data is **assessments of EU countries**, which represents the biggest dataset. The vast majority of the reports are prepared and provided by Financial Action Task Force (FATF). Each EU country is covered by this dataset in detail, with the use of thorough methodology prepared by FATF for mutual evaluations (a peer review on the implementation of FATF recommendations which includes in-depth analysis and description of the country's system countering criminal abuse and corruption in finances). Some of the publications are also provided by Open Government Partnership, covering EU member states' action plans and general context of data environment and accessibility.

The database also compiles documents on **best practices**, including the **beneficial ownership data standards** and **tools for beneficial ownership transparency analysis**. This data type is a collection of recommendations provided by FATF, TJN, TI, Open Ownership, and Open Government Partnership. Best practices include legal regulations, data standards, information needed for corporate registers, principles of transparency and specific tools to help analyse beneficial ownership data.

The database also includes **blogs** and **civil society reports**. Most of this data is provided by TJN and Open Ownership and it gives a perspective on financial secrecy and beneficial ownership transparency discussions and provides some brief overviews on progress and challenges towards ending hidden ownership structures.

The database additionally compiles **conceptual notes** and **policy reports**, which are largely collected from TI and Open Ownership. These documents provide more specific information on the implications the beneficial ownership registers have on transparency and corruption prevention in various sectors and countries, including public procurement, money laundering cases, risk management, stock exchange, etc.

The database includes **regulatory frameworks**, as well as **reviews and scores on the regulations** of beneficial ownership data in the European Union. The documents are collected from European Commission, European Parliament, FATF, TJN and Transparency International, and give an overview of regulations on beneficial ownership, money laundering and terrorist finance in EU as well as the framework assessments between financial intelligence units and European Parliament and the Council. The scoring of the regulations is also provided.

Finally, **media investigations** and **judicial cases** were compiled. These documents give very precise and detailed examples of how beneficial ownership data can be used for investigations and the practical applications for the prevention of money laundering, terrorist financing and other types of financial crimes.

7. Closing event

7.1. Overview of the closing event

The in-person closing event “Curbing Financial Crime in Europe with Beneficial Ownership Transparency” took place at the Sofitel Brussels Europe in Brussels on 30 November 2022, with livestreaming. The event prioritised an informed audience of experts and practitioners involved in the fight against money laundering and financial crimes across Europe, while livestreaming opened an opportunity to reach a broader audience of key stakeholders and the public interested in or working on related topics across Europe.

Throughout the implementation of the CSABOT project, experts, government authorities, civil society organisations, academia, journalists and the private sector have been discussing good practices, limitations and challenges that could undermine the use of beneficial ownership registers. The closing event was designed to provide an opportunity for all the project partners, members of NEBOT and contributors to CSABOT to come together, interact with one another and reflect on the outcomes of their work considering the issues identified. It also afforded an avenue to disseminate the project’s findings and ensure that the main outputs and takeaways continue to shape the research and policy agendas and reach the right audiences, including EU policymakers, Members of the European Parliament (MEPs) and other stakeholders.

Nearly 110 individuals confirmed in-person participation and 420 registered to attend the event online. 98 participants finally attended the meeting in person, and 207 followed the conference though livestreaming.

35 respondents filled out the evaluation survey, including 21 in-person participants and 14 online participants, providing good to excellent feedback on the event.

7.2. Preparatory actions for the closing event

The planning of the closing event started in April with the selection of a suitable date. After consulting with DG FISMA and TI EU, 30 November 2022 was agreed with the contracting authority. The date for the event took into consideration that political and media interest in anti-corruption tends to peak around specific dates such as the International Anti-Corruption Day (9 December) and Human Rights Day (10 December). Additionally, the European institutions’ calendar was considered and the event was planned to ensure it did not take place while the EU institutions were in recess and at a time that did not overlap with any plenaries in Strasbourg. This helped maximise the number of participants from important organisations.

As mentioned above, the Group set up a dedicated task force in May 2022 to plan the event, composed of all project partners and TI EU, who co-shaped the proposed agenda for the event. A concept note was submitted to DG FISMA on 29 May 2022, outlining in broad terms the overall objectives of the event as well as the proposed objectives, structure, format of the sessions, agenda and tentative participation list. Based on this concept note, the agenda was finalised and external speakers identified at the end of September, after the Group received feedback from DG FISMA on the concept note and the tentative agenda.

In August 2022, the Group identified an event manager based in Brussels to ensure the smooth organisation of the closing event. Identifying a venue proved challenging as, after the pandemic,

demand was high for organising in-person events in Brussels at this time of the year. The Group managed to secure the Sofitel Brussels Europe, a central location, close to the EU Parliament and highly regarded by local stakeholders to maximise the participation of key Brussels based stakeholders.

For in-person attendance, in line with the technical proposal and the concept note, the Group prioritised 60-80 participants, including 31 members of the NEBOT network, representatives and contributors from all project partner organisations, participants and contributors to the CSABOT training sessions held across the EU as well as other independent experts across the EU. The Group aimed to ensure a balanced geographical representation with representatives from different member states. The Group also prioritised a multi-stakeholder approach to the meeting with a diversity of views represented in the discussions. This allowed the participation of not only members of civil society primarily targeted by the trainings but also members of FIUs, law enforcement, and representatives of business and beneficial ownership registers from across the EU as well as from relevant international organisations. With the support of TI EU, key stakeholders from the EU were identified, including a selection of MEPs who have been working on this agenda. Key stakeholders from international organisations such as the United Nations Office on Drugs and Crime (UNODC) and the Organisation for Economic Co-operation and Development (OECD) were also invited to the event, in addition to representatives from the private sector, including banks. DG FISMA was also consulted on the participants' list.

A professional moderator experienced in moderating high-level policy events in Brussels was hired to oversee the smooth running of the event, while the Group felt it was important to select panel moderators with content expertise, mostly drawn from NEBOT and project partners.

Outreach to the general public for online participation in the event started at the beginning of October by promoting the event and disseminating the online registration form through the TI website and CSABOT newsletter. The event was also promoted at a later stage through dedicated platforms such as EU Agenda - Your hub for all things EU.¹⁵ Organisers of trainings and local events also disseminated the online registration form to registered participants, while CSABOT partners promoted the event through their networks, social media channels and websites. A social media campaign was also conducted to promote the event and online registrations, with regular social media posts published with quotes from the speakers. All local partners promoted the event with a registration link to all registered participants in the trainings and local events.

For in-person participation, considering the limited number of seats available, the Group opted for a more targeted approach, identifying and directly inviting key stakeholders that matter to this agenda through personalised emails.

7.3. Implementation of the closing event

7.3.1. Agenda and content of the closing event

The programme was structured around three major thematic areas, including the state of beneficial ownership transparency in Europe, the potential of beneficial ownership transparency to curb financial crimes, and the need to ensure the interoperability of beneficial ownership registers and links to other datasets. Civil society's role in the fight against money laundering and financial crime,

¹⁵ EU Agenda - Your hub for all things EU. <https://euagenda.eu/>

good practice examples, challenges and lessons learned gathered by NEBOT or through events and trainings were highlighted in all sessions.

The event took place a week after the decision of the CJEU that invalidated a provision of the 5th EU Anti-Money Laundering Directive that guaranteed public access to beneficial ownership registers without the need to demonstrate a legitimate interest to access this information. The event provided a timely opportunity to discuss the implications of this ruling on the fight against money laundering and financial crime in the EU and possible responses. As such, the ruling largely dominated the discussions throughout the event, with a large consensus among all participants that this decision represents a major setback for the beneficial ownership transparency and anti-money laundering agenda and a call to design adequate policies to mitigate the impact of this decision, particularly on the ability of civil society actors and the private sector to gain access to information.

7.3.2. Post-event communication

Following the event, thank you emails were sent to all in-person participants and registered online participants, with the link to the recording of the event¹⁶ and to the evaluation survey. A press statement was published on 2 December 2022 on TI's website,¹⁷ focused on communicating the inputs as well as highlighting the main discussion points of the conference. The link to the recording of the conference was also disseminated through the press statement. A LinkedIn post was published on 9 December to communicate the outcome of the event. The event was covered by some journalists attending the conference and an article published in Le Monde.¹⁸

7.3.3. Summary of discussions and key recommendations

Panel 1: Status of beneficial ownership transparency in Europe

Although there are wide variations on the rules and use of beneficial ownership data across the EU, most EU members (23 out of 27 member states) had established publicly-accessible beneficial ownership registers, and good practice is emerging in some member states in terms of accessibility, usability, availability and reliability of beneficial ownership information. Speakers from Luxembourg and Slovakia highlighted that until the CJEU ruling, their countries were among the ones that made beneficial ownership data publicly available free of charge without online registration requirements. On the eve of the Anti-Money Laundering Package under discussion by EU institutions, there are important ongoing policy discussions to go even further in promoting greater beneficial ownership transparency in the EU. The package under discussion aims to close loopholes and ensure a harmonised approach to beneficial ownership transparency and anti-money laundering across the Union. Among other things, proposed amendments to the EU AMLD and an EU regulation aim at providing more clarity on the definition of beneficial owner and its application as well as improving the quality of beneficial ownership information by mandating verification mechanisms to be established and strengthening sanction regimes.

¹⁶ CSABOT. 2022. "[Curbing financial crimes in Europe with Beneficial Ownership Transparency](#)".

¹⁷ Transparency International. 2022. "[Diverse Group of Stakeholders Offer Proposals for Improving Beneficial Ownership Transparency in the EU](#)".

¹⁸ Le Monde. 2022. "[« La Cour a détruit en un jour le résultat d'années de travail » : stupeur dans la société civile après une décision judiciaire sur la transparence financière »](#)".

Panel 2: Use of beneficial ownership information by various stakeholders

The power of accessing beneficial ownership information was illustrated by various examples of how different stakeholders have been able to use beneficial ownership registers to detect potential corruption and money laundering. For instance, information contained in beneficial ownership registers across Europe have been crucial in efforts to locate assets connected to sanctioned Russian individuals. Investigative journalists have been able to uncover corrupt schemes by accessing information contained in beneficial ownership registers in a few minutes that would have previously taken months to investigate. The Open Lux project, which unlike the Panama and Pandora papers did not stem from a leak of documents but from the actual data from the Luxembourg register, is an illustration of the power of beneficial ownership information to detect and investigate financial crimes. Financial intelligence units are also making strategic use of beneficial ownership registers to investigate financial crime in their country. In Denmark, for example, the FIU is able to conduct automated analyses on the average 70,000 reports the agency receives annually. The FIU has also built its own red-flag systems and data models to make sense of the beneficial ownership data. In Latvia, information from over 18,000 legal entities contained in the beneficial ownership register are consulted around 1.3 million times a year. Latvian geopolitics as a neighbour of Russia has created more support from the public to increase beneficial ownership transparency. In Slovakia, private entities dealing with the public sector are required to register their beneficial owners in a publicly-accessible database. The publicity of the information, combined with mandatory verification by intermediaries (who are co-liable if false information is provided) and a reverse burden of proof in case of suspicion, have been instrumental to ensure the quality of the data.

Speakers and participants raised major concerns about the impact of the CJEU ruling on how they will be able to access and use beneficial ownership data to identify and expose conflicts of interest, potential corruption, tax evasion or other wrongdoing.

Panel 3: Interoperability of beneficial ownership registers

The potential of beneficial ownership data relies heavily on interconnection of beneficial ownership registers and company data through initiatives such as the Beneficial Ownership Interconnection System (BORIS) and the Business Registers Interconnection System (BRIS). BORIS is a tool for linking national central registers containing information on the beneficial owners of legal entities, trusts and other types of legal arrangements. As most member states have national registers but different approaches to openness and fees, interconnecting the data is proving to be a challenge. There is a need to harmonise beneficial ownership definitions and implementation of registration and a legal framework that guarantees access to this information. Interconnection of registries across the EU has the potential to enhance the quality of the data and help identify inconsistencies across databases and detect hidden connections between companies or individuals. If public access is restricted to those who can demonstrate legitimate interest, there is a need to ensure alternative avenues of ensuring interconnection, as BORIS in its current form is not addressing this need. To fully harness the potential of beneficial ownership registers, it is also important to ensure their interconnection to other types of registers and datasets (procurement, real estate, asset declarations, etc.).

Implications of the Court of Justice of the European Union (CJEU) ruling

On 22 November 2022, the Court of Justice of the European Union (CJEU) invalidated a provision of the EU AMLD5 that guaranteed public access to beneficial ownership information to any member of the public. The CJEU was asked by the Luxembourg District Court to assess whether the provision

of the EU AMLD5 extending access to beneficial ownership registers to any member of the public violated Article 7 (right to respect private life) and Article 8 (data protection) of the Charter of the European Union on Human Rights.

The CJEU confirmed that these fundamental rights are not absolute prerogatives and that they should be considered in relation to their function in society. As such, limitations to these rights are allowed as long as they are necessary and meet the objectives of general interest or are needed to protect the rights and freedoms of others. In this case, the court found that limitations to these rights are not strictly necessary, nor do they meet the general objectives defined by EU co-legislators, which is to prevent money laundering and terrorism financing. Nevertheless, the judges recognised the role of civil society organisations and journalists in the prevention of ML/TF, specifically noting that they have a legitimate interest in accessing information on beneficial ownership. A week after the ruling, the Court issued a clarification through its press service LinkedIn account, stating that with the invalidation of the provision, “the old version of the relevant provision of the Directive, which dates from 2015, [...] is now applicable. According to this version, information on beneficial owners must be accessible in all cases to any person or organisation able to demonstrate a legitimate interest.”

As a result of this decision, at the time of the closing event, at least five beneficial ownership registers had already suspended public access to the data while others were assessing the implications of the decision on their operations.

There was a large consensus among participants that the CJEU decision is a major setback in the fight against money laundering and financial crimes, undermining the role that civil society journalists and the public play in preventing and detecting money laundering. Speakers emphasised the potential implications of the ruling on their efforts to curb financial crime and advance the anti-money laundering agenda. For example:

- Investigative journalists and civil society may face major bureaucratic obstacles if they have to prove legitimate interest for accessing beneficial ownership data on a case-by-case basis.
- Law enforcement authorities and financial intelligence units also rely on information from registers in other countries or on third-party data providers when investigating cross-border corruption.
- Public access to beneficial ownership registers also leads to better quality of data. While there are internal mechanisms for verification, public access to data has proven instrumental for the public to spot and report discrepancies. For example, 95 per cent of discrepancy reporting in the Slovak dedicated register came from journalists, civil society and the public.
- Academics may no longer be able to access beneficial ownership registers in order to carry out scientific research in this domain and understand how risks are distributed across regions, sectors and assets.
- Private sector actors that are not considered obliged entities under the AMLD5 may also no longer be able to conduct due diligence and access valuable information on their business partners.

Participants agreed that corporate secrecy should not return as the norm across the EU and discussed a few possible responses to this ruling. These included the need to define and interpret legitimate interest as broadly and homogenously as possible across the EU. In the case of journalists and civil society organisations, the EU and member states should not adopt a case-by-case approach to proving legitimate interest. As their role in fighting money laundering has been confirmed by the CJEU, ensuring they have access to registers without need to prove access on a case-by-case basis

will be critical for them to carry out their watchdog function. In the long term, an avenue to explore would also be to emphasise the importance of public access to beneficial ownership information beyond anti-money laundering, considering other issues such as the business transparency agenda, public procurement, consumer rights, or national security, for example.

Key recommendations

There was a large consensus on key recommendations emerging from the discussions,¹⁹ including:

1. Adopt a harmonised, clear and ambitious definition of “beneficial ownership”.
2. Enhance the accessibility and user-friendliness of beneficial ownership registers.
3. Increase the quality of beneficial ownership data.
4. Strengthen interconnection of registers at the national level and across the EU.
5. Ensure civil society actors can access and use beneficial ownership information.

7.3.4. Evaluation

35 participants responded to the evaluation survey, including 21 in-person participants and 14 online participants, providing good to excellent feedback on the event. All respondents rated the overall event good to excellent as well as the venue, location, the performance of the speakers and moderators, the food and beverage and the quality of the livestreaming. The large majority of the respondents agreed fully or to a great extent that the agenda and objectives of the meeting were clear, the agenda well-structured and balanced, the discussions useful and the meeting run professionally and appropriately. 4 respondents were more critical about the preparations and organisation of the event. Many respondents mentioned the need to address and design adequate responses to the CJEU’s ruling which invalidated public access to beneficial ownership information on 22 November 2022 in future events and activities.

¹⁹ Transparency International. 2022. [“EU Court of Justice Delivers Blow to Beneficial Ownership Transparency”](#).

8. Conclusion

The CSABOT project had as its main ambition to ensure that a wider range of civil society organisations and stakeholders were aware of the role that they can play in the fight against money laundering and financial crime, and were also equipped and empowered to advocate for, and collaborate, in the design and implementation of actions to combat money laundering and financial crime. Moreover, the Action sought to create synergies between the activities of civil society organisations and the efforts of the Union to put an end to money laundering, financial crime and other abusive and criminal practices. After 18 months of implementation, the Group's assessment is that the main ambition and objectives of the Action have been successfully achieved.

The Group started the work under the Action with the assumption that civil society actors can play a dual role in curbing financial crime and money laundering (i) as users of beneficial ownership data to identify and expose wrongdoing and (ii) as advocates for improved frameworks and registers so that beneficial ownership data serves competent authorities, obliged entities and others as a transparency tool against financial crime. The implementation of the Action has not only confirmed this dual role, but also helped to ensure that civil society actors have the skills they need to pursue both or any of these roles.

Through the activities under the project, the Group mobilised a critical mass of citizens, experts and practitioners from diverse backgrounds committed to the fight against money laundering, creating a community of practitioners that is now better equipped with the knowledge and skills to use beneficial ownership data to fight financial crimes and to engage in future reform discussions. At the local level, partners involved in the Action, who also feel more capable of engaging on the topic, have enlarged their network of civil society actors interested and active in the subject and have developed important relationships with the public and private sectors. The project raised the awareness and capacity of hundreds of different stakeholders across 18 EU member states. Close to 200 civil society actors were trained to effectively use beneficial ownership information in their research and investigations and to critically assess the adequacy of the EU and their country's beneficial ownership transparency frameworks.

More than 30 renowned experts volunteered their expertise to advance this agenda and together debated and designed recommendations for an improved EU anti-money laundering framework and for effective implementation of beneficial ownership transparency measures at the domestic level. The recommendations provided by the network through six written contributions will inform ongoing discussions on the EU AML package and, if taken on board, will improve the adequacy, quality and use of beneficial ownership registers across the Union.

In addition to the NEBOT contributions, local events and the compilation of the training materials also provided a unique opportunity to generate and increase the knowledge on the status of beneficial ownership transparency across the EU and the remaining challenges to ensure that it effectively fulfils its goal of curbing money laundering and financial crimes. Discussions at the local level with almost 1,000 stakeholders from a diverse background helped to promote good practices and to identify areas where reforms are needed.

The Action enabled actors that usually do not have the opportunity to interact or engage in more substantial discussions to meet and to exchange views and ideas. In many cases, this was the first time registry authorities heard directly from users of beneficial ownership registers, gathering valuable feedback. Authorities involved in the Action also appreciated the new knowledge acquired

about beneficial ownership frameworks of other member states and the improved understanding about potential gaps and shortcomings of policies.

In fact, the exchanges and discussions held during the Action already led to concrete policy impacts in some countries. They contributed to proposed changes in beneficial ownership rules as well as practices on data collection and disclosure. Actors involved in the Action have also been invited by decision-makers to continue discussions, contribute to potential reform efforts, and provide input into concrete initiatives – both at the EU and national levels.

In addition, the importance of accessing beneficial ownership information for identifying and exposing money laundering and predicate offences such as corruption and tax evasion became clear during the implementation of the Action. The different activities undertaken have confirmed how stakeholders have engaged with and used beneficial ownership information in the past years:

- Investigative journalists have been able to uncover new cases of abuse of anonymous companies by accessing information contained in beneficial ownership registers that would have previously taken them months to investigate.
- Civil society organisations have been using beneficial ownership data to detect potential conflicts of interest, and corruption in public procurement or political financing, and monitor the use of public funds.
- Academia has been using corporate and beneficial ownership data to better understand patterns and propose targeted policy responses and supervisory measures.
- Law enforcement and financial intelligence units have been strategically using beneficial ownership registers to access information on foreign beneficial owners as well as to gather intelligence on financial crime in their countries.
- Obligated entities have been consulting beneficial ownership registers when conducting due diligence on clients.
- The private sector has been using them to inform investment decisions, check suppliers and business partners, and conduct integrity screening, among other uses.

Public access to beneficial ownership information has also been instrumental to ensure the verification and quality of the data, with the public and – in a more consistent manner – civil society helping to detect inconsistencies and reporting discrepancies to authorities. But it does not stop there; examples gathered throughout the Action also show the importance of beneficial ownership transparency for ensuring an overall more transparent business environment.

Some of the objectives of this Action have been designed considering the specificities of the EU anti-money laundering framework. The EU is a pioneer in promoting corporate transparency by requiring member states to establish beneficial ownership registers and its decision to make them publicly accessible. Not surprisingly, the EU anti-money laundering legislation adopted in 2018 was considered one of the most progressive anti-money laundering frameworks at the time. The Group believes that this Action, by focusing on promoting the use of registers among civil society actors as well as improvements in the framework, directly contributes to the objectives set by the EU Directive of preventing and fighting money laundering.

Many of the activities under this project, the knowledge acquired, and the discussions held were only possible because access to public registers of beneficial owners was guaranteed and available – with different limitations – across most member states. The CJEU decision published just a week before the final event of the Action was therefore seen by the Group and many stakeholders

involved in the Action not only as a setback to corporate ownership transparency in the EU, but also to all the work and achievements under this Action.

It did not take long however to realise that the Action and the results are still valuable, if not even more valuable than before the court ruling. The different stakeholders that the Group engaged were key to discuss the way forward and potential ways to mitigate the impact of the CJEU ruling on the beneficial ownership transparency agenda. For example, concrete recommendations emerged from the discussions held during the third NEBOT meeting and the closing event, and these are going to be brought to EU co-legislators. Moreover, the ruling recognised the role of civil society organisations and journalists in preventing money laundering and their right to access beneficial ownership information. Thanks to the action, there are a significant number of civil society organisations and journalists better equipped to exercise this right and aware of the importance of having unrestricted access to beneficial ownership information. They will now certainly have an interest in providing input and supporting a strong response by EU co-legislators and member states. There is also increased interest from journalists across the EU, but also beyond, for further training on how to access and use beneficial ownership information.

During the last year of implementation, the CSABOT project has documented the measures that should be taken by EU co-legislators and member states to improve access, quality and usability of the information contained in registers, demonstrating that there is a need for more information and of better quality rather than restrictions to access, and that this can be done without infringing on privacy rights. These findings should inform discussions at the EU and national level.

Overall, the Group sees the outcome of the events and trainings and the overall findings and recommendations stemming from the project as very positive and useful for continued work in this area.

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Annex 2 NEBOT written contributions

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Preparatory Action — Capacity Building, Programmatic Development
and Communication in the Context of the Fight against Money
Laundering and Financial Crimes

Final Report Annexes

Manuscript completed in March 2023

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NEBOT Paper 1

**Beneficial owners of European companies
(and related risks)**

Network of Experts on Beneficial Ownership Transparency, NEBOT



Beneficial owners of European companies (and related risks)

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Abstract

The aim of this paper is to improve the empirical analysis of financial crime risks related to the ownership of European companies. It does so by (a) reviewing the ownership risk factors and anomaly indicators suggested by the relevant regulations and literature; and (b) applying a sample of these indicators to a selected sector and region in Europe.

With respect to the latter, the research reported in this paper analysed the ownership anomalies of 4,499 companies which owned 504,975 real estate properties in Paris. The results showed that 234,724 properties had owners with an anomalously complex ownership structure; 4,268 had ownership links with entities registered in AML/CFT blacklisted/greylisted countries and 4,892 in other secrecy jurisdictions; 16,822 had owners linked to trusts and other opaque legal vehicles; 3,707 were owned by Politically Exposed Persons (PEPs) or their family members/close associates; and 740 were owned by individuals targeted by enforcement measures for financial crimes. The boroughs (*arrondissements*) with the highest prevalence of real estate properties owned by legal persons with ownership anomalies were 1-Louvre, 7-Palais-Bourbon, 8-Elysée and 9-Opéra.

The paper confirms the utility of accessing company and real estate registers in order to carry out scientific research in this domain and understand how risks are distributed across regions, sectors and assets.

Introduction

This paper has been written within the framework of the CSABOT – Civil Society Advancing Beneficial Ownership Transparency project, and it is one of the deliverables produced by [NEBOT, the Network of Experts on Beneficial Ownership Transparency](#).

The aim of this paper is to **improve knowledge about the beneficial owners (henceforth BOs) and the ownership structures** of European companies as well as the related **money laundering and financial crime risks**.

In particular, the paper has two objectives:

- First, to review the **risk factors and anomaly indicators related to BO and ownership structures** suggested by previous studies and regulations in the anti-money laundering (AML) and anti-financial crime domain;
- Second, to **apply these risk indicators in an innovative manner** in order to show how they can enhance understanding of how risks are distributed across sectors and regions in Europe.

The paper is structured in accordance with these two objectives. In particular:

- **Section 1** conducts a review of the risk and anomaly indicators related

to BO and ownership structures as suggested by previous studies and regulations;

- **Section 2** discusses the results of an analysis involving the application of these risk indicators to a specific business sector (real estate) in a specific European region (Paris);
- **Section 3** draws future research and policy implications stemming from the analysis presented in the previous sections.

Section 1. Anomalies and risk factors related to BO and ownership structures

The ownership of European companies

Until recently, empirical analysis of *who the owners of European companies are* was limited to various studies, published especially in the early 2000s, in the corporate governance research field. The general aim of these studies was to test and discuss the implications of principal-agent theory and to understand the relationship between type of ownership/control (e.g. family-owned, private equity-owned, etc.) and company performance (for a review, see Dyck and Zingales 2004; Faccio and Lang 2002). Most of these studies focused on companies listed on stock exchanges, for which the amount of information concerning their ownership is much greater than for unlisted companies.

In recent years, the number of empirical studies on company ownership has increased. This is partly due to the greater quantity and better quality of the data accessible through business registers and business information providers, which introduced bulk data and datafeed services

during the 2010s – also as a result of developments in company law and the AML regime (Riccardi and Savona 2013).

However, again, most of these studies focus on listed companies; even when they do take unlisted companies into account, they generally adopt a national perspective. The result is that **empirical knowledge of who the owners of European companies are** – and what their characteristics are (e.g. presence of natural vs. legal persons, involvement of legal arrangements, share of foreign owners, etc.) – **is still scant**. This is the context for the present discussion of **anomalies and risk factors related to BO and owners**.

The need for anomaly indicators of company ownership risk

The transparency of corporate ownership in order to prevent and fight financial crimes has become a key item on the agenda of institutions, policy-makers, and civil society (FATF 2022a; Knobel 2020; Riccardi and Savona 2013; OECD 2001). This, in turn,

highlights the need for an array of red flags and anomaly indicators related to BOs and ownership structures which could help in the early detection of high-risk companies potentially involved in money laundering, corruption and other criminal activities.

These anomaly indicators are – or can be – employed by various stakeholders and end-users such as the following:

- Public authorities, such as law enforcement or financial intelligence units (FIUs), in their investigation and intelligence activities;
- AML supervisory authorities, in their risk assessment exercises;
- Obligated entities, in their customer due diligence tasks;
- Researchers in the field of money laundering and financial crimes;
- Civil society, including investigative journalists and NGOs – these being the target audience of the CSABOT project.

Where can these anomaly indicators be found? There is **no single repository** from which these red flags can be collected because they are reported by a variety of sources:

- Regulations (e.g. in the AML or anti-corruption domain);

- Soft law instruments, notably the Financial Action Task Force (FATF) Recommendations;
- Institutional guidelines and best practices;
- Research reports and scientific publications.

However, although a list of risk factors could be identified based on these sources, **only some of them** have been:

- **tested empirically** on large-scale samples; or
- **validated**, i.e., checked against empirical evidence of financial crime or other criminal behaviour (e.g. through some form of judicial evidence).¹

The scope of this section is precisely that of **carrying out a review** of the anomaly indicators suggested by the literature.

¹ There are different methodologies with which to validate risk indicators, either qualitative or quantitative. One of those most frequently used, and which is described in this section, is validation through statistical analysis and machine learning methods which employ proxies for judicial evidence

concerning the involvement of companies – or their owners – in illicit activities. These methods make it possible to test the predictive power of the risk indicators in identifying companies involved, or suspected of being involved, in illicit activities.

A review of ownership risk factors

Overall, six broad categories of risk factors (or anomalies) related to BOs or ownership structures can be identified:²

1. Complexity of ownership structures;
2. Ownership links with entities in high-risk jurisdictions;
3. Employment of opaque legal vehicles and missing BO information;
4. Employment of nominees;
5. Ownership links with politically exposed persons (PEPs);
6. Ownership links with entities involved in adverse events.

These categories, though defined in different terms, are also covered by Annex III of the 4th EU AML Directive (AMLD),³ which states the risk factors to be considered for enhanced due diligence.

Box 1: Ownership risk factors mentioned in the 4th AMLD

- “customers that are resident in geographical areas of higher risk as set out in point (3)” (Annex III, 4th AMLD);
- “legal persons or arrangements that are personal asset-holding vehicles” (Annex III, 4th AMLD);
- “companies that have nominee shareholders or shares in bearer form” (Annex III, 4th AMLD);
- “the ownership structure of the company appears unusual or excessively complex given the nature of the company's business” (Annex III, 4th AMLD)
- “politically exposed persons” (article 20, 4th AMLD)

It should be stressed that the presence of a certain anomaly is often not enough to flag a company as high risk. This is because in many cases, as discussed in the following sub-sections, ownership anomalies can be justified on legitimate grounds. However, the coexistence of more than one anomaly makes a company more suspicious and, thus, of higher risk.

For each category of risk factors, Table 1 below reports:

- whether empirical studies exist;
- whether these studies are based on large-scale sample analyses

² This list should not be considered fully exhaustive. There might be other ownership anomalies not identified in this review which do not fall within such categories.

³ EU Directive 2015/849 of the European Parliament and of the Council of 20 May 2015, as amended by the EU Directive 2018/843 of the European Parliament and of the Council of 30 May 2018.

conducted at the European or national/subnational level, or on a few case studies;

- whether some form of empirical validation against evidence of criminal conduct by companies or

their shareholders and BOs is provided.

The following sub-sections discuss, for each category of risk factors, the main studies and findings (full references are provided in Table 8 in Annex 1).

Table 1: Risk factors with empirical and validated studies

Risk factor category	Empirical studies		Validation
	EU	National / Subnational	
Complexity of ownership structures	✓		✓
Ownership links with entities in high-risk jurisdictions	✓		✓
Employment of opaque legal vehicles and missing BO information	✓		✓
Employment of nominees		✓	✗
Ownership links with political exposed persons		✓	✗
Ownership links with entities involved in adverse events ⁴		✓	✗

Complexity of ownership structures

Anomalously complex ownership structures are characterised by many layers separating the legal vehicle from the BO.⁵ These structures pose great challenges for obliged entities and law enforcement agencies when they try to identify the BOs of legal vehicles (e.g. Borselli 2011; European Commission 2019a; Hangacova and Stremy 2018; Knobel and Seabarron 2020; Savona and Riccardi 2017; Riccardi and Savona 2013). Annex III of the 4th AMLD identifies complexity of ownership structures as a high-risk factor requiring enhanced due diligence towards their clients. The Directive also stresses the need to consider the nature of the company's business when assessing the

complexity of an ownership chain.

Complexity, in fact, is not anomalous *per se* and can be explained on legitimate grounds, such as simplifying business transactions for companies operating internationally (for a review, see Knobel 2022). In the absence of such legitimate grounds, however, the company should be considered anomalous (Knobel 2022; Bosisio et al. 2021).

The misuse of complex ownership structures for illicit purposes has been shown in many cases (Knobel 2022; European Commission 2019b; FATF – Egmont Group 2018; Savona and Riccardi 2018; Riccardi and Savona 2013; van der Does de Willebois et al. 2011; OECD 2001). For example, more than half of

⁴ This risk factor is often used as a target variable to validate other risk indicators.

⁵ There are other ways to operationalise the concept of anomalous complexity. However, this is the method most frequently used.

the cases collected by the FATF-Egmont Group (2018) involved such structures.⁶

A few large-scale studies have analysed this anomaly. For example, in the DATACROS EU project, Transcrime developed an indicator of anomalous ownership complexity that flagged companies with a high number of shareholding layers not justified by their size or business sector (Bosisio et al. 2021). The results showed that on average, 0.3% of companies in Europe had anomalously complex structures. The Netherlands, Luxembourg and Malta stood out as the countries with the highest concentration of anomalously complex companies (see Figure 1). The indicator was validated by assessing its ability to predict whether companies or their owners were included in global sanctions lists (e.g. those issued by institutions such as the UN or the EU) or targeted by enforcement measures (e.g. arrests, judgements).

Bosisio et al. (2022) analysed companies registered in the Italian region of Lombardy and found that 0.3% had complex

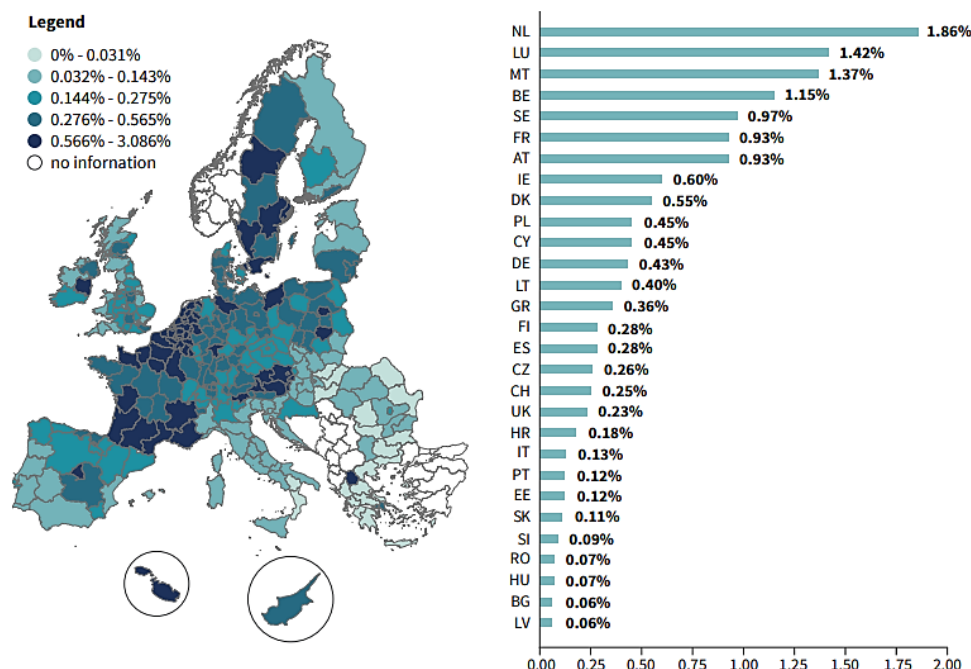
structures. They considered as anomalous both companies with a high number of layers (“vertical complexity”), and companies with a high share of intermediate owners in the chain (“horizontal complexity”).

Other studies have investigated specific forms of complexity, such as circular and fragmented ownership. **Circular ownership** structures involve two or more legal vehicles directly or indirectly owning each other. In some countries (e.g. Malta, UK) this ownership scheme is forbidden by law because it is considered particularly risky. Indeed, circular ownership schemes may be deliberately set up to hide the real owner of a legal entity. Very few studies have empirically assessed the risk posed by these structures, and only at the national level (e.g., Global Witness 2019; Jofre 2022). For example, Global Witness (2019) found that 0.01% of companies registered in UK in 2019 were involved in circular ownership schemes, thus violating UK law.

⁶ The results of this study should be interpreted cautiously due to data limitations. The cases identified were gathered from a relatively small number of countries; furthermore, many of them

were provided by a few jurisdictions. It is possible, therefore, that the sample may be biased and may have led to an overrepresentation of some risk factors.

Figure 1: Percentage of companies with ownership structures characterised by anomalous complexity, NUTS2 (EU 27 MS + UK and CH, 2019)



Source: Bosisio et al. (2021).

Other studies have stressed the risks posed by **fragmented ownership**, i.e. when the share capital of a company is divided among different owners such that none of them surpasses the threshold for identification of the BO (Knobel 2022). Although not being suspicious *per se*, criminals may intentionally split capital shares among many owners in order to avoid beneficial ownership identification and registration and carry out their illegal activities secretly (FATF – Egmont Group 2018; Low and Kiepe 2020; Knobel 2021; Savona and Riccardi 2018). Evidence of this scheme has been demonstrated in some case studies (FATF – Egmont Group 2018). Only one study has analysed fragmented ownership using a large-scale sample, although without validating the indicator: Bosisio and

colleagues (2022) found that 0.1% of the analysed companies in Lombardy were characterised by this anomaly.

Ownership links with entities in high-risk jurisdictions

It is widely acknowledged that criminals exploit jurisdictions with legislative loopholes in the anti-money laundering/combating the financing of terrorism (AML/CFT) framework to facilitate financial crimes and hide the identity of the BO (so-called high-risk jurisdictions). However, **there is no universal consensus on the definition of a high-risk jurisdiction**. Official black- and grey-lists of countries that are not cooperative or compliant with AML and tax policies are regularly issued by

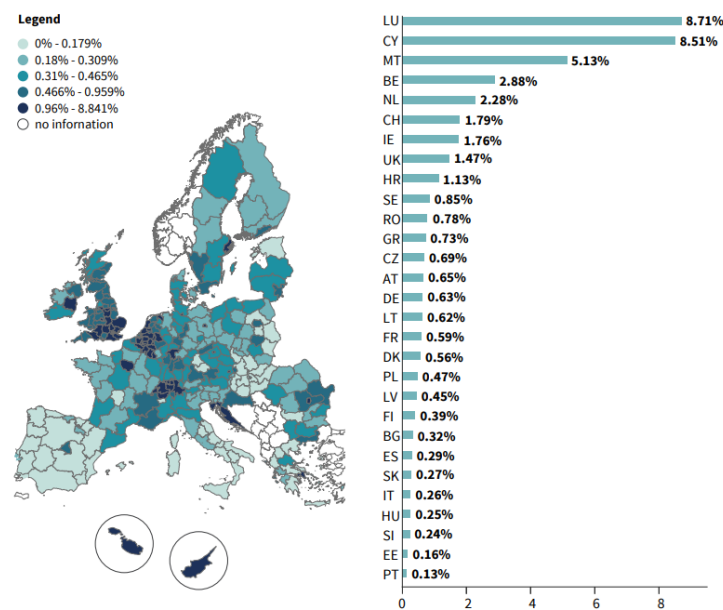
national and supranational governments (for example, European Commission 2020b; 2020a; FATF 2021). However, these lists are criticised due to their political biases and lack of transparency (Halliday, Levi, and Reuter 2014; Levi, Reuter, and Halliday 2018; van Duyne and van Koningsveld 2017; Riccardi 2022). For this reason, scholars have proposed alternative methods to evaluate financial and corporate secrecy across jurisdictions and the associated risks of financial crime (for example, the *Financial Secrecy Index* developed by Tax Justice Network).

Numerous empirical studies have investigated the exploitation of these jurisdictions in ownership structures. Aziani and colleagues (2021) found that investors are likely to establish companies for criminal purposes in countries with a high level of secrecy but a low level of corruption. In Project DATACROS, Transcrime developed and validated an indicator that flagged

companies with shareholders registered in black- or grey-listed jurisdictions (Bosisio et al. 2021). They found that on average, 0.9% of European companies had ownership connections to high-risk jurisdictions (Bosisio et al. 2021). Luxembourg and Cyprus emerged as the countries with the highest density of ownership links with such countries (respectively 8.7% and 8.5%) (see Figure 2). Project EBOCS (2021) obtained similar results when analysing ownership data on companies in selected EU member states (MS) retrieved from BO and business registers.

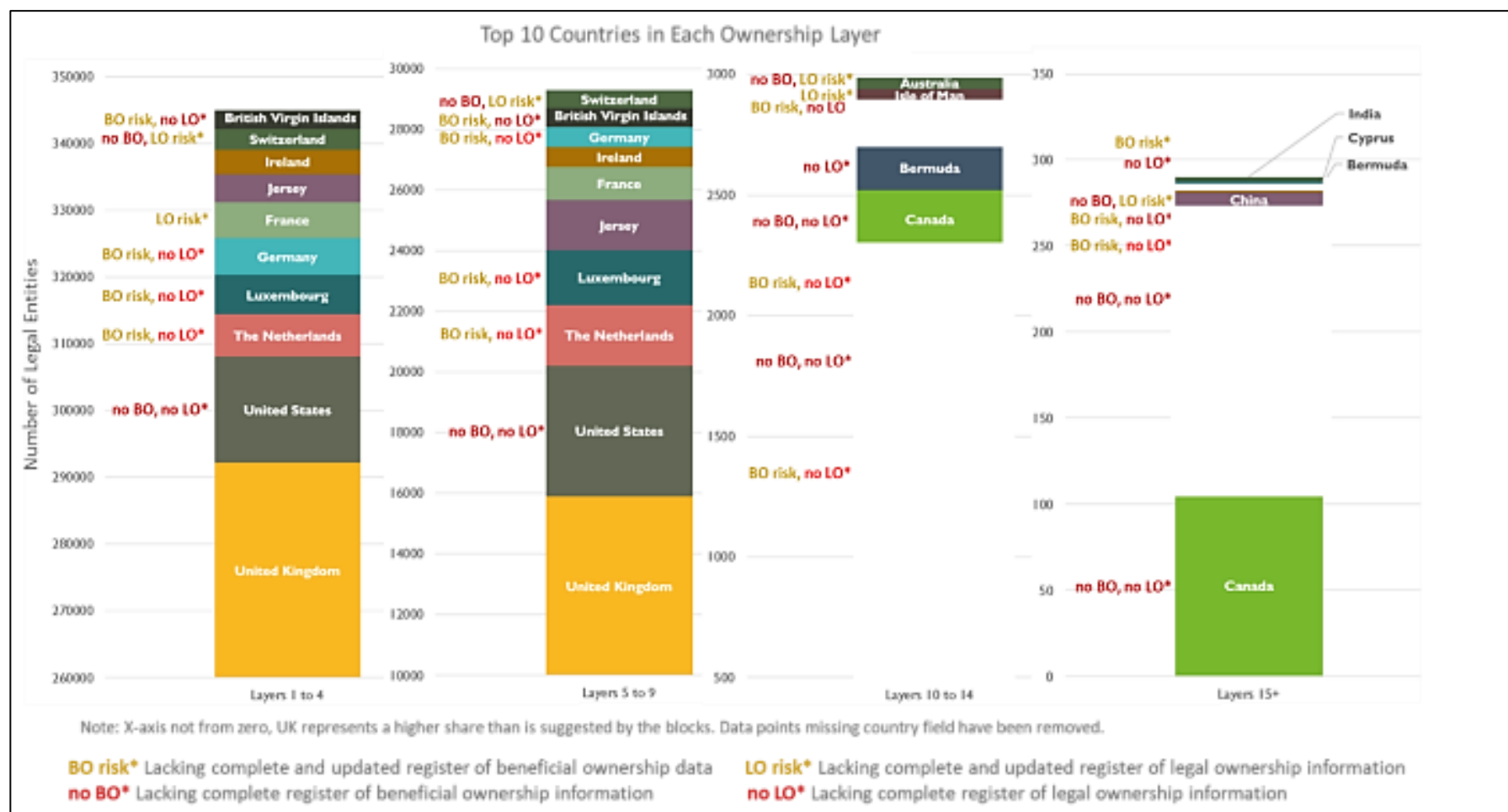
Studies conducted at the national level have provided interesting insights as well. For example, Knobel and Seabarron (2020) found that a huge number of foreign owners of UK companies were incorporated in secrecy jurisdictions that did not require a comprehensive registration of legal or beneficial ownership (see Figure 3).

Figure 2: Percentage of companies with ownership links to blacklisted/greylisted jurisdictions, EU27 + UK and CH (2019)



Source: Bosisio et al (2021).

Figure 3 Geographic spread of layers of UK companies



Source: Knobel (2022)

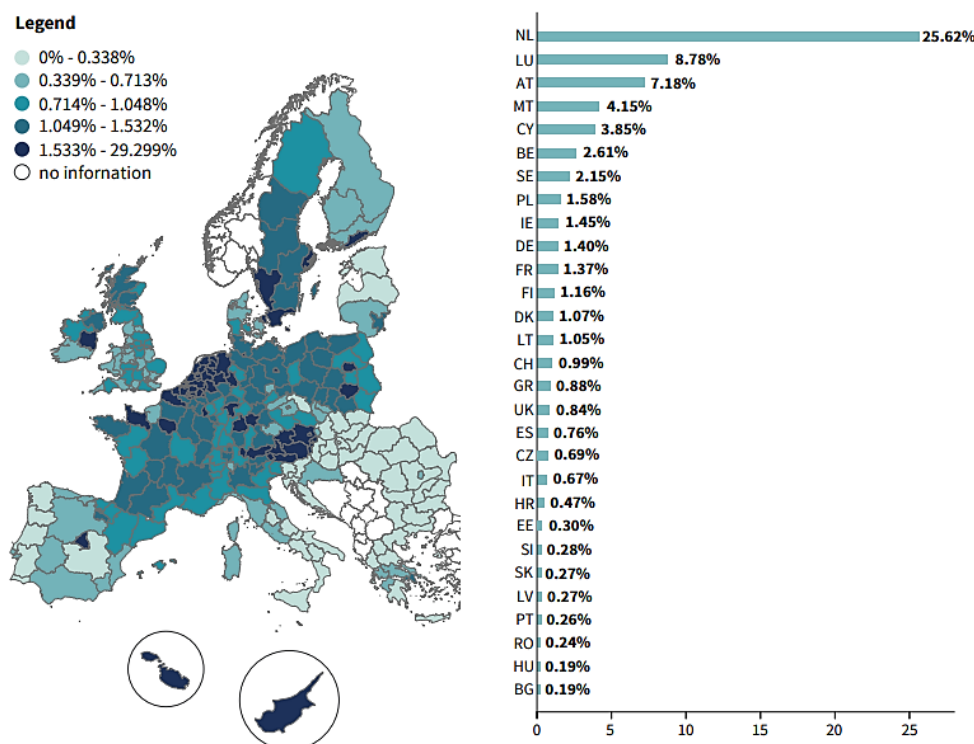
Employment of opaque legal vehicles and missing information on BOs

Legal arrangements such as trusts, fiduciaries, foundations and certain types of investment funds are widely used for legitimate purposes. However, they may be also exploited by criminals to launder the proceeds of illicit activities because **they are not subject to registration requirements in many jurisdictions** (FATF 2006; 2010; HM Revenue & Customs 2010; Knobel 2017; 2021; OECD 2001; Riccardi and Savona 2013). For this reason, Annex III of the 4th AMLD considers risky “legal persons or

arrangements that are personal asset-holding vehicles”.

Most of the empirical research is based on case studies. For example, FATF and Egmont Group (2018) found that trusts are mostly exploited by criminals in combination with companies, rather than in isolation. Few large-scale studies have investigated this anomaly. In Project DATACROS, Transcrime developed and validated an indicator that flagged companies controlled by a trust, a fiduciary or a fund that did not allow for the identification of a BO (Bosisio et al. 2021). The results showed that 1.5% of European companies were controlled by such vehicles (Bosisio et al. 2021) (see Figure 4).

Figure 4: Percentage of companies with ownership links with opaque corporate vehicles that do not allow for the identification of BOs (2019)



Source: Bosisio et al (2021).

A few studies have been conducted in specific sectors. For example, Transparency International UK (2015) found that 3.6% of UK properties involved in grand corruption investigations were held by an offshore trust.

Other studies have considered the **unavailability of BO information** as a risk factor. Trautvetter (2021) found that 135 of the 433 companies owning real estate properties in Berlin were anonymous. Among them, 82 remained anonymous using joint stock companies and investment funds. Drawing on the OpenLux database, Szakonyi and Martini (2021) found that 80% of private investment funds did not declare their BOs.

The dearth of beneficial ownership information may be also connected to the availability of **bearer shares**. The lack of any documentation recording the names of their owners makes the identification of the BOs of legal persons controlled via bearer shares almost impossible (FATF – Egmont Group 2018; OECD 2001). In fact, several case studies have revealed the use of bearer shares for criminal purposes (e.g., Martini and Murphy 2018; FATF – Egmont Group 2018; van der Does de Willebois et al. 2011). Annex III of the 4th AMLD also considers it to be a risk factor.

Employment of nominees

Despite being legitimate *per se*, **nominees** may be used by criminals to conceal real

owners, and are thus at higher risk of money laundering, as stressed in Annex III of the 4th AMLD. Most of the research relies on case studies (e.g., Savona and Riccardi 2018; FATF – Egmont Group 2018; van der Does de Willebois et al. 2011).

This is due to the fact that official lists of ‘nominees’ obviously do not exist. Consequently, studies have checked the presence of proxies for nominees by looking at certain anomalous characteristics of BOs, such as age and gender.

In many jurisdictions, there are no age limits on being the BO of a company. However, the presence of **too old or too young owners** may suggest that they are acting as nominees on behalf of the real owner – as stressed, among others, by the European Banking Authority (2021). Bosisio et al. (2021) found that 3% of companies registered in Lombardy (Italy) had at least one BO or director displaying this anomaly (being under 20 years old or over 80 years old).

In the same study, Bosisio and colleagues analysed the **anomalous presence of females** among BOs, directors and managers – a characteristic that might suggest their misuse as nominees. The authors found that 1.2% of the companies analysed had this anomaly. A high presence of women in the ownership structure is not anomalous *per se*. Nonetheless, some studies such as the MORE project (Savona and Riccardi 2018) have highlighted that mafia families

frequently use wives, sisters, daughters, mothers as nominees when infiltrating the legal economy, and that the presence of female owners among ‘mafia companies’ is almost two times higher than among ‘clean’ companies.

Another sign of the use of nominees is the presence of **owners with an anomalous number of companies incorporated** (Global Witness 2019). Global Witness (2019) found that 0.2% of UK companies in 2019 had BOs who themselves controlled over 100 companies. This was interpreted as a potential sign of the use of nominees. Bosisio and colleagues (2022) found evidence of the practice in Lombardy (Italy) as well.

Finally, the European Banking Authority (2021) suggests that companies should assess whether the **changes in the ownership and control structure** of the client are reasonable, since frequent changes may be employed to obfuscate the real ownership of the company (Bosisio et al. 2022). Empirical analyses on this topic are scant (i.e. Bosisio et al. 2022; Bosisio, Nicolazzo, and Riccardi 2021; Italian Ministry of Interior 2021). However, none of those conducted has validated this anomaly.

Ownership links with politically exposed persons

The **presence of Politically Exposed Persons** (PEPs) among the owners of a company does not necessarily flag an involvement in criminal activities. However, it is widely recognised as a risk factor by EU AML legislation, institutional guidelines, and research studies. PEPs are indeed particularly **vulnerable to being exploited for criminal purposes**, such as money laundering or corruption, or they may actually seek such opportunities because of the political influence they can exert. Article 20 of the 4th AMLD, as amended by the 5th AMLD, requires obliged entities to carry out enhanced due diligence in the case of transactions or business relationships involving PEPs.⁷

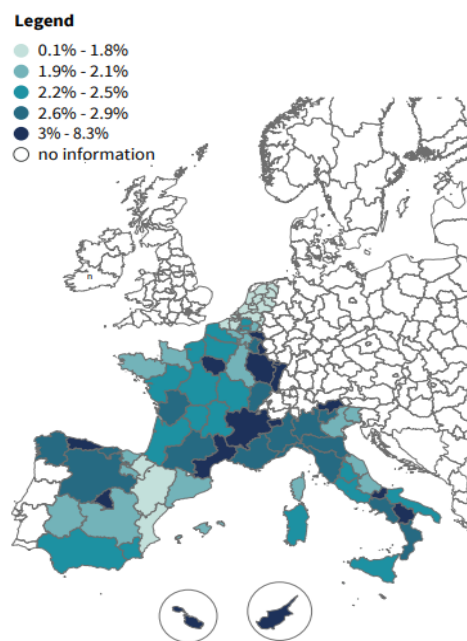
PEPs’ involvement in illegal activities has been widely proved in several cases, such as those of the Panama, Paradise and Pandora Papers (Haberly 2020). A few large-scale studies have explored the risks related to PEPs. Project DATACROS mapped the presence of PEPs across limited liability companies registered in 8 European countries (Bosisio et al. 2021). The results showed that Malta and Cyprus were the countries with the highest percentage of

⁷ PEPs are a ‘natural person who is or who has been entrusted with prominent public functions’, such as heads of state or of the government, members of

Parliament or other legislative bodies, or members of judicial bodies (art. 3, point 9, 4th AMLD, as amended by the 5th AMLD).

companies with at least one PEP among their BOs.

Figure 5: Percentage of companies with beneficial owners who are PEPs, 8 EU MSs (2019)



Source: Bosisio et al (2021).

Ownership links with entities involved in adverse events

Both scholars and institutions have highlighted the risks connected to companies that have been **sanctioned**, **investigated** for financial crimes, or have **known connections with criminals**, as apparent from police data but also media reports and news sources (i.e. **adverse media**) (European Banking Authority 2021; FATF – Egmont Group 2018). Very few studies have investigated the (potential) criminal connections of European companies. Project DATACROS checked whether companies registered in 8 EU MSs

(or their owners) were listed in **global sanction screening lists or were subject to enforcement measures**. The results showed that more than 0.2% were sanctioned or subject to enforcement, or were connected to entities that had been sanctioned or subject to enforcement. At the national level, Baquero (2021) found that many BOs included in the Luxembourg BO register had been investigated for, or charged with, financial and organised crime.

Besides adverse media, other events negatively affecting the reputation of the company could also be taken into consideration. In their analysis of companies registered in Lombardy (Italy), Bosisio and colleagues (2022) considered as a risk factor the presence of ownership links with legal or natural persons mentioned in the *Offshore Leaks* database. This database includes individuals and entities involved in investigations carried out by the International Consortium of Investigative Journalists (ICIJ), such as the Panama and Pandora Papers. The presence of entities and individuals in the database does not necessarily prove their involvement in crimes; however, it can damage the reputation of a company. The authors found that 3,068 companies registered in Lombardy had been involved in one of these investigations or had at least one shareholder or director involved.

Summary and conclusions

The review of the literature presented above provides an overview of the risks related to European companies. It highlights that:

- There are several ownership risk indicators, but only a few of them have been empirically validated, and in any case only in selected countries and sectors.
 - 0.3% of European companies have anomalously complex ownership structures. However, scant information is available on the use of fragmented and circular ownership in Europe.
 - Almost 1% of European companies have ownership links with shareholders in black/greylisted jurisdictions.
 - 1.2% of European companies have ownership links with trust and other opaque legal vehicles that do not allow for identification of the BO.
 - Malta, the Netherlands and Luxembourg often appear at the top of country risk rankings. Their vulnerability and exposure to financial crimes have been well demonstrated in investigations, studies, and institutional risk assessments.⁸ However, as stressed below, little is known about the distribution of many ownership anomalies across European countries.
- Most of the available studies on nominees rely on proxies and case studies. Therefore, it remains unclear the extent to which they are misused for illicit purposes in European companies and how this varies among geographical areas and business sectors.
 - Several case studies have confirmed the involvement of PEPs in illicit activities. However, there is a lack of large-scale studies.
 - The use of data on previous enforcements and sanctions is crucial for the validation of risk indicators. Future research should investigate the extent to which European companies are involved in financial crimes or are connected to entities that have engaged in illicit activities.

⁸ See, for a review, Bosisio et al. 2021.

Section 2. Case study: Assessing ownership risk factors of legal persons in the real estate sector

An empirical application of risk factors to real estate in Paris

The aim of this section is to apply, in an innovative way, the risk factors and the anomaly indicators presented in the previous section to a selected business sector in a selected European region in order to demonstrate their utility for assessing the risk of **financial crime** and for **intelligence** purposes.

The industry chosen is the **real estate sector in the city of Paris**. Specifically, this study will analyse the ownership anomalies of a sample of companies owning properties in the city, and then the level of risk associated with the properties themselves.

The reasons for this choice are numerous. First, a large number of investigations and studies have demonstrated the **vulnerability of real estate to money laundering and financial crime** (e.g., Angélico 2017; FATF 2007; 2022b; Ferwerda and Unger 2013; Transparency International UK 2015; Transparency International UK and Thomson

Reuters 2016). This is explained by three main factors: a) real estate purchases involve large amounts of money; b) transactions in this sector are often poorly scrutinised; b) dirty money invested in real estate can be easily converted into legitimate revenues, for example through rentals (Remeur 2019; Kumar and de Bel 2021). Nevertheless, there is a shortage of empirical studies assessing the financial crime risk in this industry.

Second, the French Ministry of Economy and Finance has recently made public a segment of the land registry, and specifically the list of properties owned by legal persons. By combining real estate with company ownership data, this study also demonstrates the **utility of having registries which are transparent, publicly accessible, and interoperable**.

GLOSSARY. In the whole section:

- ‘owners’ is used to indicate any owner of a legal person, either the BO, the legal owner, or any other intermediate shareholder at any step of the ownership chain;
- ‘legal persons owning real estate properties’ or ‘property owners’ are the companies which are owners of the properties in Paris.

of property and its value (either the nominal or market price), however, was missing.

The **data extracted** in the analysis included information on 945,216¹⁰ properties located in the 20 boroughs (*arrondissements*) of Paris and owned by 115,312 legal persons. In the dataset, properties were classified as single building units. More specifically, the dataset comprised all types of properties owned by legal persons, e.g. residential and commercial properties, but did not cover those exempted from property tax (i.e. certain public properties).

Methodology

Identification of the sample

Data on properties in Paris were extracted from a public dataset made available by the French Ministry of Economy and Finance.⁹

The dataset comprised properties exclusively owned by legal persons as of January 1, 2021 in France, while those owned by sole proprietorships and individuals were not included. The data were the address where the property was located, as well as the name, the national identifier (SIREN) and legal form of the legal persons owning it. Information on the type

Companies owning properties in Paris were searched in Orbis¹¹ to retrieve company and ownership information. Figure 6 illustrates the procedure followed to identify the sample.

- Out of 115,312 legal persons, 20,992 (18%) were not associated with a SIREN number, but displayed only the name and the legal form. These 20,992 included both French and foreign entities. The absence of a unique identifier prevented the retrieval of any information about those entities.¹²

⁹ The dataset is available [here](#).

¹⁰ The total number of real estate properties in Paris (including both residential and commercial ones, owned by both legal persons and natural persons) was not available. Therefore, it was not possible to estimate the share of properties in the dataset provided by the French Ministry of Economy and Finance in the total.

¹¹ Orbis is a dataset provided by Bureau van Dijk, a company of the Moody's Analytics group. It includes company data and ownership information with global coverage.

¹² The main reason is that different companies may have the same name and legal form. In those cases, therefore, it was not possible to identify with certainty which was the legal person that owned the property.

- The remaining 94,320 companies (82%) were searched in Orbis by national ID. Only 4,499 of them were found with available information on ownership structure.¹³ This seemed to be mainly due to the low coverage of ownership information on French companies in Orbis. Indeed, as of 29 April 2022, out of 21,062,879 French legal persons included in Orbis, only 726,195 (3.5%) had information on their ownership structure.

Despite the low number of companies found in Orbis (4% of 115,312 legal persons), **these 4,499 companies owned 53% (504,975) of all the real estate properties** included in the dataset extracted. Moreover, the sample of 504,975 properties was representative in terms of geographical distribution. Table 10 in Annex 2 compares the number of properties in this sample by borough with respect to the total universe of 945,216 properties. It shows similarity between the two groups. Eventually, the analysis of this study focused on these **504,975 properties** and the **4,499 legal persons** owning them (highlighted in green in Figure 6).

For 3,557 companies (out of 4,499), the identity of at least one BO was known; for the remaining 942, information on BO(s) was missing.

Real estate owners without available information on BOs

Overall, we were not able to identify the BO(s) of 111,755 companies out of the initial sample of 115,312 real estate owners (96.9%). This was for the following reasons:

- The company was not associated with a SIREN number (20,992);
- The company was not found in Orbis (83,081);
- The company was found in Orbis but with no information on the ownership structure (6,740);
- The company was found in Orbis with information on the ownership structure, but not on the BOs (942).

Properties without available information on BOs of their owners

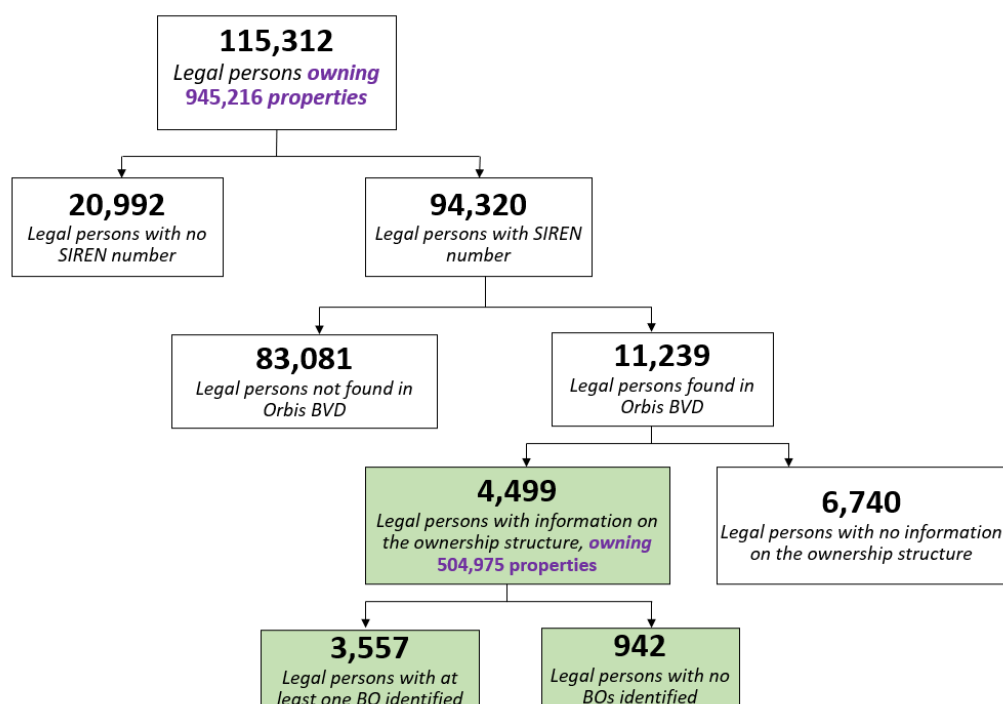
The number of properties for which we were not able to retrieve information on the BO(s) of their owners was 906,548. Of these:

- 440,241 were owned by companies excluded from the analysis for the reasons above.
- 466,307 were owned by at least one company with information on the ownership structure, but not on the BOs (and therefore included in the analysis).

¹³ The remaining 89,821 companies were either not found in ORBIS (83,081) or found in ORBIS but with

no available information on any of their owners, i.e. BOs or intermediate shareholders (6,740).

Figure 6: Identification of the sample



Reconstruction of the full ownership structure

For each of the 4,499 legal persons included in the analysis, the **full ownership structure** connecting the legal person to its BO(s) was reconstructed as follows:

- By relying on Orbis data, legal persons owning **more than 10% of the share capital** at each ownership level were identified, up to any ultimate natural person beneficiary at the top of the chain (i.e. the **BO**). We decided to lower the threshold to 10%, compared to the traditional 25%, for the purpose of a more comprehensive analysis.
- When it was not possible to identify a natural person at the top of a chain, then the top legal person

shareholder was referred to as the 'other ultimate beneficiary' (**OUB**).

- All entities separating the legal person from its BOs were labelled as '**intermediate owners**' (**INT**). Intermediaries included OUBs.

It was decided to rely upon Orbis data and not to employ other sources (e.g. the French business registry or BO registry) because the analysis was not limited to the identity of BOs and legal owners, but also extended to the whole ownership structure (also when deployed across borders). This information is not provided by either the local company registry or the BO registry.

Analysis of ownership risk factors and anomalies

The analysis of the anomalies and the risk factors related to the ownership of these 4,499 companies was carried out by **computing an array of risk indicators for each legal person** in the sample. This

approach has been successfully adopted in various Transcrime projects and papers (e.g. Bosisio et al. 2021; Jofre 2022; Jofre et al. 2021). Table 2 below provides a brief description of all the risk indicators calculated (for more details see Table 11 in Annex 2).

Table 2 Ownership risk indicators computed at the company level

Category/risk indicator		Description
Complexity of ownership structures		The indicator shows the extent to which a legal person has a complex ownership structure which is not justified by its size and business sector.
Employment of opaque legal vehicles and missing information on BOs		The indicator shows whether the legal person is ultimately controlled by a trust or other opaque legal vehicle that does not allow for the identification of the BO.
Ownership links with entities in high-risk jurisdictions	<i>Ownership links with blacklisted and grey listed jurisdictions</i>	The indicator shows whether a legal person has ownership links with entities based in jurisdictions which are listed in official black- and grey-lists in the AML/CFT and tax domain.
	<i>Ownership links with top 30 secrecy jurisdictions according to the SS</i>	The indicator shows whether a legal person is linked to the top 30 jurisdictions scoring highest according to the Secrecy Score (SS) 2022.
Employment of nominees	<i>Anomalous age</i>	The indicator shows whether a legal person has BOs who are very young (<18) or very old (>80), and who may therefore be nominees.
Ownership links with politically exposed persons		The indicator shows whether a legal person has a BO who is a Politically Exposed Person (PEP) or a family member or close associate of a PEP.
Ownership links with entities involved in adverse events	<i>Financial enforcement</i>	The indicator shows whether a legal person or one of its owners have been targeted by financial enforcement measures (e.g. arrests, judgements).
	<i>Ownership links with entities mentioned in Offshore Leaks</i>	The indicator shows whether a legal person (or its owners/directors) is mentioned in Offshore Leaks (e.g. Panama Papers, Paradise Papers, etc).

All the risk indicators shown in Table 2 were then **computed at the property level**. The level of risk of each of the 504,975 properties was assigned according to the risk score associated with the legal

person(s) owning them. In the case of multiple legal person owners, the property was assigned the maximum of the risk scores associated with its owners (for more details, see Table 12 in Annex 2).

In order to control for observations that might distort the results, the analysis described above was replicated, removing:

1. Companies owning a very high number of properties (outliers), and the related properties;
2. Companies with local public ownership and the related properties.

With respect to the first point: As shown in Table 3, a few companies in the sample analysed owned a huge number of properties, while the majority owned only one or two. For this reason, the results were influenced by the presence of a few outliers. For example, imagine that company A scores 5 on *Complexity of ownership structures* and owns 160,000 properties, and that all the other companies score 1 on that indicator. In this case, 32% of the properties in the sample would be considered risky, although this result depends entirely on one company. For this reason, the computation of risk indicators was replicated by removing the outliers. All the companies more than 4 standard deviations from the mean were considered outliers. In total, 5 outliers were identified (Table 9 in Annex 2 provides their names and characteristics). Figure 12 in Annex 2 shows the distribution of companies in terms of the number of properties owned, highlighting the observations identified as outliers.

With respect to the second point: Legal persons ultimately owned by the

municipality of Paris (*Ville de Paris*) or the Region of Paris (*Île-de-France*) were removed from the analysis. Companies controlled by local public bodies are considered less interesting for the purpose of this study because they are usually less anomalous. Indeed, Annex II of the 4th AMLD mentions ‘public administrations or enterprises’ among the factors that require simplified due diligence. Table 13 in Annex 2 shows the risk indicators associated with the latter, as well as the outlier companies.

To summarise, analyses were conducted on:

- 4,499 companies owning 504,975 properties (**main sample**);
- 4,494 companies (**excluding outliers**) owning 176,535 properties; and
- 4,478 companies (**excluding companies with local public ownership**) owning 200,385 properties.

Results

Descriptive statistics

Real estate owners in Paris

The 4,499 legal persons analysed display the following characteristics:

- **Country of registration.** Almost all of them are registered in France, while only three are foreign.
- **Legal form.** 38.8% are private limited liability companies (*société à responsabilité limitée*), 38.2% are simplified limited companies (*société*

par actions simplifiée), 10.7% are public limited companies (*société anonyme*), 4.9% are partnerships (*société en nom collectif*), 4.1% are 'real estate partnerships' (*société civile immobilière*),¹⁴ while the rest have other legal forms.

- **Business sector.** Most of these companies operate in the following business sectors (NACE rev. 2 classification¹⁵ L - real estate activities (45.5%) and K - financial and insurance activities (15.5%).
- **Size:** The majority are small-medium companies (72.2%), while the rest are large and very large (27.8%).¹⁶
- **Average number of BOs.** On average, companies have 1.4 BOs (the maximum is 26).
- **Foreign owners.** 471 of them have at least one foreign BO (13.2% of the 3,557 companies with at least one BO identified), while 654 have at least one foreign intermediate owner (28.8% of the 2,270 companies with at least one INT). This confirms the foreign interest in the real estate market of Paris.
- **Concentration of real estate ownership.** As shown in Table 3, the majority of the companies own very few properties. In contrast, a small number of companies own a large

amount of real estate (see the top 10 in Table 9 in Annex 2). The company that owns the largest number of properties (163,760) is Paris Habitat-OPH, a French Public Housing Office.

- **Local public ownership.** 21 companies (0.5% out of 4,499) are ultimately owned by the municipality of Paris (*Ville de Paris*) or the Region *Île-de-France*. Two of them are outliers in terms of number of properties owned.
- **State ownership.** 182 companies are fully or partially owned by national or foreign governments. Most of them are owned by the French government (116), and others by foreign governments (e.g. Qatar, China, Iran).¹⁷

Table 3 Distribution of the number of properties per company

statistic	value
mean	114
st. dev.	2891
median	2
75 th percentile	6
90 th percentile	27
min	1
max	163,760

¹⁴ These are legal forms which are quite commonly employed in France for holding real estate properties, because they guarantee some tax advantages and management benefits in the case of sale or inheritance of properties (Notaires de France 2017).

¹⁵ See [here](#).

¹⁶ The size of a legal person was defined by considering the operating income, total assets and the number of employees.

¹⁷ See Table 15 in Annex 2.

The owners... of the owners of real estate in Paris

Behind these 4,499 legal persons, analysed above, there are 6,373 BOs and 3,874 INTs, of which 1,042 are OUBs.

The analysis yielded interesting results related to the distribution of **domestic and foreign owners** in the sample analysed:¹⁸

- **BOs.** 79.9% of all BOs are French, while 20.1% are foreign citizens.

- **INTs.** 63.7% are registered in France, while 36.3% is foreign.
- **OUBs.** 62.2% of all OUBs are registered in France, while 37.8% are registered in a foreign jurisdiction.

Table 4 shows the top 15 foreign nationalities (i.e. non-French) among BOs, INTs and OUBs.

Table 4: Top 15 foreign nationalities among BOs, INTs and OUBs

#	BOs (579)	N	INTs (1,349)	N	OUBs (336)	N
1	Italy	95	Luxembourg	282	Belgium	54
2	Germany	63	Germany	146	Luxembourg	45
3	Morocco	57	United Kingdom	129	Germany	34
4	Algeria	43	Belgium	108	United Kingdom	34
5	United Kingdom	38	Netherlands	96	Netherlands	20
6	Spain	34	Italy	85	United States	19
7	China	23	United States	66	Switzerland	15
8	Tunisia	19	Switzerland	51	Japan	12
9	United States	18	Spain	47	Canada	8
10	Luxembourg	16	Hong Kong	27	Italy	8
11	Lebanon	15	Japan	26	British Virgin Islands	7
12	Belgium	14	Singapore	25	Cayman Islands	6
13	Switzerland	13	Cayman Islands	23	Lebanon	5
14	Hong Kong	11	Austria	21	Hong Kong	5
15	Portugal	10	Canada	16	Denmark	5

¹⁸ The percentages presented above were computed considering only the owners with available

information on nationality (2,879 BOs, 888 OUBs and 3,719 INTs).

Anomalies and risk factors

This sub-section presents the results on risk indicators at the company and property levels. Since the results at the company level do not substantially vary between the main and the two sub-samples (see Table 14 in Annex 2), this section presents only those related to the main sample. In contrast, the results at property level are discussed across samples. Table 5 below summarises the latter, showing the percentage of

properties owned by at least one legal person with the highest risk scores on the different indicators. We considered to be anomalous legal persons scoring 5 on all risk indicators, except for '*complexity of ownership structures*', where we flagged as anomalous companies with values equal to or greater than 4 (for more details on the operationalisation of risk indicators see Table 11 in Annex 2).

Table 5 Percentage of properties owned by at legal persons with the highest risk scores, by sample

Risk factor	% Properties – main sample	% Properties – excl. outliers	% Properties – excl. local public ownership
<i>Complexity of the ownership structure</i>	46.5% (out of 504,975)	52.5% (out of 176,535)	49.8% (out of 200,385)
<i>Ownership links with blacklisted and greylisted jurisdictions</i>	0.9% (out of 491,368)	2.6% (out of 162,928)	2.3% (out of 186,778)
<i>Ownership links to top 30 secrecy jurisdictions according to the SS</i>	1.0% (out of 491,344)	3.0% (out of 162,904)	2.6% (out of 186,754)
<i>Employment of opaque legal vehicles and missing information on BOs</i>	3.3% (out of 504,975)	9.5% (out of 176,535)	7.7% (out of 200,385)
<i>Anomalous age</i>	20.8% (out of 25,505)	20.8% (out of 25,493)	20.8% (out of 25,492)
<i>Ownership links with politically exposed persons</i>	9.6% (out of 38,668)	9.6% (out of 38,656)	9.6% (out of 38,655)
<i>Ownership links with entities mentioned in Offshore Leaks</i>	0.5% (out of 504,975)	1.5% (out of 176,535)	1.4% (out of 200,385)
<i>Ownership links with owners subject to enforcement for financial crimes</i>	0.1% (out of 504,975)	0.4% (out of 176,535)	0.4% (out of 200,385)

Note: The percentages presented were computed considering only properties owned by legal persons with available information needed to calculate each indicator, shown in brackets.

Complexity of ownership structures

In the main sample, **18.5%** of the legal persons owning properties in Paris show a **complex ownership structure** which is anomalous when compared to their peers (i.e. companies in the same sector and of the same size). In total, **234,724 properties** are owned by at least one legal person displaying this anomaly, corresponding to 46.5% of the analysed properties in Paris (504,975). This percentage remains high (and increases) after the removal of properties owned by outlier companies and those with local public ownership. As shown in Table 13 in Annex 2, some of the outlier companies and those with local public ownership display an anomalously complex ownership structure, although not all.

Ownership links with entities in high-risk jurisdictions

Links to black/greylisted jurisdictions

In the main sample, **1.4% companies** have at least one intermediate shareholder registered in jurisdictions listed in AML/CFT greylists and blacklists (FATF and EU) or in non-cooperative tax jurisdictions. They correspond to **4,268 properties** (0.9% of 491,368 for which information was available).¹⁹

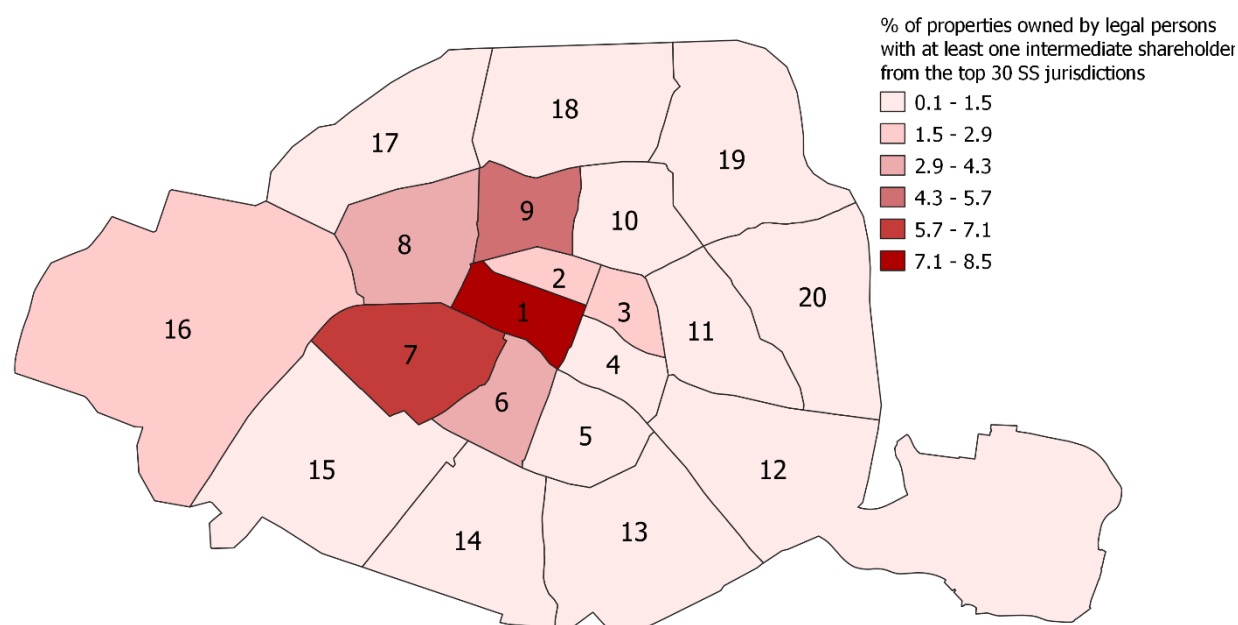
Links to top 30 secrecy jurisdictions according to the SS

If we take as reference the top 30 secrecy jurisdictions of the Tax Justice Network's Secrecy Score (SS), this percentage rises to **1.6% of property owners**, and the number of properties to **4,892** (1.0%²⁰ out of 491,344). Figure 7 shows the prevalence by borough (*arrondissement*) of real estate owned by companies linked to the top 30 secrecy jurisdictions according to the SS. Properties displaying this anomaly are concentrated in central-west *arrondissements*.

¹⁹ The percentage was computed by considering only legal persons with available information on the nationality of their INTs.

²⁰ The percentage was computed by considering only legal persons with available information on the nationality of their INTs.

Figure 7 Prevalence of properties owned by legal persons with at least one INT in the top 30 SS jurisdictions, by borough (main sample)



1. Louvre; 2. Bourse; 3. Temple; 4. Hôtel-de-Ville; 5. Panthéon; 6. Luxembourg; 7. Palais-Bourbon; 8. Elyseo; 9. Opéra ; 10. Entrepôt; 11. Popincourt; 12. Reuilly; 13. Gobelins; 14. Observatoire; 15. Vaugirard; 16. Passy; 17. Batignolles-Monceau; 18. Buttes-Montmartre; 19. Buttes-Chaumont; 20. Ménilmontant.

Note: Percentages are computed by borough based on the total number of properties located there.

Table 6 shows the number of **properties owned by legal persons with intermediate owners registered in SS top 30 countries**. A relatively high number of properties are owned by companies with at least one INT registered in the Cayman Islands (4,190) and Qatar (650).

Table 6: Properties owned by legal persons with intermediate owners in SS top 30 countries

SS Country	Number of properties owned by legal persons with INTs registered in SS top 30 countries
United Arab Emirates	21
Anguilla	3
Angola	1

Brunei	3
Bahamas	1
Curacao	5
Algeria	4
Kuwait	16
Cayman Islands	4,190
Oman	1
Panama	1
Qatar	650

As shown in Table 13 in Annex 2, none of the outlier companies and those with local public ownership had ownership links with entities in high-risk jurisdictions. For this reason, by removing these properties, the

percentage of ‘anomalous’ properties increases (see Table 5).

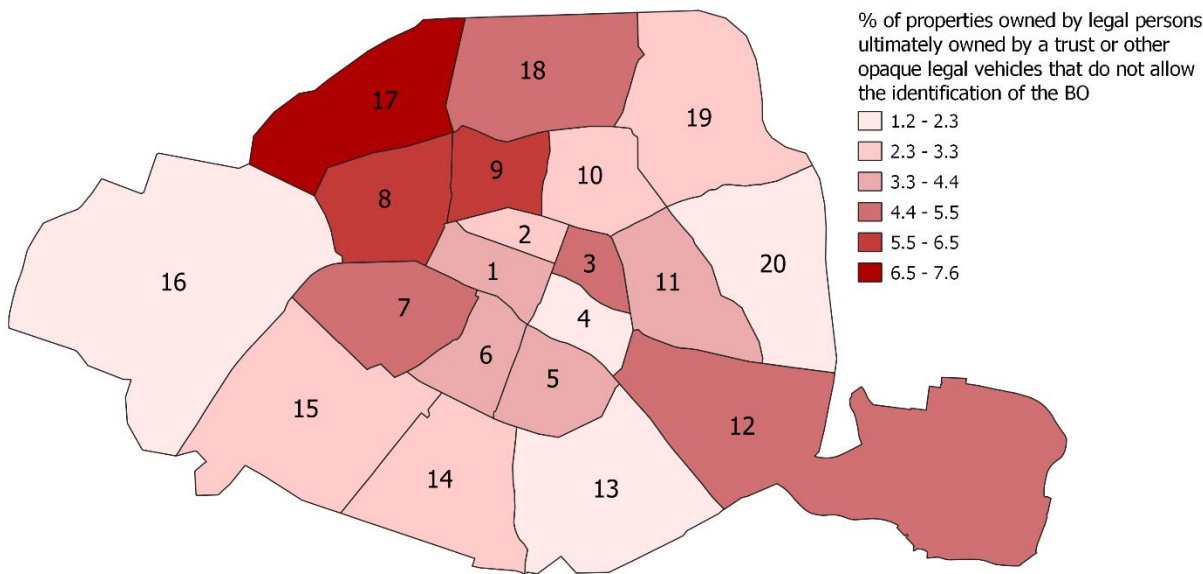
Use of opaque vehicles and missing information on BOs

Overall, in the main sample, out of 4,499 legal persons owning properties in Paris, **4.0%** are ultimately owned by certain opaque vehicles (e.g., mutual and pension funds, trusts) that do not allow for the identification of the BO. Out of 504,975 properties analysed, **16,822** are owned by a

legal person displaying this anomaly (**3.3%**). The results shown in Table 5 confirm that this indicator is still relevant after the removal of properties owned by outlier companies and those with local public ownership.

Figure 8 shows that boroughs with the highest prevalence of properties owned by companies ultimately owned by trusts or other opaque legal vehicles are located in the north of Paris.

Figure 8 Prevalence of properties owned by legal persons ultimately owned by trusts/other opaque legal vehicles that do not allow for the identification of BOs, by borough (main sample)



Note: Percentages are computed by borough based on the total number of properties located there.

Employment of nominees

Anomalous age

Overall, **8.7% legal persons** owning properties have at least one BO with an anomalous age (too old or too young). This might signal the use of nominees acting on the behalf of other people. **5,307 properties** (**20.8%** of 25,505)²¹ are owned by a legal person displaying this anomaly. By combining real estate and ownership data with information on persons deceased in France, we were able to identify at least 8 companies with at least one BO who turned out to be **dead**.²² These 8 companies owned 2,816 properties in Paris.

As shown in Table 5, the results at the property level do not change across the samples.

Ownership links with politically exposed persons

Overall, **6.5% of real estate owners** in Paris have at least one PEP or family members/close associates of a PEP among their BOs. This corresponds to **3,707 properties** (9.6% of 38,668).²³ In this case too, the main results remain the same after the removal of properties owned by outlier companies and those with local public ownership.

Figure 9 shows the prevalence of these properties by borough, which is higher in the city centre. Louvre (1) and Hotel-de-Ville (4) are the boroughs with the highest concentration of real estate properties characterised by this risk factor. These two arrondissements are also among the ones with the highest average square metre price in Paris (respectively 3rd and 4th in the ranking) (Statista 2022).

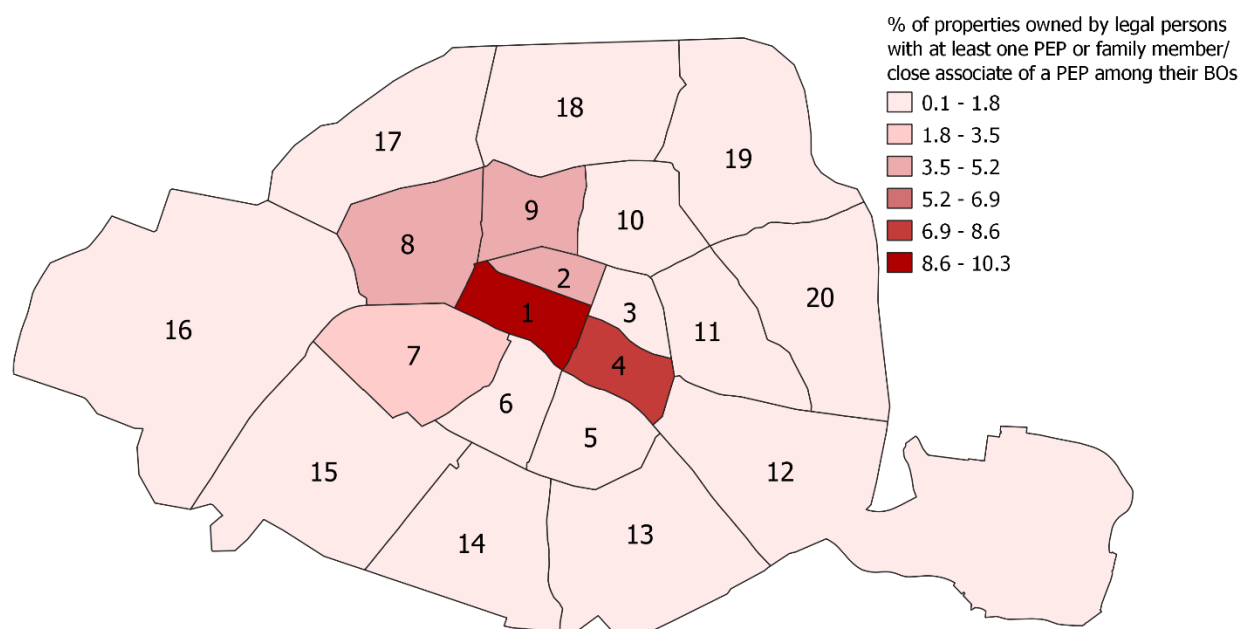
²¹ The percentage was computed by considering only legal persons with available information on BOs and their age.

²² This information was retrieved in July 2022 from a dataset made publicly available by the *Institut National de la Statistique et des Etudes Economiques* at [this link](#). This dataset includes information on the date and place of death of French individuals (death in France or abroad) and foreigners dying in France.

French BOs more than 80 years old were searched in the database to verify whether they were alive as of January 1, 2021 (the date to which the real estate data used in the analysis referred). Due to data limitations, it was not possible to extend the search to foreign BOs.

²³ The percentage was computed by considering only legal persons with available information on BOs.

Figure 9 Prevalence of properties owned by legal persons having at least one PEP or family members/close associates among their BOs, by boroughs (main sample)



1. Louvre; 2. Bourse; 3. Temple; 4. Hôtel-de-Ville; 5. Panthéon; 6. Luxembourg; 7. Palais-Bourbon; 8. Elyseo; 9. Opéra ; 10. Entrepôt; 11. Popincourt; 12. Reuilly; 13. Gobelins; 14. Observatoire; 15. Vaugirard; 16. Passy; 17. Batignolles-Monceau; 18. Buttes-Montmartre; 19. Buttes-Chaumont; 20. Ménilmontant.

Note: Percentages are computed by borough based on the total number of properties located there.

Ownership links with owners subject to adverse events

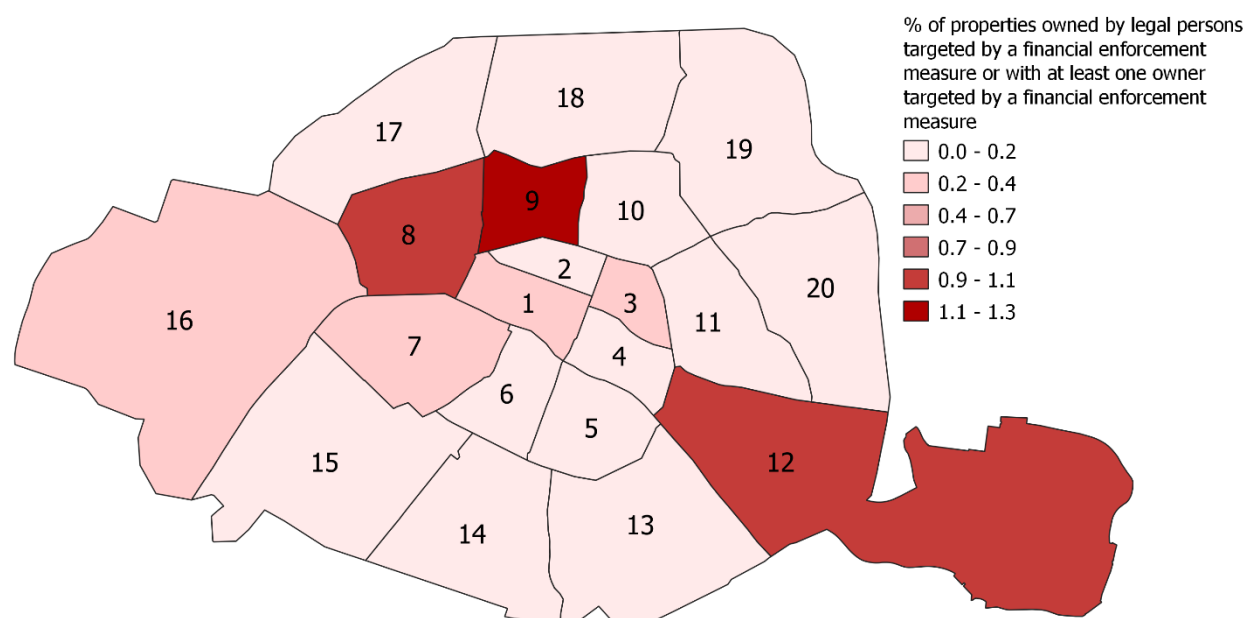
Ownership links with owners subject to financial enforcement

In the main sample, **0.9% of legal persons** have been targeted or have at least one

owner targeted by an enforcement measure for financial crimes (i.e. corruption, embezzlement, fraud or tax evasion).²⁴ This corresponds to 740 properties (0.1% of 504,975). Figure 10 shows the prevalence of the latter by borough: Ellysée, Opéra and Reuilly are the *arrondissements* with the highest percentages.

²⁴ None of the companies and their owners had been targeted by enforcement measures for money laundering.

Figure 10: Prevalence of properties owned by legal persons subject to or having at least one owner targeted by enforcement measures for financial crimes, by borough (main sample)



1. Louvre; 2. Bourse; 3. Temple; 4. Hôtel-de-Ville; 5. Panthéon; 6. Luxembourg; 7. Palais-Bourbon; 8. Elyseo; 9. Opéra ; 10. Entrepôt; 11. Popincourt; 12. Reuilly; 13. Gobelins; 14. Observatoire; 15. Vaugirard; 16. Passy; 17. Batignolles-Monceau; 18. Buttes-Montmartre; 19. Buttes-Chaumont; 20. Ménilmontant.

Note: Percentages are computed by borough based on the total number of properties located there.

Ownership links with owners mentioned in *Offshore Leaks*

Overall, **1.7% of real estate owners** were mentioned in *Offshore Leaks* (e.g. Panama Papers, Pandora Papers) or have owners mentioned in these. They owned **2,722 properties** (0.5% of 504,975).

The share of real estate owned by companies targeted by financial enforcement measures or linked to entities mentioned in *Offshore Leaks* increases once outliers and companies with local public ownership are removed.

Combination of risk indicators

Table 7 shows the percentage of properties owned by companies with at least 1 risk factor as well as those with more.²⁵ As discussed in Section 1, the presence of a certain anomaly in the ownership structure of a company is generally not sufficient to indicate a high-risk company and may generate a large amount of false positives. To identify companies at higher risk it is important to **combine multiple indicators** and consider the companies which display **more than one anomaly at the same time**. In the sample of properties analysed, we found that more than 45% are owned by a company with at least one risk factor in all samples. In contrast, a much smaller set of

properties could be considered particularly risky because they were owned by legal persons with **several ownership anomalies**. In all samples, less than 3% of properties are held by owners with more than 3 risk factors; less than 0.04% are owned by companies with more than 4 risk factors.

Figure 11 shows the prevalence of the properties owned by companies with at least three risk indicators. These properties are concentrated in the central and western boroughs of Paris. The 7th *arrondissement* is one of the boroughs of Paris with the highest average square metre price in the city.

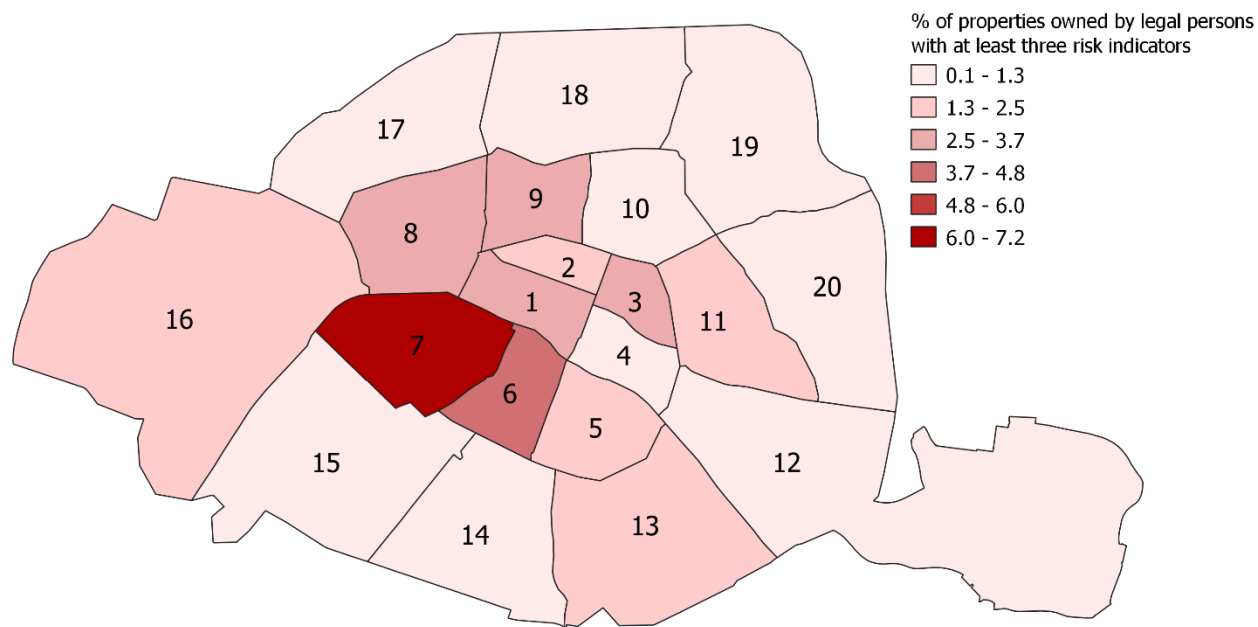
Table 7: Percentage of properties owned by legal persons with one or more risk factors (excl. financial enforcement), by sample

Risk factor	% Properties – main sample (N=504,975)	% Properties – excl. outliers (N=176,535)	% Properties – excl. local public ownership (N=200,385)
<i>At least one risk indicator</i>	48.0%	56.7%	53.6%
<i>At least two risk indicators</i>	4.9%	14.0%	11.7%
<i>At least three risk indicators</i>	1.0%	2.9%	2.6%
<i>At least four risk indicators</i>	0.01%	0.03%	0.03%

²⁵ All the risk factors presented in previous sub-sections were combined, except for *Ownership links with owners subject to financial enforcement*. This was because being subject to an enforcement

measure for a financial crime or being linked via ownership to entities targeted by such measures is suspicious in itself, even if the company does not display any other risk indicator.

Figure 11 Prevalence of properties owned by legal persons that have at least three risk indicators, by borough (main sample)



1. Louvre; 2. Bourse; 3. Temple; 4. Hôtel-de-Ville; 5. Panthéon; 6. Luxembourg; 7. Palais-Bourbon; 8. Elyseo; 9. Opéra ; 10. Entrepôt; 11. Popincourt; 12. Reuilly; 13. Gobelins; 14. Observatoire; 15. Vaugirard; 16. Passy; 17. Batignolles-Monceau; 18. Buttes-Montmartre; 19. Buttes-Chaumont; 20. Ménilmontant.

Note: Percentages are computed by borough based on the total number of properties located there.

Section 3. Conclusions and recommendations

This paper has reviewed and consolidated the knowledge produced to date by **empirical studies in the field of company (beneficial) ownership**, and it has discussed how to improve the **assessment of the related financial crime risks**. Some conclusions and considerations may be drawn, and they are discussed in the following subsections.

The lack of empirical research (but a promising future)

To date, few empirical analyses have been conducted in this domain. However, the number is increasing, primarily because of the growing accessibility and quality of data available from business registers, BO registers, and third-party providers. In other words, transparency of registers may benefit not only the activity of law enforcement agencies, FIUs, journalists and civil society watchdogs, but also scientific research by academic scholars, especially when registers are equipped with data feed and bulk data web-services.

The utility of empirical research in this field

What has been published to date demonstrates that the empirical study of

company ownership is useful for a variety of purposes:

- First, to gain better understanding of *who the owners of our economies are*, identify the **trends in terms of foreign investments and geopolitical influence** across sectors and regions, and the fiscal strategies employed by jurisdictions and companies, especially multinational ones;
- Second – which is crucial for the purposes of the CSABOT project – to **assess the risks of money laundering/terrorist financing, corruption and financial crimes**, and the possibility that companies may be exploited for criminal purposes.

In this latter domain, empirical research on company ownership can significantly help to identify how risks distribute across sectors, regions, and legal forms; it may also eventually provide empirical evidence to support national and supranational risk assessment exercises and regulatory developments in the AML/CFT field. It supports the intelligence of AML supervisory authorities, investigations by law enforcement and FIUs, and the watchdog activity of journalists and civil society organisations.

Risk indicators and the need for validation

The availability of lists of risk indicators related to company ownership is very useful for all the aforementioned stakeholders in this field. They enable the **early detection of companies at high risk** of being involved in financial crime, and of other illicit companies. Risk indicators are suggested by various sources, such as regulations, guidelines, police reports, and academic studies.

This paper has attempted to **rationalise and systematise these indicators**. However, it has also shown that only some of them have been empirically validated. Most of them have not been subjected to empirical tests, although they are universally adopted. In most cases, validation has been limited to selected countries or a few case studies. Future research in this field should pay more attention to testing the extent to which these red flags are in fact associated with criminal instances, for example by validating indicators against judicial or police evidence. This would not only serve to reduce the volume of false positives in investigations and customer due diligence, but would also make the AML activity of both public authorities and the private sector more efficient, fair and sustainable.

Innovative application of risk indicators

In an attempt to further expand the empirical analysis of company ownership anomalies, this paper has applied in an

innovative manner some of the risk indicators suggested by the literature to a selected sector (real estate) and region (the city of Paris) in Europe. The results of the analysis, presented in Section 3, confirm that:

- **The transparency of registers and their interoperability are very useful:** The analysis combined in an innovative manner the data from the French land registry (recently made public) and those from company and BO registers, as processed by a business information provider. Improving the accessibility of registers would further expand the possibility of data fusion and innovative analytics.
- **Analysing the ownership of companies is also useful for assessing the risk of other assets:** By analysing anomalies in the ownership structure of companies which own real estate properties, the paper has identified the risks associated with the real estate properties themselves. This paper is the first – at least to our knowledge – large-scale empirical assessment of the risks of real estate in Europe. While many publications (including National Risk Assessments [NRAs]) have stressed the vulnerability of this sector, empirical analyses are almost non-existent.

- **Analysing the ownership of companies is also useful to understand criminal risks (and socio-economic trends) of a particular geographical area:** By assessing the risk of properties (through analysis of the companies owning them), this paper has been able to highlight how risks are distributed across the 20 Paris *arrondissements*. For example, it has shown which are the boroughs with the highest prevalence of investments by PEPs, individuals and entities already targeted by enforcement measures, and entities registered in secrecy jurisdictions. This is crucial not only for improving monitoring and supervision by local AML authorities and tax agencies, but also for designing better urban and socio-economic policies. This is because, as already demonstrated in other countries (e.g. the UK) and European metropolitan cities (e.g. London, Berlin), the injection of foreign money of unknown origin may exert an inflationary effect on the real estate market prices, which may eventually have an impact in terms of the relocation of local inhabitants, especially elderly or less affluent residents.

Future research directions

An array of future research directions can be identified. First, as mentioned, it would be necessary to enrich the analysis by

accessing a wider range of sources.

Specifically, in the case study of real estate in Paris, it would be useful to integrate data from the French BO registry to reduce the number of legal persons for which it was not possible to identify a BO.

Second, the analysis would benefit from combining company and real estate ownership data with local census information. This would make it possible to check the relationship between certain ownership and local socio-economic conditions, or whether foreign investments have generated certain positive or negative effects.

Third, it could be useful to test the indicators analysed here by drawing on criminal and justice statistics, for example the evidence provided by local law enforcement or FIUs.

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Annex 1. Anomalies related to BO and ownership structures

Table 8 List of anomalies related to BO and ownership structures

Anomaly	Soft law instruments, recommendations and institutional guidelines	Research studies			
		Reference	Empirical study	Geographical scope	Validation
			Case Studies	Aggregate data	
COMPLEXITY OF OWNERSHIP STRUCTURES					
Anomalously complex ownership structure	FATF (2022a)	Bosisio et al. (2022)	✓	IT (Lombardy)	✗
	IADB and OECD (2019)	Knobel (2022)	✓	-	
	FATF (2014)	Riccardi (2022)	✓	Worldwide	✗
		Bosisio et al. (2021)	✓	EU, CH, UK	✓
		Jofre et al. (2021)	✓	BE, CY, ES, FR, UK, IT, LU, MT, NL	✓
		Knobel and Seabarron (2020)	✓	UK	✗
		European Commission (2019c)	✓	EU	
		FATF – Egmont Group (2018)	✓	Worldwide	

Anomaly	Soft law instruments, recommendations and institutional guidelines	Research studies				
		Reference	Empirical study	Geographical scope	Validation	
			Case Studies	Aggregate data		
		Savona and Riccardi (2018)	✓	✓	EU, UK, SM, GI, AD, BY, MC, LI, XK, TR, ME, BA, CH, MD, AL, RS, UA, MK, RU, IS, NO	✗
		Savona and Riccardi (2017)		✓	IT, NL, UK	✓
		Riccardi and Savona (2013)	✓		-	
		Does de Willebois et al. (2011)	✓		Worldwide	
		OECD (2001)	✓		-	
Circular ownership	✗	Knobel (2022)	✓		-	
		Jofre (2022)		✓	MT	✓
		Global Witness (2019)		✓	UK	✗
		T-Rank AS (2017)	✓		-	
Fragmented ownership	✗	Knobel (2022)	✓		-	
		Bosisio et al. (2022)		✓	IT (Lombardy)	✗
		FATF – Egmont Group (2018)	✓		Worldwide	
		Savona and Riccardi (2018)	✓		-	
		T-Rank AS (2017)	✓		-	
OWNERSHIP LINKS WITH ENTITIES IN HIGH-RISK JURISDICTIONS						
Ownership links with high-risk jurisdictions	FATF (2022a)	Knobel (2022)	✓		-	
	European Banking Authority (2021)	Bosisio et al. (2022)		✓	IT (Lombardy)	✗
		EBOCS Consortium (2021)		✓	EE, ES, IE, IT, LV, RO	✗

Anomaly	Soft law instruments, recommendations and institutional guidelines	Research studies				
		Reference	Empirical study		Geographical scope	Validation
			Case Studies	Aggregate data		
		Aziani et al. (2021)		✓	EU, UK, BY, TR, ME, BA, CH, MD, AL, RS, UA, MK, RU, IS, NO	✗
		Jofre et al. (2021)		✓	BE, CY, ES, FR, UK, IT, LU, MT, NL	✓
		Bosisio et al. (2021)		✓	EU, CH, UK	✓
		Janský et al. (2021)		✓	Worldwide	✗
		ICIJ (2021)	✓		Worldwide	
		Tax Justice Network (2020)		✓	Worldwide	✗
		Global Witness (2019)		✓	UK	✗
		FATF – Egmont Group (2018)	✓		Worldwide	
		Savona and Riccardi (2018)	✓	✓	EU, UK, SM, GI, AD, BY, MC, LI, XK, TR, ME, BA, CH, MD, AL, RS, UA, MK, RU, IS, NO	✗
		Savona and Riccardi (2017)		✓	IT, NE, UK	✓
		Angélico (2017)		✓	Sao Paulo (Brazil)	✗
		Garcia-Bernardo et al. (2017)		✓	Worldwide	✗
		ICIJ (2017a)	✓		Worldwide	
		ICIJ (2017b)	✓		Worldwide	
		Transparency International UK (2015)		✓		✗
		Ferwerda and Unger (2013)		✓	NL	✓
		Does de Willebois et al. (2011)	✓		Worldwide	

Anomaly	Soft law instruments, recommendations and institutional guidelines	Research studies			
		Reference	Empirical study	Geographical scope	Validation
			Case Studies	Aggregate data	
EMPLOYMENT OF OPAQUE LEGAL VEHICLES AND MISSING INFORMATION ON BOs					
Ownership links with opaque corporate vehicles	European Banking Authority (2021)	Bosisio et al. (2022)	✓	IT (Lombardy)	✗
	IADB and OECD (2019)	Knobel (2022)	✓	-	
	FATF (2010)	Riccardi (2022)	✓	Worldwide	✗
	FATF (2006)	Jofre et al. (2021)	✓	BE, CY, ES, FR, UK, IT, LU, MT, NL	✓
		Bosisio et al. (2021)	✓	EU, CH, UK	✓
		Global Witness (2019)	✓	UK	✗
		Knobel (2019)	✓	-	
		FATF – Egmont Group (2018)	✓	Worldwide	
		Global Witness (2017)	✓	-	
		Knobel (2017)	✓	-	
		Transparency International UK (2015)	✓	UK	✗
		Riccardi and Savona (2013)	✓	-	
		Does de Willebois et al. (2011)	✓	Worldwide	
		OECD (2001)	✓	-	
		Unavailability of BO information	European Banking Authority (2021)	Bosisio et al. (2022)	✓
	Bosisio et al. (2021)		✓	EU, CH, UK	✓
	Jofre et al. (2021)		✓	BE, CY, ES, FR, UK, IT, LU, MT, NL	✓

Anomaly	Soft law instruments, recommendations and institutional guidelines	Research studies			
		Reference	Empirical study	Geographical scope	Validation
			Case Studies	Aggregate data	
		Trautvetter (2021)	✓	DE (Berlin)	✗
		Szakonyi and Martini (2021)	✓	LU	✗
		Global Witness (2019)	✓	UK	✗
Use of bearer shares	FATF (2022a)	Knobel (2022)	✓	-	
	IADB and OECD (2019)	Martini and Murphy (2018)	✓	G20 countries	
		FATF – Egmont Group (2018)	✓	Worldwide	
		Does de Willebois et al. (2011)	✓	Worldwide	
		OECD (2001)	✓	-	
EMPLOYMENT OF NOMINEES					
Use of nominee shareholders and directors	FATF (2022a)	Knobel (2022)	✓	-	
	IADB and OECD (2019)	Martini and Murphy (2018)	✓	G20 countries	
		Savona and Riccardi (2018)	✓	Selected European countries	
		FATF – Egmont Group (2018)	✓	Worldwide	
		Does de Willebois et al. (2011)	✓	Worldwide	
		Soudijn (2010)	✓	NL	
		OECD (2001)	✓	-	
Anomalous age	European Banking Authority (2021)	Bosisio et al. (2022)	✓	IT (Lombardy)	✗
		Wrate et al. (2022)	✓	-	
		Global Witness (2019)	✓	UK	
		FATF – Egmont Group (2018)	✓	Worldwide	

Anomaly	Soft law instruments, recommendations and institutional guidelines	Research studies				
		Reference	Empirical study	Geographical scope	Validation	
			Case Studies	Aggregate data		
		Fazekas et al. (2016)	✓	-		
Anomalous gender distribution across owners	✗	Bosisio et al. (2022)		✓	IT (Lombardy)	✗
		Savona and Riccardi (2018)	✓	✓	IT	✗
		Fazekas et al. (2016)	✓		-	
		Soudijn (2010)		✓	NL	✗
Owner with an anomalous number of companies incorporated	✗	Bosisio et al. (2022)		✓	IT (Lombardy)	✗
		Global Witness (2019)		✓	UK	✗
		FATF – Egmont Group (2018)	✓		Worldwide	
Frequent ownership changes	European Banking Authority (2021)	Bosisio, Nicolazzo, and Riccardi (2021)		✓	IT	✗
		Italian Ministry of Interior (2021)		✓	IT	✗
		Fazekas et al. (2016)	✓		-	
OWNERSHIP LINKS WITH POLITICALLY EXPOSED PERSONS						
Presence of Politically Exposed Persons (PEP) in the ownership chain	FATF (2022a)	Bosisio et al. (2022)		✓	IT (Lombardy)	✗
	European Banking Authority (2021)	Bosisio et al. (2021)		✓	BE, CY, ES, FR, IT, LU, MT, NL	✗
	FATF (2013)	ICIJ (2021)	✓		Worldwide	
		Haberly (2020)		✓	Worldwide	✗
		Global Witness (2019)		✓	UK	✗

Anomaly	Soft law instruments, recommendations and institutional guidelines	Research studies			
		Reference	Empirical study	Geographical scope	Validation
			Case Studies	Aggregate data	
		FATF – Egmont Group (2018)	✓	Worldwide	
		ICIJ (2017a)	✓	Worldwide	
		ICIJ (2017b)	✓	Worldwide	
		Does de Willebois et al. (2011)	✓	Worldwide	
		Choo (2008)	✓	-	
OWNERSHIP LINKS WITH ENTITIES INVOLVED IN ADVERSE EVENTS					
Company or owners or linked entities subject to sanctions, enforcements or investigations	European Banking Authority (2021)	Bosisio et al. (2022)	✓	IT (Lombardy)	✗
		Bosisio et al. (2021)	✓	BE, CY, ES, FR, IT, LU, MT, NL	✗
		Baquero et al. (2021)	✓	LU	
		FATF – Egmont Group (2018)	✓	Worldwide	
Presence of adverse media	European Banking Authority (2021)	FATF – Egmont Group (2018)	✓	Worldwide	
Owner mentioned in Offshore Leaks	✗	Bosisio et al. (2022)	✓	IT (Lombardy)	✗

Annex 2. Methodological details and additional results

Figure 12 Distribution of companies in terms of number of properties owned (outliers circled in red)

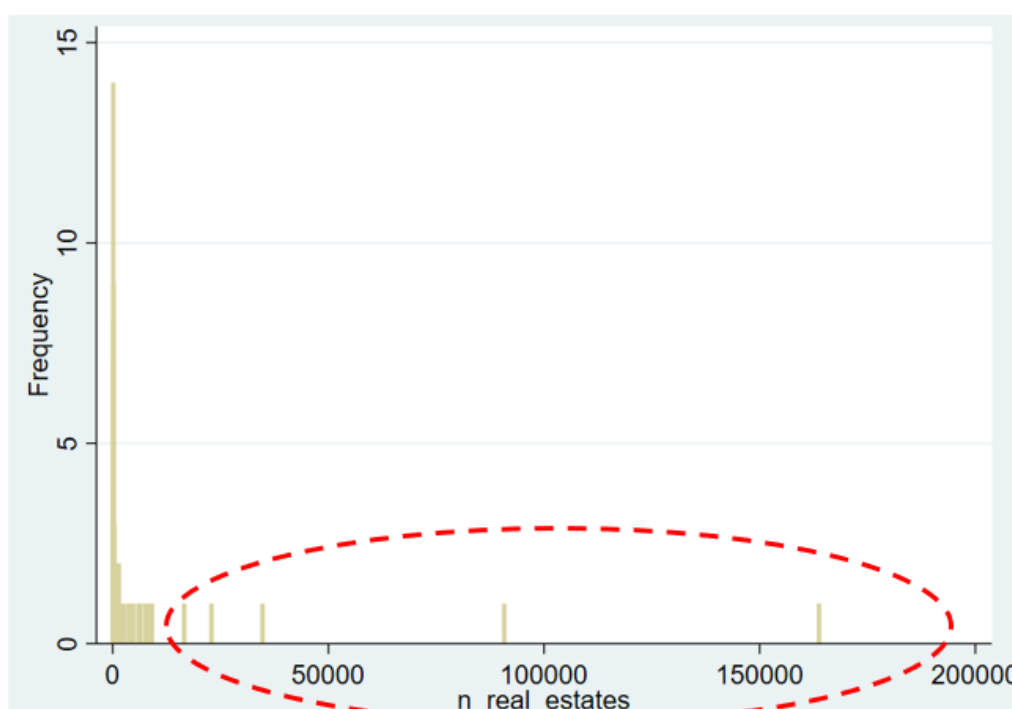


Table 9 Top 10 legal persons in terms of number of real estate (identified among the initial sample of 115,312 companies)

Name	Legal form	N. real estate	Included in the main sample (4,499 companies)	Outlier
PARIS OPH	Établissement public à caractère industriel et commercial	163,760	✓	✓
VILLE DE PARIS	Collectivité territoriale/Région	123,654	x	
REGIE IMMOBILIERE DE LA VILLE DE PARIS	société anonyme	90,757	✓	✓
ELOGIE - SIEMP	société anonyme	34,719	✓	✓
IMMOBILIERE 3F	société anonyme	22,880	✓	✓
ICF LA SABLIERE SA DHLM	société anonyme	16,558	✓	✓
INLI	société anonyme	9,088	✓	x

Name	Legal form	N. real estate	Included in the main sample (4,499 companies)	Outlier
1001 VIES HABITAT	société anonyme	8,241	✓	x
CDC HABITAT	Société d'économie mixte	8,175	✓	x
GEC 25	société par actions simplifiée	7,775	✓	x

Table 10 Distribution of real estate properties by borough

Borough	All real estate (N=945,216)		Real estate analysed in this study (N=504,975)	
	Freq.	% (on total of 945,216 real estate)	Freq.	% (on total of 504,975 real estate)
Louvre (1)	12,496	1.3%	4,744	0.9%
Bourse (2)	15,193	1.6%	3,685	0.7%
Temple (3)	14,838	1.6%	4,317	0.9%
Hôtel-de-Ville (4)	12,849	1.4%	4,895	1.0%
Panthéon (5)	18,688	2.0%	6,177	1.2%
Luxembourg (6)	19,920	2.1%	3,933	0.8%
Palais-Bourbon (7)	24,007	2.5%	4,609	0.9%
Elysée (8)	36,817	3.9%	8,154	1.6%
Opéra (9)	28,188	3.0%	8,617	1.7%
Entrepôt (10)	37,783	4%	17,561	3.5%
Popincourt (11)	52,591	5.5%	24,031	4.8%
Reuilly (12)	56,963	6.0%	35,844	7.1%
Gobelins (13)	92,160	9.8%	70,305	13.9%
Observatoire (14)	56,562	6.0%	34,126	6.8%
Vaugirard (15)	98,254	10.4%	55,035	10.9%
Passy (16)	63,226	6.7%	16,585	3.3%
Batignolles-Monceau (17)	63,368	6.7%	29,448	5.8%
Buttes-Montmartre (18)	67,993	7.2%	40,696	8.1%
Buttes-Chaumont (19)	87,589	9.3%	66,689	13.2%
Ménilmontant (20)	85,731	9.1%	65,524	13.0%
Total	945,216	100%	504,975	100%

Table 11 Risk indicators computed at company level (detailed description)

Category/risk indicator	Description	Type (range)	Data source
Complexity of ownership structures	The indicator shows the extent to which a legal person has a vertically or horizontally complex ownership structure. The indicator is computed by adopting as reference the distribution of	Ordinal (from 1 to 5)	Bureau Van Dijk (Orbis)

Category/risk indicator		Description	Type (range)	Data source
		vertical/horizontal complexity observed in all European companies of similar size and engaged in a similar economic activity. Vertical complexity is defined as the distance separating the legal person from its furthest ultimate control (the threshold used to identify the beneficial ownership is 10% at any level). Horizontal complexity is defined as the number of intermediaries in the ownership structure (the threshold used to identify relevant intermediaries is 10% at any level). The indicator varies from 1 to 5, where 5 indicates highest risk, and 1 the lowest.		
Employment of opaque legal vehicles and missing information on BOs		The indicator equals 5 if at least one OUB of the legal person is a trust or some other opaque legal vehicle (e.g., mutual, pension fund) for which no BO are identified; 1 otherwise.	Binary (1;5)	Bureau Van Dijk (Orbis)
Ownership links with entities from high-risk jurisdictions	<i>Ownership links with blacklisted and grey listed jurisdictions</i>	The indicator equals 5 if at least one of the intermediate shareholders of the legal person is registered in a jurisdiction included in official black- or greylists issued by FATF and the EU; 1 otherwise. The FATF lists considered include “High-Risk Jurisdictions subject to a Call for Action” (blacklist), and “Jurisdictions under Increased Monitoring” (greylist), last updated in March 2022. The EU black/greylists considered include non-cooperative jurisdictions for tax purposes and were last updated on 24 February 2022.	Binary (1; 5)	Bureau Van Dijk (Orbis), FATF (black/grey list), EU (black/grey list)
	<i>Ownership links with top 30 secrecy jurisdictions according to SS</i>	The indicator equals 5 if at least one of the intermediate shareholders of the legal person is registered in a jurisdiction included in the top 30 countries of the Secrecy Score Index 2022 developed by Tax Justice Network; 1 otherwise.	Binary (1;5)	Tax Justice Network (FSI), Bureau Van Dijk (Orbis)
Employment of nominees	<i>Anomalous age</i>	The indicator equals 5 if at least one BO of the legal person was born before 1942 or after 2004, thus flagging the risks of the presence of too young or too old BOs or directors. In all other cases, the indicator takes the value of 1.	Binary (1; 5)	Bureau Van Dijk (Orbis)
Ownership links with politically exposed persons		The indicator equals 5 if at least one BO of a legal person is a PEP, family member or close associate of the PEP as defined by WorldCompliance; 1 otherwise. WorldCompliance adopts a definition of PEP in line with FATF standards, including individuals who are currently entrusted or who were previously entrusted with prominent public functions within their national governments or who are or were tasked with representing their	Binary (1; 5)	Lexis Nexis (WorldCompliance), Bureau Van Dijk (Orbis)

Category/risk indicator	Description	Type (range)	Data source	
	governments in foreign relations. Family members are relatives, as well as individuals who are related to PEPs by heredity, marriage, or civil partnership. Close associates are individuals who are socially or politically connected to the PEP, members of state-owned enterprises, members of sovereign wealth funds and businesses that are controlled by the PEP.			
Ownership links with entities involved in adverse events	Financial enforcement	The indicator equals 5 (highest risk) if the legal person or one of its owners has been targeted by enforcement measures (e.g. arrests, judgements) as defined by WorldCompliance; 1 otherwise. WorldCompliance considers a company as enforced if an official government agency has taken action against it. In the analysis, only certain financial crimes and predicate offences covered by WorldCompliance are considered (money laundering, corruption, embezzlement, fraud, and tax evasion).	Binary (1; 5)	Lexis Nexis (World Compliance, Bureau Van Dijk (Orbis)
	Ownership links with entities mentioned in Offshore Leaks	The indicator is a binary variable which equals 5 (highest risk) if the legal person (or its owners/directors) is mentioned in Offshore Leaks Database developed by the Investigative Journalists (ICIJ); 1 otherwise.	Binary (1; 5)	ICIJ (Offshore Leaks Database), Bureau Van Dijk (Orbis)

Table 12 Risk indicators computed at the property level

Case	Computation of the indicator at the property level	Example
Case A: the property is owned by one legal person only	The level of risk of the property is equal to the value of the indicator attributed to the legal person.	For example, imagine that property A is owned by company Alpha and that the latter scores 5 on <i>Ownership structure complexity</i> . Property A is thus attributed a score of 5.
Case B: the property is owned by more than one legal person²⁶	The level of risk of the property is equal to the maximum value of the indicator attributed to the legal persons.	Imagine that property B is owned by companies Beta and Gamma. The companies respectively score 5 and 3 on <i>Ownership structure complexity</i> . Property B is thus attributed a score of 5.

²⁶ Out of 504,975 properties, 68.7% are owned by a single legal person; the remaining 31.3% by more than one legal person (up to 6).

Table 13 Risk indicators related to outlier companies (N=5) and those with local public ownership (N=21)

Name of the company ('anonymised')	Outlier	With local public ownership	Risk indicators
Company 1	✓	✓	Complexity of ownership structure
Company 2	✓	✓	None
Company 3	✓	✓	Complexity of ownership structure
Company 4	✓	✗	Complexity of ownership structure
Company 5	✓	✗	None
Company 6	✗	✓	Complexity of ownership structure, Employment of opaque legal vehicles and missing information on BOs
Company 7	✗	✓	Complexity of ownership structure
Company 8	✗	✓	Complexity of ownership structure
Company 9	✗	✓	None
Company 10	✗	✓	None
Company 11	✗	✓	Complexity of ownership structure
Company 12	✗	✓	Complexity of ownership structure
Company 13	✗	✓	None
Company 14	✗	✓	Complexity of ownership structure
Company 15	✗	✓	Complexity of ownership structure
Company 16	✗	✓	None
Company 17	✗	✓	Complexity of ownership structure
Company 18	✗	✓	Complexity of ownership structure
Company 19	✗	✓	Complexity of ownership structure
Company 20	✗	✓	None
Company 21	✗	✓	None
Company 22	✗	✓	None
Company 23	✗	✓	Complexity of ownership structure

Table 14 Percentage of companies with the highest risk factors, by sample

Risk factor	% Companies – main sample	% Companies – excl. outliers	% Companies – excl. local public ownership
Single indicators			
Complexity of the ownership structure	18.5% (out of 4,499)	18.4% (out of 4,494)	18.3% (out of 4,478)
Ownership links with blacklisted and greylisted jurisdictions	1.4% (out of 4,294)	1.4% (out of 4,289)	1.4% (out of 4,273)
Ownership links to top 30 secrecy jurisdictions according to the SS	1.6% (out of 4,292)	1.6% (out of 4,287)	1.6% (out of 4,271)

Risk factor	% Companies – main sample	% Companies – excl. outliers	% Companies – excl. local public ownership
<i>Employment of opaque legal vehicles and missing information on BOs</i>	4.0% (out of 4,499)	4.0% (out of 4,494)	4.0% (out of 4,478)
<i>Anomalous age</i>	8.7% (out of 2,314)	8.7% (out of 2,314)	8.7% (out of 2,314)
<i>Ownership links with politically exposed persons</i>	6.5% (out of 3,557)	6.5% (out of 3,557)	6.5% (out of 3,557)
<i>Ownership links with entities mentioned in Offshore Leaks</i>	1.7% (out of 4,499)	1.7% (out of 4,494)	1.7% (out of 4,478)
<i>Ownership links with owners subject to enforcement for financial crimes</i>	0.9% (out of 4,499)	0.9% (out of 4,494)	0.9% (out of 4,478)
Combination of risk indicators (excl. financial enforcement)			
<i>At least one risk indicator</i>	26.0% (out of 4,499)	26.0% (out of 4,494)	25.9% (out of 4,478)
<i>At least two risk indicators</i>	8.2% (out of 4,499)	8.2% (out of 4,494)	8.2% (out of 4,478)
<i>At least three risk indicators</i>	2.0% (out of 4,499)	2.0% (out of 4,494)	2.0% (out of 4,478)
<i>At least four risk indicators</i>	0.3% (out of 4,499)	0.3% (out of 4,494)	0.3% (out of 4,478)

Note: The percentages presented were computed considering only legal persons with available information needed to calculate each indicator, shown in brackets.

Table 15 No. of real estate owners ultimately owned by national or foreign governments

Government owner - nationality	No. companies owned
France	116
Canada	19
Singapore	14
Qatar	12
China	8
Norway	4
The Netherlands	3
Sweden	3
Iran	2
Kuwait	2
Angola	1
Algeria	1
Finland	1
Italy	1
Luxembourg	1
Morocco	1
Pakistan	1
Tunisia	1
South Africa	1

Civil Society Advancing Beneficial Ownership Transparency

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NEBOT Paper 2

Verification and Quality of Beneficial Ownership Information in the EU

Network of Experts on Beneficial Ownership Transparency, NEBOT

Civil Society Advancing Beneficial Ownership Transparency



Verification and Quality of Beneficial Ownership Information in the EU

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Abstract

As beneficial ownership registers have become increasingly widespread, researchers and practitioners have highlighted the importance of ensuring that the information contained in the registers is of high quality, meaning that it is accurate, adequate, and up-to-date. In this context, measures to verify data are essential to ensuring the success of these registers as anti-corruption and anti-money laundering tools. Within the EU, in compliance with the EU 5th Anti-Money Laundering Directive (AMLD5), Member States are required to put in place mechanisms to ensure the accuracy of information. This is also a requirement under the recently reformed Recommendation 24 of the Financial Action Task Force (FATF). Despite the clear need, little research exists concerning what kind of mechanisms are in place to ensure the quality of information in beneficial ownership registers. This study addresses this gap by identifying the different strategies used by Member States to ensure accuracy and up-to-dateness of the information in beneficial ownership registers.

This paper analyses three original data sources: a review of 24 national legal frameworks of EU Member States, a survey with representatives of beneficial

ownership registers in 18 Member States, and a case study conducted with one of these registers. The paper finds that whilst almost all Member States have some sort of mechanism(s) in place, they are not comprehensive enough to cover all necessary steps needed for ensuring accuracy and timeliness of the data. Implementation is also patchy across the EU, with significant gaps remaining, especially with respect to additional checks to confirm that the beneficial owner is indeed the individual declared. Based on this evidence, the paper proposes policy recommendations to improve the quality of beneficial ownership data in registers across the EU.

Introduction

The importance of ensuring the quality of the information held in central beneficial ownership registers is consistently highlighted by researchers, practitioners, and users of this data as an important contributor to their success as an anti-corruption and anti-money laundering tool.

As the establishment of central registers of the beneficial ownership of companies has become more widespread, and their data more widely used by actors in sectors subject to anti-money laundering (AML) regulation, users have highlighted the need to be able to trust the information contained in central government-maintained registers.¹ Industry associations and private sector actors have consistently called for measures to be taken by registrars in order to verify the information that is held in beneficial ownership registers. Since the first publicly-accessible beneficial ownership registers of companies were launched in Ukraine and the United Kingdom in 2015-16, civil society organisations and investigative journalism networks have pointed to errors in published data and

argued for the need to verify information to ensure its accuracy.²

Within the European Union (EU), the majority of Member States have implemented central beneficial ownership registers of companies in line with requirements of the 5th Anti-money Laundering Directive.³ The Directive highlights that “[a]ccurate identification and verification of data of natural and legal persons are essential for fighting money laundering or terrorist financing.” The Directive requires Member States to put in place mechanisms to ensure the quality of information in central beneficial ownership registers of companies:

“Member States shall require that the information held in the central register referred to in paragraph 3 [central register of legal entities] is adequate, accurate and current, and shall put in place mechanisms to this effect.” AMLD5, paragraph 4

The only mechanism specified in the Directive that shall be used to ensure adequate, accurate and current data is discrepancy reporting. This requires:

¹ See: Open Ownership. 2022. [“The use of beneficial ownership data by private entities”](#).

² Global Witness and DataKind UK. 2018. [“The Companies We Keep”](#).

³ Directive 2018/843 of 30 May 2018 on anti-money laundering and countering the financing of terrorism

“obliged entities and, if appropriate and to the extent that this requirement does not interfere unnecessarily with their functions, competent authorities to report any discrepancies they find between the beneficial ownership information available in the central registers and the beneficial ownership information available to them.” AMLD5, paragraph 4.

The Directive makes clear that discrepancy reporting alone must not be the only mechanism used to ensure the accuracy of data in beneficial ownership registers.

Beyond this, the Directive is silent on the other mechanisms that should be established, with Member States able to determine appropriate mechanisms to implement the provisions within their national context. The Directive does not place the above requirements on registrars specifically; rather, it leaves Member States to decide on the appropriate mechanisms to ensure that data within the beneficial ownership register in their jurisdiction is accurate and up-to-date.

Globally, revisions to the anti-money laundering standards of the Financial Action Task Force (FATF) in March 2022 now require FATF-implementing countries to “ensure that there is adequate, accurate and up-to-date information on the beneficial ownership and control of

legal persons”.⁴ Of particular relevance to this paper, as we seek to understand how Member States implement the AMLD5 requirements to ensure the accuracy of central beneficial ownership registers, is the interpretative note to FATF Recommendation 24. This expands on the notion of “accurate” as follows:

“Accurate information is information which has been verified to confirm its accuracy by verifying the identity and status of the beneficial owner using reliable, independently sourced/obtained documents, data or information. The extent of verification measures may vary according to the specific level of risk.” (FATF Recommendations, p. 94)

Despite the clear need for information in beneficial ownership registers to be adequate, accurate, and up to date, little research exists regarding what mechanisms are in place to ensure the accuracy and reliability of beneficial ownership registers in the EU or elsewhere. This paper aims to address this gap by identifying the different strategies used by Member States to ensure that the information held in beneficial ownership registers of companies is accurate and up-to-date.

Three new data sources were collected to inform this paper. First, a review of the national legal frameworks used by

⁴ FATF. 2022. [“The FATF Recommendations: International Standards on combating money](#)

[laundering and the financing of terrorism & proliferation”](#).

Member States to transpose AMLD5 beneficial ownership provisions was conducted in order to determine the relevant legal requirements related to information quality. Second, a survey administered to representatives of central beneficial ownership registers in Member States in order to collect information about the practices they use to ensure accuracy of information. Finally, an in-depth case study was conducted with a representative from one national register to further explore their responses and generate a broader picture of the measures in place. For a full and detailed description of the methodology, see Annex 1.

Defining information quality

“High-quality data” is understood in everyday language to be data that is fit for its intended use, e.g. in operations, decision-making and planning. This implies a number of characteristics including accuracy, relevance, timeliness and usability. In this paper, to understand the measures taken by Member States to ensure the quality of information available in beneficial ownership registers across the EU, members of the Network of Experts on Beneficial Ownership Transparency (NEBOT) sought to investigate the mechanisms in place to ensure the accuracy of the information.

The level of accuracy of beneficial ownership information can be broadly defined as the extent to which the information in a register reflects the true reality of beneficial ownership according to the relevant law.⁵ This requires that the information is both factually true and is kept up to date, since beneficial ownership can change over time.

In order to determine the relevant data to be collected for this study, the research team reviewed existing literature on quality of beneficial ownership

information. Analysis of existing research⁶ and guidance for practitioners⁷ highlights that there are several features of beneficial ownership disclosure regimes as well as attributes of the contexts in which they are implemented which influence the overall *quality* of data in beneficial ownership registers.

However, the set of factors that have a direct bearing on the *accuracy* of information is narrower. For example, information that is available only in unstructured free text format may be accurate but can be described as being of lower quality than the same information available in a standardised machine-readable format. To systematically identify the features in legal frameworks that had a direct bearing on accuracy of beneficial ownership data, the researchers used the requirements in AMLD5 as a starting point. However, given that AMLD5 offers limited guidance on the different elements that Member States should consider to ensure that information is of high quality, the researchers used the Open Ownership

⁵ Open Ownership. 2022. [“Policy Briefing: Verification of Beneficial Ownership Data”](#).

⁶ For example: Transparency International. 2019. [“Who is Behind the Wheel? Fixing the Global Standards on company ownership”](#).

⁷ For example: FATF. 2014. [“FATF Guidance: Transparency and Beneficial Ownership”](#) and Open Ownership. 2022. [“Policy Briefing: Verification of Beneficial Ownership Data”](#).

Principles⁸ to guide identification of areas considered relevant for the analysis.

Within these Principles, effective beneficial ownership disclosure is defined as a regime that generates data

information that is accurate and actionable, and which a wide variety of users are able to use to help achieve a broad range of goals.⁹ Table 1 summarises the features identified as being most relevant.

⁸The [Open Ownership Principles](#) are an internationally-recognised framework that describes key features of effective beneficial ownership disclosure based on evidence from implementations to date and from emerging good practice. The Principles have been developed by

Open Ownership in consultation with over 50 actors across business, civil society, government, and international institutions.

⁹ Open Ownership. 2021. [“Principles for Effective Beneficial Ownership Disclosure”](#).

Table 1: Features of beneficial ownership disclosure regimes affecting information quality

Feature of disclosure regime	Relevance to data accuracy	Likelihood of relevant information in law
Verification: the extent to which measures are taken to check aspects of the data, either during or after submission	High: the extent to which an agency has a mandate to conduct verification and the extent and type of verification measures undertaken have a direct impact on data accuracy ¹⁰	High: an overall mandate can be expected in law, but specific verification methods may not be reflected in law ¹¹
Data structure: the extent to which data in a register conforms to a set schema and is interoperable with other datasets	High: digital, structured data is easier to verify ¹² and therefore more likely to be accurate	Low: issues regarding data structure and format are not expected to be included in law
Up-to-date: the extent to which data held in a register is required to be current and up to date	High: the extent to which information is required to be updated has a direct bearing on data accuracy	High: legal frameworks can be expected to contain provisions related to keeping data up to date
Sanctions and their enforcement: the extent to which sanctions exist for non-compliance, and the extent to which these are enforced	High: the presence of proportionate, dissuasive, enforced and enforceable sanctions can be expected to influence data accuracy, although the extent of influence will also depend on other factors such as general corporate compliance culture	High: legal frameworks are expected to contain information on types of sanctions

¹⁰ Open Ownership. 2022. [“Policy Briefing: Verification of Beneficial Ownership Data”](#).

¹¹ Ibid.

¹² Open Ownership. 2022. [“Structured and Interoperable Beneficial Ownership Data”](#).

Analysis: Key findings and trends across the EU

The following sections set out key findings from the research and discuss the implications for the quality of information in EU beneficial ownership registers in context of existing research and the EU AMLD framework.

Overall framework for the verification of beneficial ownership data

The extent to which an agency has a mandate to conduct verification and the extent and type of verification measures undertaken have a direct impact on data accuracy.

Overall, while 16 Member States mention verification as a requirement in their legal framework, in practice, the great majority of measures in place are limited to checking the identity of the beneficial owner when information is submitted. Although this is an important component of ensuring accurate information, it is far from sufficient to ensure the quality of information. Only a minority of Member States take additional measures to independently verify whether the declared

beneficial owner is indeed the true beneficial owner and conduct further accuracy checks on information once it is held in the register. This section presents the different mechanisms to verify information mandated by law and/or in use by registers across the EU.

1. Verification checks are mandated by law in about half of Member States

The presence of legal requirements for government authorities to verify beneficial ownership data is considered foundational to ensuring that registrars have the relevant mandate and are consequently adequately resourced to proactively ensure the quality of information in beneficial ownership registers.¹³ This is in addition to requirements that may exist for companies or entities in regulated sectors to take steps to verify beneficial ownership data.

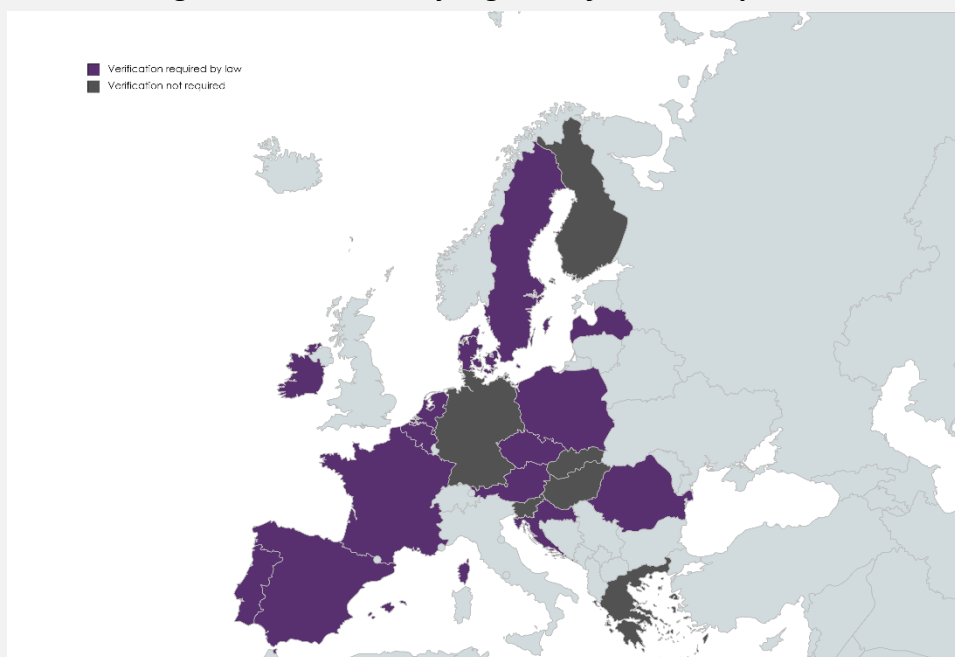
The review of the legal frameworks found that 16 Member States have at least some requirements in law for verification checks to be conducted by government authorities, although the scope of such

¹³ Open Ownership. 2022. [“Policy Briefing: Verification of Beneficial Ownership Data”](#).

checks varied widely. Nonetheless, it should be noted that other Member States may also have provisions in law for the

verification of beneficial ownership data that exist, e.g. in separate legislation outside the scope of this review

Figure 1. Countries by legal verification requirements



Source: Own elaboration based on the responses obtained in the survey regarding the legal frameworks of countries (Annex 2).

The approaches taken to requiring verification checks in law vary between Member States. In France, for instance, legislation provides for the commercial court to verify beneficial ownership data. In Malta, legislation gives registrars the power to conduct a physical on-site inspection to verify whether beneficial ownership information submitted to the register is correct.

Such variation is to be expected given the flexibility afforded by AMLD5 in how Member States can implement beneficial ownership registers as well as the variation in legal frameworks for corporate transparency. Evidence suggests that the effectiveness of any given approach will depend both on its suitability for the given national context, as well as the scope of provisions and extent of their use.¹⁴ These

¹⁴ Open Ownership. 2022. [“Policy Briefing: Verification of Beneficial Ownership Data”](#).

issues are explored further in subsequent sections of this paper.

Verification at the point information is submitted to registers

The following subsections present findings related to verification mechanisms in place at the time information is submitted to beneficial ownership registers. The subsequent section then discusses findings that relate to verification processes that apply to information once it is already held in the register.

Verifying the identity of beneficial owners

Verifying the identity of the beneficial owner is a crucial step in preventing erroneous or false declarations from being submitted to registers. By verifying the identity of the individual that is declared to be the beneficial owner, data quality is improved, as users can have confidence that the individual is a real person, and that key details, such as their date of birth and/or address, have been checked, for example against supporting documentation or existing government databases. As stated in the AMLD5, the “accurate identification and verification of data of natural and legal persons are essential for fighting money laundering or terrorist financing” (recital 22). While identity verification does not confirm that the individual is actually the real beneficial owner of the company in question, this

step reduces the scope for erroneous information to be submitted (for example, an incorrect date of birth recorded for a particular individual) and prevents information from being entered on non-existent individuals. Where accurate information such as address and date of birth are made available to all groups of people using the data, it also assists them in finding further information, for example by linking the information to other public datasets which include the same data subject.

2. Officially-issued identifiers are required for domestic beneficial owners in all Member States

Officially-issued identifiers that are issued to an individual by a government or other competent authority can be a valuable tool to help automatically verify the identity of an individual. The register survey found that all Member States for which responses were received require officially-issued identifiers for beneficial owners in at least some circumstances.

In over half of Member States, officially-issued identifiers are required in all circumstances. However, in some cases, officially-issued identifiers are only required under certain circumstances, such as when the beneficial owner is not a domestic citizen of that country.

For example, in Malta, a passport number or other state-issued identifier is required for all beneficial owners. In Sweden, an ID

number is required for all beneficial owners who are domestic citizens. In Bulgaria, domestic citizens must provide their Unified Civil Number, and foreign citizens registered with the Bulgarian authorities (e.g. with a residence permit) must submit the relevant identification number.

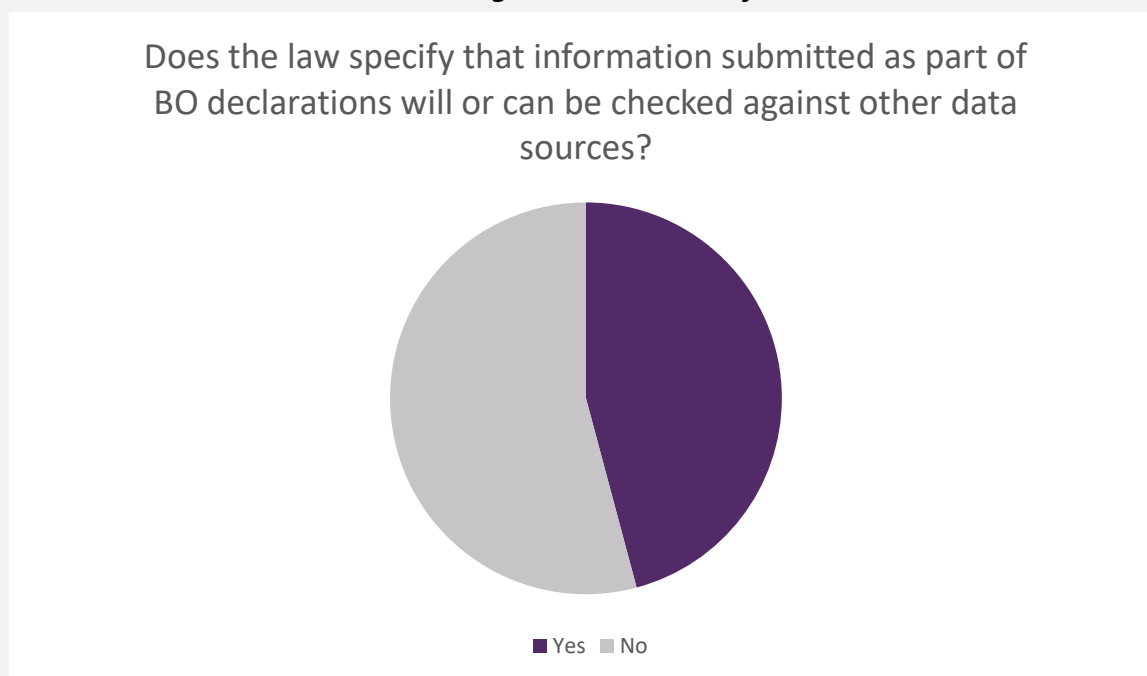
Judging by the survey responses, the tendency for requirements for officially-issued identifiers to vary depending on whether or not the beneficial owner is a domestic citizen is often linked to the use of such identifiers to confirm identity against domestic databases.

3. Most Member States check at least some identity information against other state databases

The majority of the countries analysed specify in law that the beneficial

ownership information provided to registers will be subject to verification checks (see Figure 2). Furthermore, the survey of registers revealed two main approaches taken by Member States to check identity information (such as full name, registered address and date of birth) against information already held by the state. Some Member States check the identifying information on domestic citizens who are beneficial owners using state databases that contain population or citizen records. In other Member States, submissions are only accepted from individuals or entities that are registered through a government e-service portal which requires some level of identity verification to access. In both cases, it appears from the information provided that these checks are conducted automatically.

Figure 2. Countries that specify in law that the beneficial ownership information submitted to the registers will be verified



Source: Own elaboration based on the responses obtained in the survey regarding the legal frameworks of countries (Annex 2).

Examples:

- In the Czech Republic, information on domestic citizens is checked against the [Population Registry](#) database.
- In Denmark, information on domestic citizens is checked against the [Danish National Register](#) database.
- In Greece, submissions are only accepted from individuals registered in the Tax Administration's database.

The survey of registers found that identity information tends to be checked against state databases when beneficial owners are domestic citizens (or, in some cases,

domestic residents). This creates a two-tiered approach whereby stronger checks are conducted on the identity of beneficial owners that are domestic citizens as compared to foreign citizens. While practical and technical barriers to checking the identity of foreign beneficial owners in databases maintained by foreign states may exist, the use in some Member States of supporting documents to conduct identity checks for foreign beneficial owners (see next section) demonstrates that identity checks can still be carried out in such cases.

The issue of identity-checking for beneficial owners that are foreign nationals is particularly important as companies with foreign beneficial owners

have been flagged by some Member States, such as Austria, as being at a higher risk for money laundering/terrorist financing (ML/TF) purposes; for more detail, see the case study section. This policy would also be aligned with the verification requirements in FATF Recommendation 24, which do not distinguish between beneficial owners who are foreign vs. domestic citizens.¹⁵

4. Supporting information about the beneficial owner is required in most Member States

Supporting information can be used to help registrars verify the identity of an individual that is declared to be the beneficial owner. This is particularly useful when identity cannot be automatically verified, e.g. through using an officially-issued identifier to enable cross-checking with an existing state database.

The legal frameworks of most Member States require that supporting information is submitted on the beneficial owner, and the register survey found that in practice, 15 Member States reported requiring supporting evidence or documentation in at least some circumstances. The type of supporting information required varies. For example:

- In Denmark, a copy of the beneficial owner's passport or other official document is required.

- In Malta, a copy of the beneficial owner's passport is required, which must be certified.
- In Slovenia, the tax number of beneficial owner is required.

In other Member States, such as Luxembourg, details on what information is required are set out in separate regulations, which were not reviewed for this study.

In Member States where supporting information is only sometimes required, the survey showed that this is typically the case for foreign citizens, or in other cases where domestically-issued identifiers (for example a citizen or taxpayer number) cannot be used to verify the identity of an individual. For example:

- In the Czech Republic, supporting information is only required for foreign beneficial owners, and consists of an extract from a relevant government register, such as the population register, and proof of identity or travel document.
- In Ireland, beneficial owners without an Irish Personal Public Service Number must submit a notary-certified form with their personal details.

¹⁵ FATF. 2022. [“The FATF Recommendations: International Standards on combating money](#)

[laundering and the financing of terrorism & proliferation”](#).

The presence of foreign citizens as beneficial owners is a known red flag for higher ML/TF risk, and the practices identified in this study demonstrate how some Member States are taking action to verify the identity of foreign beneficial owners. Whilst the legal framework, operational circumstances and ML/TF risks vary between Member States, these offer practical examples that other Member States could implement to strengthen their approach to identity verification.

Verifying information about how beneficial ownership is held

Verifying whether the person(s) declared as the beneficial owners of a company are indeed the true beneficial owners is at the heart of ensuring the accuracy of data in beneficial ownership registers. Beneficial ownership is defined only broadly in AMLD5, with national law stipulating a definition for each Member State. Therefore, the national registrar must consider the definition of beneficial ownership in place in each Member State when determining whether an individual or entity is the actual beneficial owner. This is sometimes also described as a *declarable* beneficial owner, meaning a person who meets the legal definition of beneficial owner in the jurisdiction in question,¹⁶ and can be described as

verifying the individual's status as a beneficial owner.

While in many cases the beneficial owner will directly own the company and therefore verifying their status as a beneficial owner will be straightforward, existing research acknowledges that in some instances it can be more challenging. This can be due to the complexity of certain ownership and control structures, and the multiple ways that a person may typically meet the legal definition of a beneficial owner.¹⁷ It is precisely such complex cases that are recognised as having higher ML/TF risks.

Measures to verify whether the declared beneficial owner is indeed the true beneficial owner can include mechanisms at the point of submission, but further mechanisms can also be used once data is held in the register (see later section). The sections below outline key findings from the paper in relation to steps that are taken in Member States to verify the status of the beneficial owner at the point data is submitted to a register.

5. Less than half of Member States require information on the full ownership chain

Where beneficial ownership is held indirectly through one or more intermediary entities, collecting

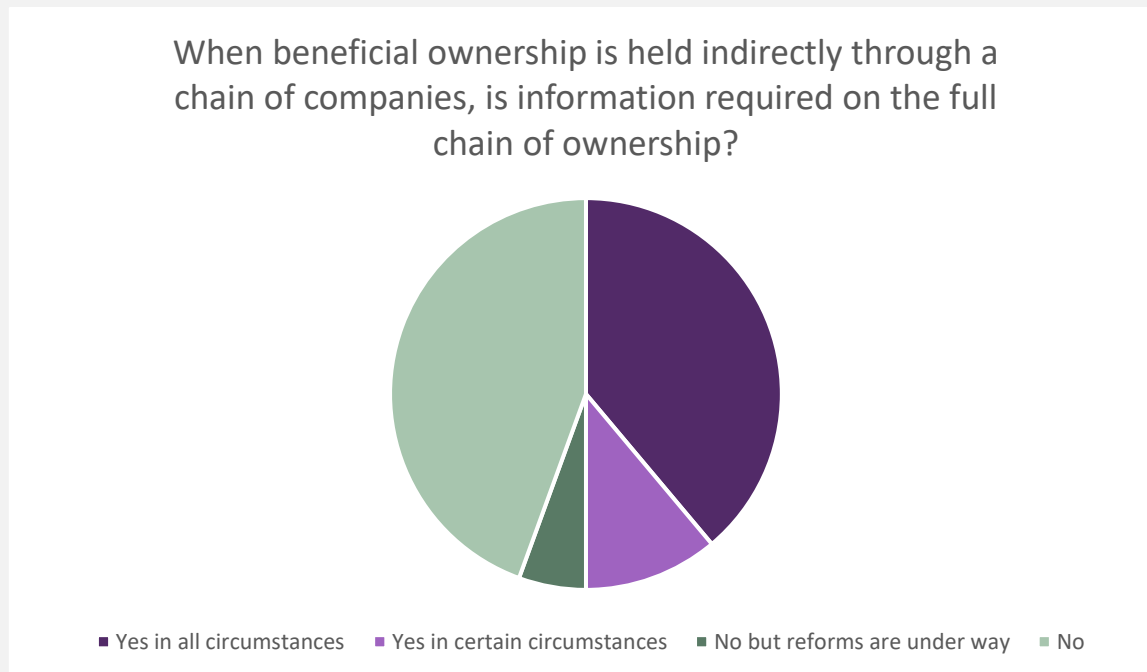
¹⁶ Open Ownership. 2020. "[Beneficial Ownership in Law: Definitions and Thresholds](#)".

¹⁷ Knobel, Andres. 2022. "[Complex Ownership Structures: Addressing the Risks for Beneficial Ownership Transparency](#)". Tax Justice Network.

information to understand the full chain of ownership is critical to understanding how beneficial ownership is held, and therefore to verifying whether the declared

beneficial owner is indeed the true beneficial owner. Fewer than half of Member States were found to collect this information (see Figure 3).

Figure 3. Countries that require beneficial ownership for the full chain of ownership



Source: Own elaboration based on the responses obtained in the survey of registers (Annex 4).

For Member States that do collect this information, this study found variations in the type of information required on how beneficial ownership is held when making a beneficial ownership declaration. For example:

- In Latvia, information on all intermediary companies in an ownership chain is always required where beneficial ownership is held indirectly.
- In Sweden, when Swedish companies are in an ownership chain, they are identified using their company number. However,

foreign companies in an ownership chain are only identified by name.

- In Bulgaria, information on the full ownership chain is required except when all companies in the chain are incorporated in Bulgaria.

Respondents reported that information on full ownership chains is not collected in Cyprus, Finland, Hungary, Luxembourg, Malta, Romania, or Slovenia, although reforms are underway to require this in Malta.

In Greece, information on the ownership chain is not collected, but the respondent

reported that it “is retrieved automatically.” This is an interesting example of use of automated systems to connect entries. However, the author’s assumption is that due to technical constraints this is likely to occur only when all companies in the ownership chain are incorporated in Greece.

Overall, the above findings highlight significant room for improvement in collecting information on ownership chains across the EU. Although this information is key to help verify the declared individual(s)’ status as a beneficial owner, it should be noted that the ability of different register users to do this is dependent on whether they can access this information. For example, if this information were to be collected but only made available to law enforcement and not included in the publicly-available data in the register, this would prevent the public from using this information to help verify the accuracy of information in the register. However, the question of whether the Member States that collect this information make it available to all users of the register was outside the scope of this study.

Evidence shows the importance of information on full ownership chains in investigating complex cases of corruption

and money laundering.¹⁸ Whilst the technical features of some registers, such as Sweden’s, appear to allow for domestic companies within an ownership chain to be identified, the prominence of transnational ownership chains in corruption cases highlights the utility of this information in supporting beneficial ownership registers to deliver anti-corruption and AML impact.

Other mechanisms to support data quality at the time of submission

Verifying information about the person submitting the declaration

6. Supporting information for the person submitting the declaration is not required by law in most Member States, but at least half require it in practice

Declarations about beneficial ownership may generally be made by a person other than the beneficial owner. Requiring information on the person submitting a beneficial ownership declaration can therefore be an important additional check to reduce the risk of false or inaccurate submissions.¹⁹ However, the legal frameworks of only five Member States require supporting information for

¹⁸ Van der Does de Willebois, Emile; Halter, Emily M.; Harrison, Robert A.; Park, Ji Won; Sharman, J. C. 2011. [“The Puppet Masters: How the Corrupt](#)

[Use Legal Structures to Hide Stolen Assets and What to Do About It”](#). World Bank.

¹⁹ Open Ownership. 2022. [“Policy Briefing: Verification of Beneficial Ownership Data”](#).

the person that represents the legal entity when submitting the beneficial ownership declaration. For example:

- In Croatia, a copy of the identification document is required for the person submitting the declaration.
- In Denmark, all users submitting a declaration must either be registered with the Danish Business Authority and digitally sign their application; or, where a declaration is submitted by a professional third party, this party must confirm their registration in the anti-money laundering register.

The survey of registers shows that in practice, 12 of the 14 Member States which responded to this survey question do take steps to verify the identity of the person submitting the declaration, even where requirements to do so are not present in law. Most commonly, these checks take place using an electronic submission system to which persons are pre-authorised or registered as users:

- In Cyprus, the person submitting the beneficial ownership declaration must do so via the government e-login portal, which authenticates their identity.
- In Lithuania, a certified digital signature is required for the person submitting the declaration.

Some registers responded that the identity of the person submitting the declaration on behalf of the company is always verified, but that the mechanism for doing so can vary. For example:

- In the Czech Republic, the person submitting the declaration's details can either be confirmed by checking their details on the Commercial Registry, or via a notarised statement from a lawyer.
- In France, proof of identity is required for the person making the declaration, along with proof of identity of an agent and proof of power of attorney where the declaring person is an agent with power of attorney.

Hungary reported that no officially-issued identifiers or supporting information are required for persons submitting beneficial ownership declarations. However, eight of the Member States left this question blank or gave details about requiring information about beneficial owners rather than persons submitting the declaration.

7. All Member States surveyed use electronic forms

Electronic submission forms for beneficial ownership declarations are common across Member States, and these create opportunities to improve data accuracy by reducing or eliminating the ability for errors and omissions. One key way to do

this is by constraining the information that is permitted within a certain field, for example, date of birth, to a response that is plausible – for example, only accepting input that is in a recognised format such as DD-MM-YY, and not in the future or unrealistically far back in the past. Such technical measures are valuable in reducing the likelihood that mistakes can be made in submissions, decreasing “noise” in the dataset and making it easier to conduct analysis to identify suspicious entries and potentially deliberate errors.

All Member States surveyed reported that where electronic forms are used within the submission of beneficial ownership declarations, the responses to certain fields are limited to plausible values. For example:

- In the Czech Republic, the percentage ownership field cannot total more than 100%.
- In Ireland, the electronic form prevents users from entering a date of birth that is in the future.

However, this research did not systematically assess the extent to which the electronic forms used by Member States help to eliminate errors and omissions in practice.

8. Power to refuse a declaration: Registers in all but two Member States surveyed have at least some power to refuse a declaration

The power to refuse a declaration, for instance when it is incomplete or the registrar has reason to believe that it is incorrect, can be a valuable tool in deterring false declarations and ensuring that the data that does reach the register is more likely to be accurate.

The review of the legal framework in Member States finds that such powers vary widely, from general powers to reject a submission where it is not aligned with law, to powers to reject a declaration where it is deemed incomplete. While the survey found no powers in law to refuse a declaration in Hungary and Slovenia, the review was limited to aspects of legislation providing for a beneficial ownership register under AMLD5, and it is possible that these Member States have legal powers in place within separate legislation. Examples of the legal powers found to be in place include:

- In Finland, the law grants power to the registrar to reject the submission of a beneficial ownership declaration where it is not aligned with the law.
- In Cyprus, the law gives the Registrar of Companies powers to reject an entry where it is incomplete or does not comply with regulations.

The survey of registers highlighted additional measures in place to refuse submissions where they are deemed incorrect. For example, in Ireland, a declaration cannot be submitted unless the personal data for the beneficial owner has passed an automatic validation check against information held in the state population database. The author assumes that this applies only to beneficial owners who are domestic citizens.

A key consideration that arises from the above is to what extent such powers are used in practice where they exist. This was not explored in the register survey for this study and could be a useful topic for further research.

Verification after data has been submitted to a register

Once data is held in a beneficial ownership register, further checks can be undertaken to identify and rectify possible errors, as well as identify and investigate suspected falsehoods. The following sections outline the findings of this study regarding measures that exist in law and in practice for government authorities, including but not limited to the agency holding the beneficial ownership register, to check the accuracy of data that is held in the register.

9. Authorities in half of Member States surveyed have a legal mandate to check the accuracy of data on beneficial ownership registers after its submission

The legal frameworks of 12 Member States surveyed allow for authorities to conduct additional checks or other activities to ensure the accuracy of beneficial ownership data held in the register. It is possible that other Member States may also have such provisions which were out of scope of this study.

In some cases, the mandate lies with the agency that maintains the register, whereas in others it is held by another government agency. For example:

- In Croatia, the mandate lies with the Tax Administration, which is responsible for direct and indirect supervision of the data stored in the Register of Beneficial Owners. Specifically, this body must determine the accuracy and completeness of the beneficial ownership reports in the register.
- In Slovenia, the Bank of Slovenia and Securities Market Agency, among others, hold power to verify the accuracy of the beneficial ownership information in the register.

In practice, the register survey found that in two-thirds of Member States, the registrar or another responsible agency

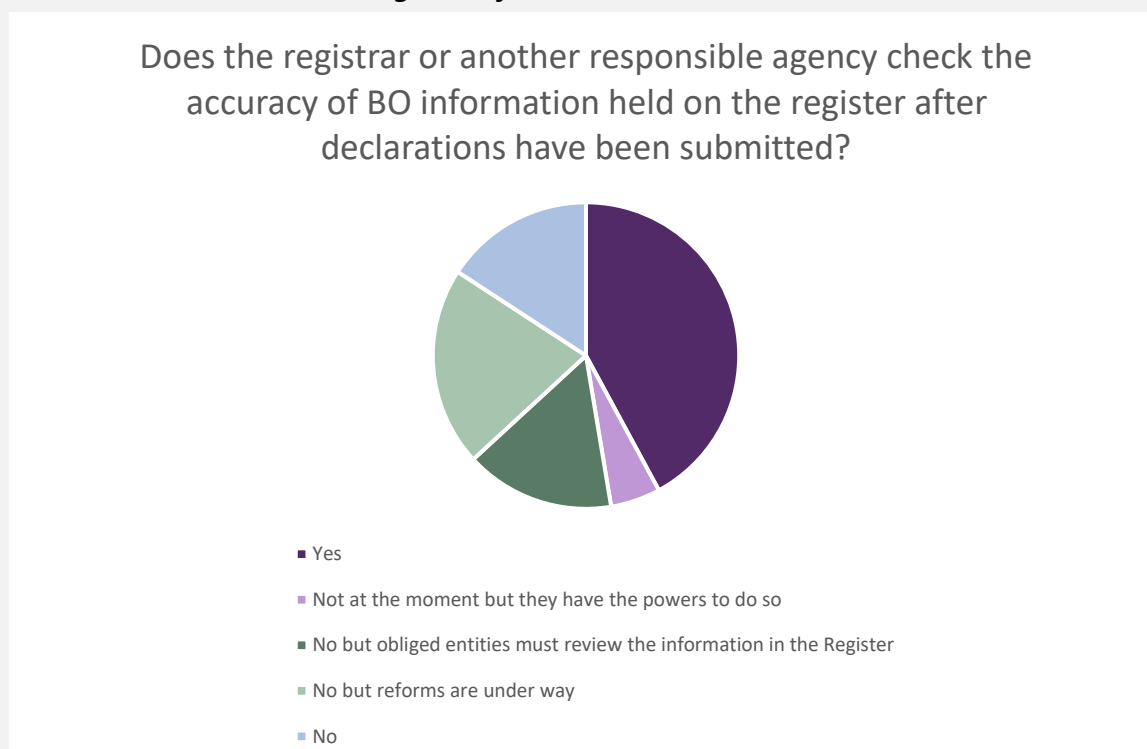
takes action to check the accuracy of beneficial ownership information held in the register. The actions taken vary significantly, for example:

- In Portugal, the legitimacy of the legal entities is verified automatically through a connection to the commercial registry database. Similarly, the identification of the individual making the declaration is automatically verified through the secure digital authentication system in place. Additionally, manual checks are conducted when non-conformity reports are received. There are also randomised checks.

- In Latvia, competent authorities verify the accuracy of the beneficial ownership information when discrepancy reports are filed by obliged entities. Until the investigation is concluded, a warning is attached to the extract, which is visible to other competent authorities and to obliged entities.

In some countries, while authorities legally have the power to conduct additional checks, no actual mechanisms have been established so far. This is the case, for example, in the Czech Republic, where the court has the mandate to conduct checks and inspections in the register data but has not yet used its powers.

Figure 4. Countries that check the accuracy of beneficial ownership information stored in the register after it has been submitted



Source: Own elaboration based on the responses obtained in the register survey (Annex 4).

Discrepancy reporting

Under AMLD5, discrepancy reporting is required as one of the measures Member States take to ensure the accuracy of data in beneficial ownership registers. The following section outlines the study's findings with respect to discrepancy reporting.

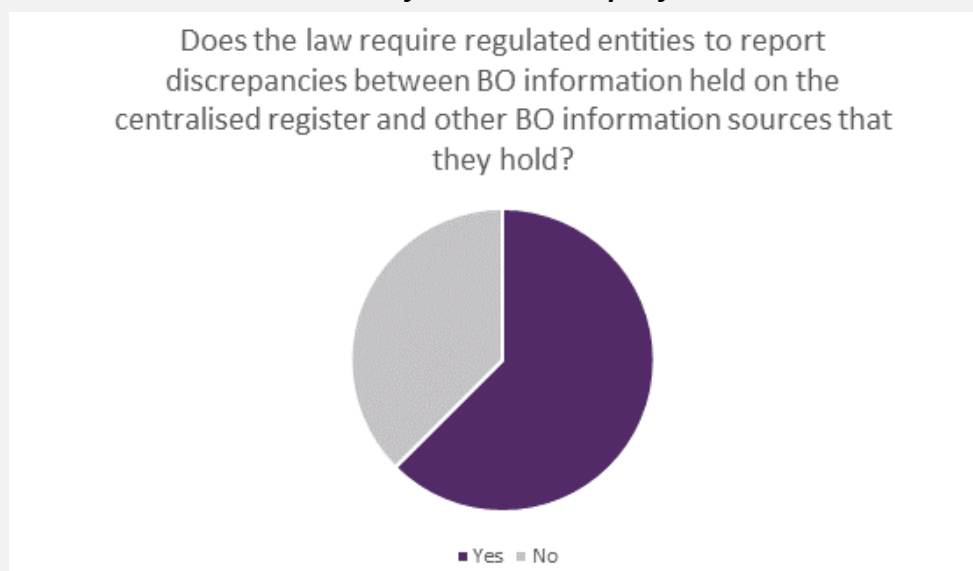
10. Discrepancy reporting by obliged entities is mandated by law in about two-thirds of the Member States surveyed

The law in 14 Member States surveyed requires regulated entities, such as banks,

to report to authorities any discrepancies they uncover between beneficial ownership data on the central register and beneficial ownership information they have stored, which could have been obtained either from the entities themselves or from other sources.

In some Member States, discrepancy reporting by obliged entities appears as the sole mechanism used to verify the data after its submission. This is the case in Romania, for example.

Figure 5. Countries where regulated entities are required by law to report discrepancies related to beneficial ownership information



Source: Own elaboration based on the responses obtained in the survey regarding the legal frameworks of countries (Annex 2).

The extent to which the use of discrepancy reporting contributes to reducing inaccuracies and omissions from beneficial ownership registers will depend on how it is applied in practice. The register survey showed a variety of practices. For example:

In the Czech Republic and Austria, a two-stage process is followed, with the obliged entity first contacting the client to flag the discrepancy. If it cannot be resolved (e.g. by the client updating information in the beneficial ownership register or explaining the reason for the discrepancy), a notice may be issued to the registrar to report the discrepancy.

In Ireland, members of professional bodies are required to report any errors or

omissions in beneficial ownership data in the register within 30 days. Reported discrepancies are treated as a priority by the registrar, which then issues up to three formal notices to the legal entity concerned. According to figures provided in the register survey, in 2022, 55% of discrepancies were resolved after the first notice. In 80% of cases, the discrepancy has been resolved after the third and final notice.

Issues such as whether a legal obligation exists for regulated entities to check the central beneficial ownership register during the course of their due diligence (as distinct from the obligation to report a discrepancy when one is found), as well as the authorities' course of action following the receipt of a discrepancy report, will

also impact how effectively discrepancy reporting acts as a mechanism to improve information accuracy. These issues were outside the scope of the primary data collected for this study, but merit further investigation.

Measures to keep information in beneficial ownership registers up to date

In addition to taking measures to ensure information accuracy, AMLD5 requires Member States to implement measures to ensure that data held in central beneficial ownership registers is kept up to date. This section discusses the findings of this study in relation to measures in place in law and practice in order to achieve this.

12. Three-quarters of Member States stipulate a time period within which beneficial ownership information must be submitted for newly-registered entities

When a new company is incorporated, this study found that Member States take a

variety of approaches to ensuring that beneficial ownership information is added to the central beneficial ownership register. In some Member States, such as Latvia and Slovakia, beneficial ownership information is submitted as part of the incorporation process. However, more commonly, beneficial ownership information must be submitted separately, after the company is incorporated. In such cases, the law typically specifies a time period within which this information must be submitted.

The median time period specified in law within which beneficial ownership information must be submitted for a newly-registered entity is 30 days. Greece, Ireland and Spain are outliers as the only Member States with a reporting time period greater than one month. However, Czech law simply states “without undue delay”, which the respondent described as meaning a matter of “days, or maximum weeks” in the practice of Czech law.

Table 2. Timeframe per country to register beneficial ownership information

Countries	Time period stipulated by law within which newly-registered entities must submit beneficial ownership information to the register
Austria	4 weeks
Belgium	No stipulated time period
Croatia	30 days
Cyprus	30 days
Czech Republic	Without delay (<i>period of days, or maximum weeks</i>)
Denmark	No stipulated time period
Finland	No stipulated time period
France	No stipulated time period
Germany	Immediately
Greece	60 days
Hungary	End of month
Ireland	Five months
Latvia	Immediately
Lithuania	5 working days
Luxembourg	1 month
Malta	No stipulated time period
Netherlands	No stipulated time period
Poland	7 days
Portugal	Immediately
Romania	Immediately
Slovakia	Immediately
Slovenia	8 days
Spain	When submitting the annual tax returns
Sweden	4 weeks

Source: Own elaboration based on the responses obtained in the survey regarding the legal frameworks of countries (Annex 2).

13. When beneficial ownership changes, three-quarters of Member States stipulate a time period within which information must be updated

For many companies, their beneficial owners will remain the same over time. However, for some proportion of

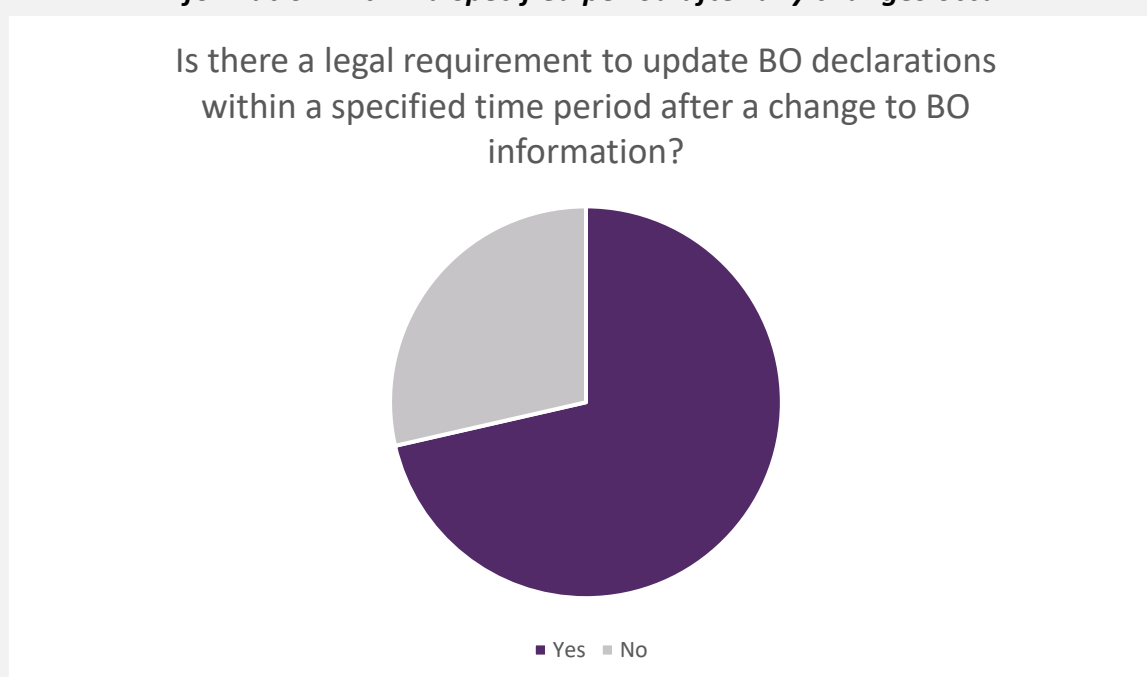
companies in a register, beneficial ownership will change within any given year, and certain companies may have frequent or successive changes in ownership. Frequent changes in beneficial ownership have been suggested to be of particular interest from a ML/TF risk perspective. Therefore, it is important to consider mechanisms in place to require

changes in beneficial ownership to be reported to registers.

In three-quarters of Member States, the law specifies that when beneficial ownership changes, updated information must be submitted to the register within a particular timeframe. The absence of such a requirement in law in the remainder of Member States suggests that legal frameworks in these Member States

(Belgium, Denmark, Finland, Netherlands, Romania, Spain) could be strengthened by adding such a provision. However, further analysis would be required to understand legal provisions in place in legislation not reviewed for this study as well as actual practices to determine whether adding such a provision would be likely to improve data accuracy in any given context.

Figure 6. Countries where there is a legal requirement to update beneficial ownership information within a specified period after any changes occur



Source: Own elaboration based on the responses obtained in the survey regarding the legal frameworks of countries (Annex 2).

The most common (median) time period stipulated was 14 days, although 30 days occurred nearly as often. The responses ranged from “immediately” to 30 days. Some Member States define the start of the time period as the date that the change in beneficial ownership occurred

(e.g. Croatia, Lithuania), whereas others define it as from the date the declaring company becomes aware of the change in ownership (e.g. Cyprus, Malta). Regardless, this study shows a clear norm of requiring changes to be reported within 14 or 30 days.

14. The law requires all changes to beneficial ownership to be reported in only three-quarters of Member States

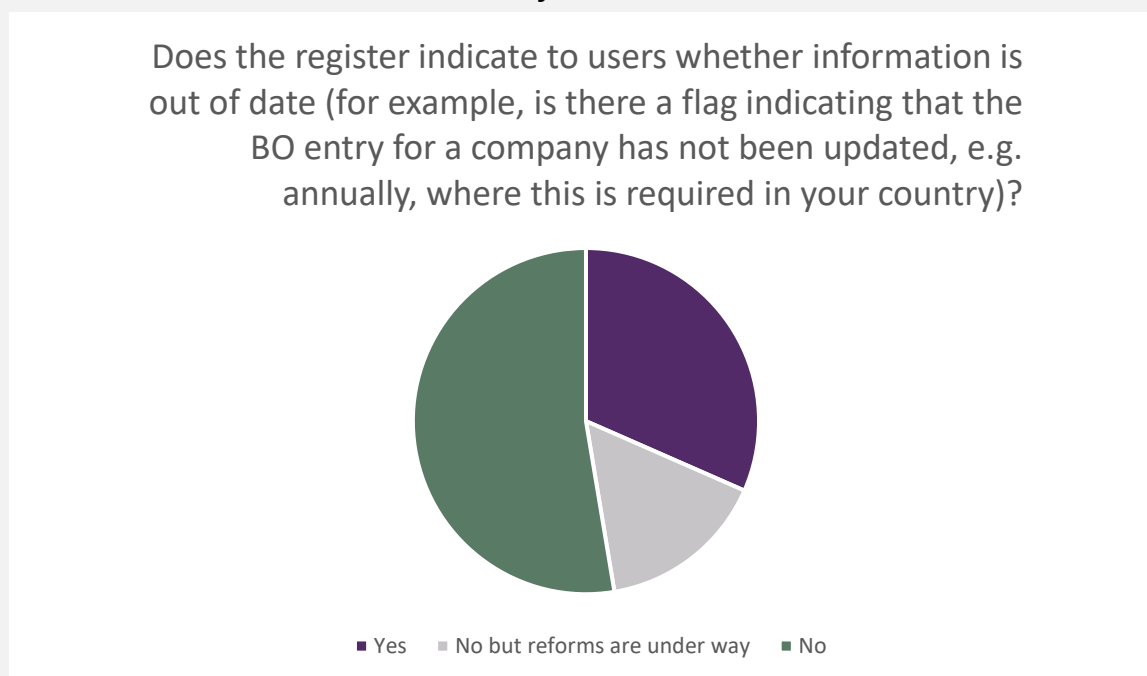
Analysis of grand corruption investigations highlights the importance of requiring that all changes in beneficial ownership are reported to the register, for example to close the possible loophole of using quick, successive changes in ownership to hide ownership of illicit funds. Such a provision exists in around three-quarters of Member States. In Belgium, France, the Netherlands, and Slovakia, the law does not contain a provision mandating that all changes to beneficial ownership should be reported to the register.

From the data collected for this study, it is not possible to draw a firm conclusion that other Member States could improve the accuracy of their beneficial ownership registers by introducing such a measure, although it is plausible that this is the

case. This is because it is expected that the interpretation and application of legal provisions will vary across Member States; in some, for example, an explicit stipulation may not be required, as a general provision to report changes in ownership would be deemed sufficient.

Therefore, to shed light on the extent to which information in beneficial ownership registers is up-to-date in practice, the register survey asked respondents whether the beneficial ownership register indicates to users where beneficial ownership information has not been updated in line with expectations. Only one-third of survey respondents indicated this was currently the case, although some Member States mentioned that reforms were currently underway to do this. In practical terms, the two-thirds of Member States that do not currently indicate where data has not been updated could consider providing this information to users.

Figure 7. Countries whose beneficial ownership registers' extracts indicate how up-to-date the information is



Source: Own elaboration based on the responses obtained in the register survey (Annex 4).

Sanctions for non-compliance, and their enforcement

The presence in law of sanctions for non-compliance with beneficial ownership disclosure requirements – such as for non-submission of a declaration, late submission, or submission of false or incomplete information – is viewed as an important foundation for ensuring accurate and up to date information for all companies that are required to disclose information to the register. This study

reviewed the extent to which sanctions are present in law, but also sought data on the extent to which sanctions, where present, are actively being used to support compliance. Research suggests that beyond the presence of sanctions in law, the extent to which they are proportionate and dissuasive will also influence their effectiveness as an incentive to reduce false, incomplete or missing submissions.²⁰ However, as proportionality and dissuasiveness vary across jurisdictions and assessing these would require additional data sources, this was

²⁰ Open Ownership. 2022. [“Designing Sanctions and their Enforcement for Beneficial Ownership Disclosure”](#).

unfortunately not able to be considered within this study.

15. In all Member States reviewed, the law contains sanctions for non-compliance

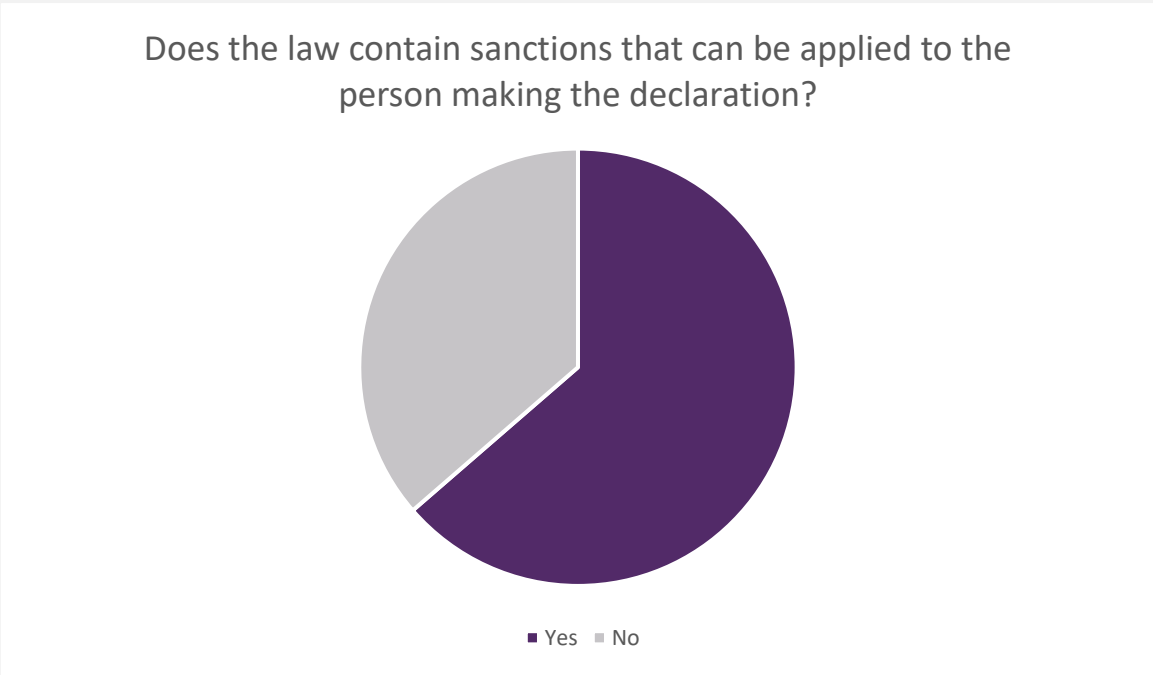
Sanctions against the declaring company exist in all Member States included in the study.

In about 40% of Member States, sanctions can also be applied against the person

making the declaration, although the scope of these sanctions vary. For example:

- In Croatia, sanctions apply only if the individual is a registered officer of the responsible company.
- In Denmark, any individual can be sanctioned if false information is submitted either intentionally or through gross negligence.

Figure 8. Countries that can impose sanctions for non-compliance with beneficial ownership disclosure requirements on the person making the declaration



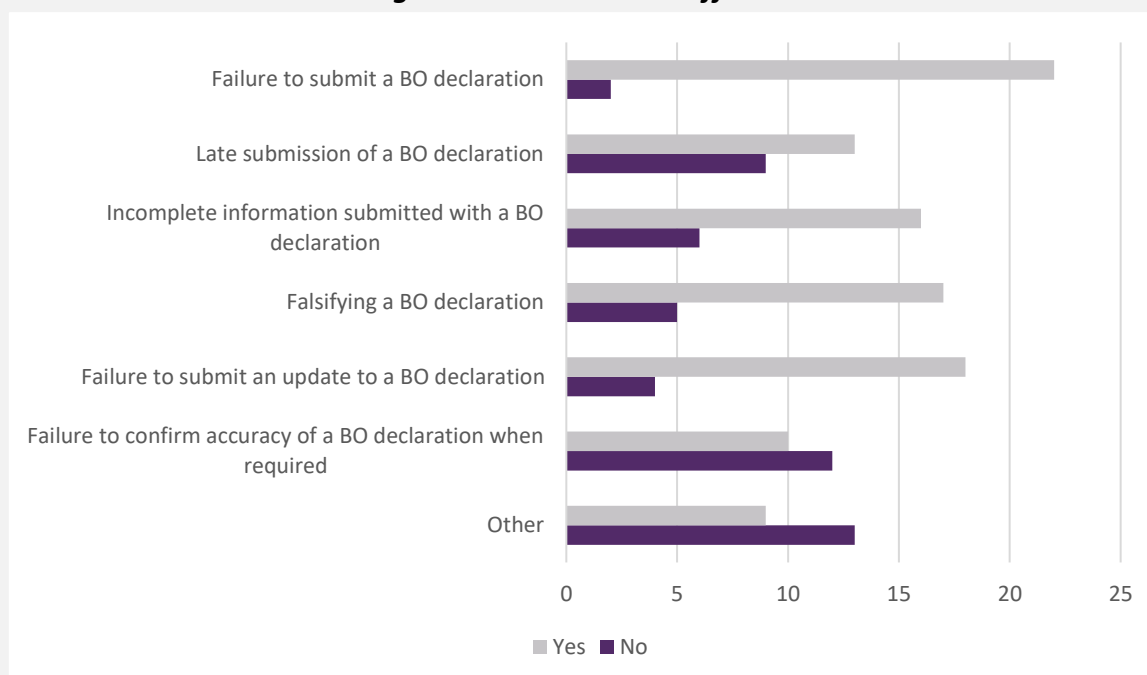
Source: Own elaboration based on the responses obtained in the survey regarding the legal frameworks of countries (Annex 2).

Just under half of Member States were found to have sanctions that could be applied to the beneficial owner, and only one-third had sanctions that could be applied to registered officers.

The most common sanctionable offence is for failure to submit a beneficial ownership declaration. Sanctions for incomplete information, falsifying information and failure to update a declaration also exist in three-quarters of

Member States. Two-thirds of Member States with sanctions also include sanctions for late submission.

Figure 9. Sanctionable offenses



Source: Own elaboration based on the responses obtained in the survey regarding the legal frameworks of countries (Annex 2).

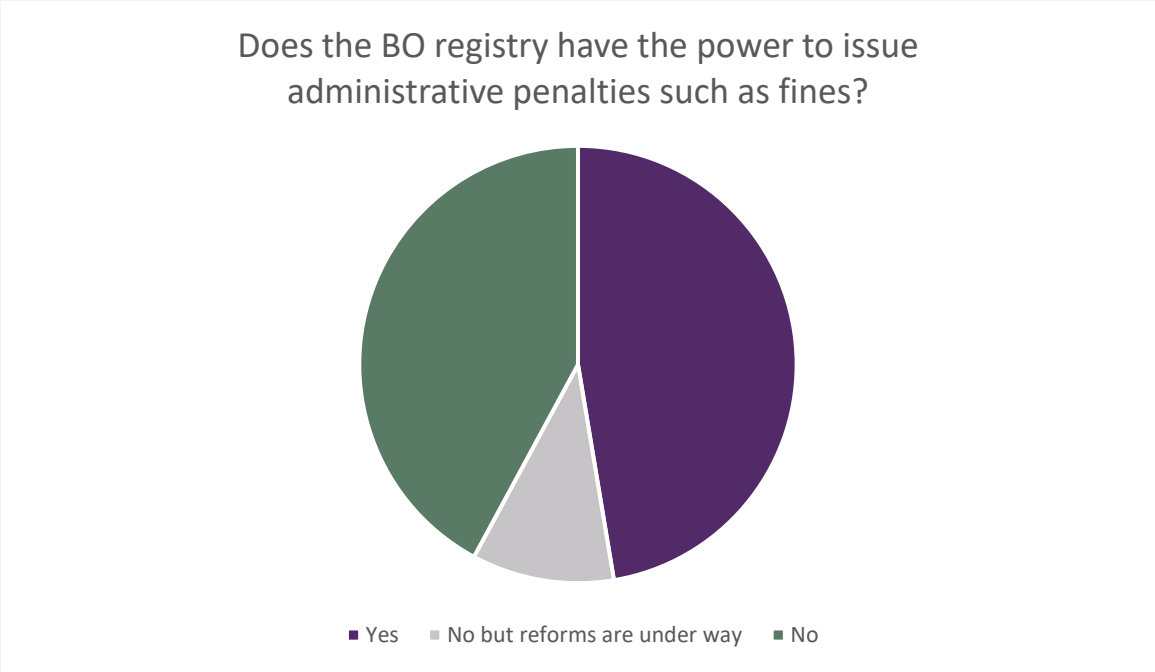
16. Administrative sanctions are the sole penalty for non-compliance in two-thirds of Member States, and monetary penalties have a broad range

The range and nature of sanctions that are appropriate to ensure that central beneficial ownership registers contain adequate, accurate and current beneficial ownership information can be expected to vary somewhat between Member States due to differences in legal frameworks and related types and severity of sanctions

applied elsewhere in the regulation of corporate compliance.

Two-thirds of Member States have only administrative sanctions in place, with around one-third having both criminal and administrative sanctions. Ireland was the only Member State found to only have criminal sanctions in place without administrative sanctions also present. Almost two-thirds of the respondents to the register survey reported that the beneficial ownership register held powers to issue administrative penalties.

Figure 10. Countries where the beneficial ownership register has power to issue administrative penalties such as fines

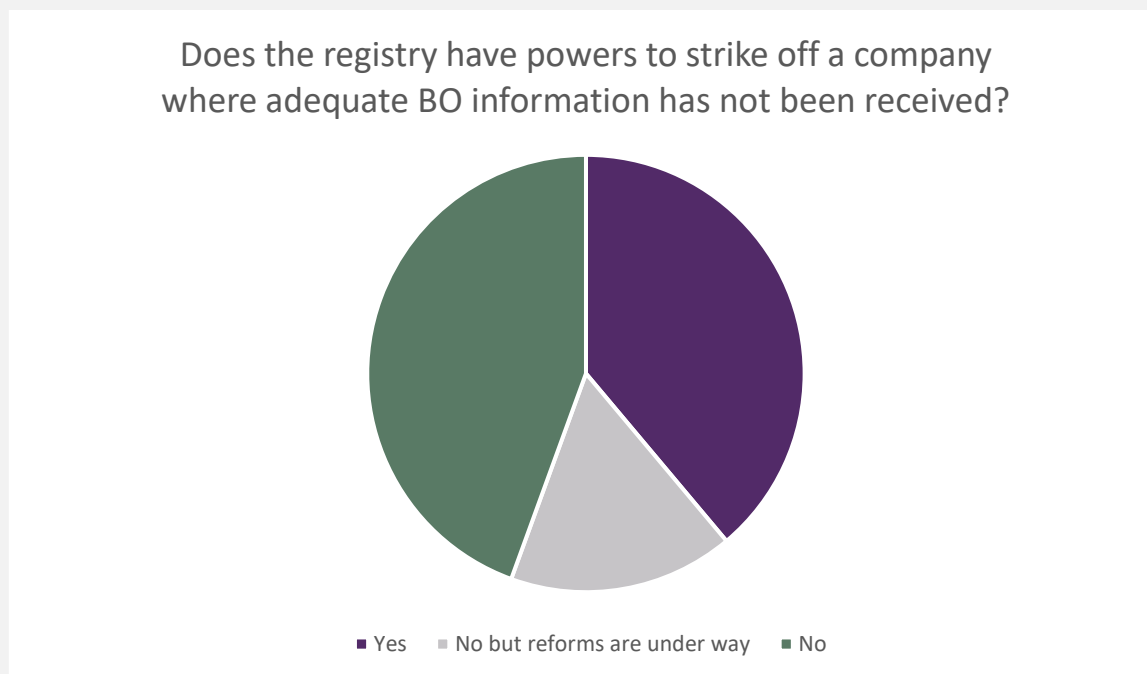


Source: Own elaboration based on the responses obtained in the register survey (Annex 4).

In around half of Member States, the sanctions were limited to monetary

penalties, with the other half of Member States having both monetary and non-monetary penalties, such as the ability to dissolve a company.

Figure 11. Countries whose beneficial ownership registers have the power to strike off a company



Source: Own elaboration based on the responses obtained in the register survey (Annex 4).

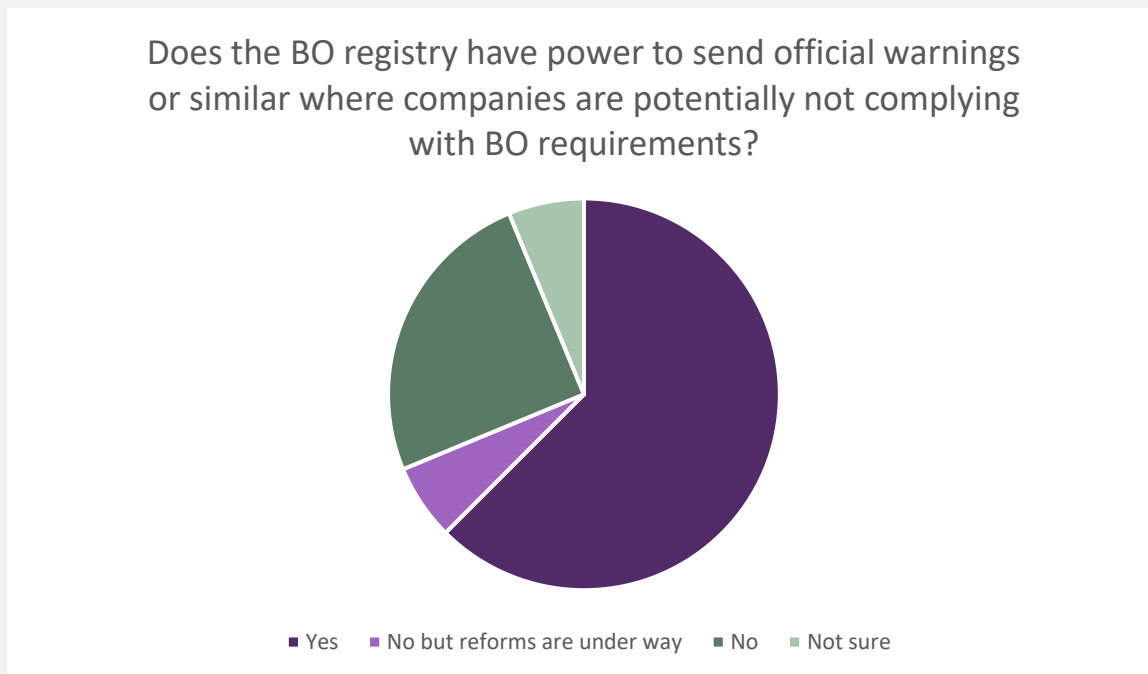
From the survey responses that included details of the amounts of monetary sanctions, in most cases the legal framework specified a wide range of potential amounts. For example:

- In Slovenia, monetary sanctions range from EUR 6 000 to 60 000.
- In Luxembourg, sanctions range from EUR 1 250 to 1 250 000.
- In the Czech Republic, only a maximum sanction is specified, of

up to CZK 500 000 (approximately EUR 20 500).

Finally, the study examined whether beneficial ownership registers held powers to issue official warnings in cases of potential non-compliance. The survey found that only two thirds of registers hold such powers; however, it is possible that in Member States whose registers do not hold these powers, another agency may have the ability to issue official warnings.

Figure 12. Countries whose beneficial ownership registers have power to send official warnings



Source: Own elaboration based on the responses obtained in the register survey (Annex 4).

Case study: Austria

The Austrian Register of Beneficial Ownership (henceforth to be referred as the ‘Register’) was set up by the Beneficial Owners Register Act (2018) to prevent money laundering and terrorist financing. It contains information on the beneficial owners of companies, foundations, and trusts. Currently, around 387 250 companies are registered.

The Register’s Authority, which operates within the Ministry of Finance, has been updating the functionalities of the register to improve access and ensure that the data is effectively used by competent authorities and obliged entities. For instance, information is available in machine-readable format for certain competent authorities and obliged entities. They also have access to a “compliance package” containing all relevant documents submitted by the legal entity or trust which support the identification of the beneficial owner. But it is in relation to accuracy of the information that the Austrian register stands out as implementing interesting and innovative approaches.

Adequate identification of beneficial owners

To start with, the register authority prioritised measures to increase the chances that legal entities report adequate beneficial ownership information. Austria adopted a decree explaining its definition of beneficial ownership and invested in guidance materials to support legal entities in identifying their beneficial owners. This includes case studies and hypothetical organisation charts and ownership structures.

The Register Authority also allows certain professionals²¹ to report on behalf of the entities. According to the Register’s Authority, as of February 2022, 85% of reports were filed by tax professionals on behalf of their clients.

Improving data collection and cross-referencing

To ensure that reports are completed and follow the Register’s standards, Austria’s approach makes use of data held in other state databases. The Register is interconnected with Austria’s Central Register of Residents, and when entities

²¹ Notably: lawyers, notaries, Certified Public Accountants (CPAs), tax advisors, accountants, bookkeepers, and payroll accountants.

are reporting beneficial owners whose primary residence is in Austria, it is sufficient to report their first name, surname, and date of birth. This information is then cross-checked with the Central Register of Residents, ensuring that the individuals exist and that their data is accurate. For non-residents, it is mandatory that a copy of an official photo ID is provided, the goal being to make it more difficult to report non-existent individuals as beneficial owners in reporting forms.

The Register is also interconnected with other official registers, which, for example, allows for data on legal entities exempt from reporting to be reconciled with the Register of Companies, the Register of Associations, and the Supplementary Register and semi-automatically be added to the Register, as well as kept up to date on an ongoing basis.

Regular updates and semi-automatic penalties system

Entities must report their beneficial owners within 4 weeks of being registered in the Business Register, and in addition must conduct an annual review of their beneficial owners. If the reports are not submitted within the prescribed timeframe, the Tax Office, which works in cooperation with the Register, will send a

letter to notify the responsible party that they must resolve this situation within a 6-week period or face a fine of EUR 1 000. If after being fined the report has still not been filed, another similar warning is issued, providing an additional 6 weeks to resolve the situation, or else the party will face an additional fine of EUR 4 000. These reports are generated automatically, reducing the burden on register staff and enhancing the efficiency of the system.

According to the Register's Authority, this measure is also highly effective. The threat of the fines results in 97% of companies reporting their beneficial ownership. In cases where these coercive penalties do not prove sufficient and entities still do not report their beneficial owners, the Anti-Fraud Office takes over and, if the omission is proven to be intentional, the entity can be charged up to EUR 200 000.²² There was however no information made available to the research team about the number of fines that have been issued so far and on the number of cases referred to the Anti-Fraud Office.

Risk-based supervision

Since auditing every single report in the Register would not be feasible, the Register's Authority conducts risk-based supervision. The supervision starts with a risk assessment of legal entities and

undertakings tend to file their report and thus regularise their situation.

²² As per the Register's Authority, after getting a warning from the Anti-Fraud Office stating that the fiscal proceedings have been opened, the

arrangements following the detailed conclusions of Austria's National Risk Assessment (NRA).²³ Therefore, each report is assigned a specific amount of risk points (the higher the number, the higher the risk), which account for the risk of an entity/arrangement being misused for money laundering/terrorist financing purposes, but also for the report being potentially incorrect.

A monthly sample is generated, using a weighting system to proportionally select more higher risk than lower risk cases, although some low risk cases are still selected. The Authority's review also includes ad hoc cases selected by the Register's Authority,²⁴ which include but are not limited to the cases reported by obliged entities for discrepancy (see above).

Reports in the sample are then verified manually by using publicly-available data (e.g. the Austrian Business Register) and private databases (such as Orbis). After reviewing the information and contrasting it against the report, if the Register's Authority doubts the accuracy of information in the beneficial ownership

declaration, it proceeds to conduct an individual audit based on specific information and documentation that is requested from the responsible party.²⁵

Discrepancy reporting

In accordance with the EU AMLD, the Register is to be inspected by obliged entities, who are to report discrepancies. Upon entering new business relationships, obliged entities are required to verify, using a risk-based approach, the beneficial owners of their clients against the information provided previously to the Register. If they encounter any discrepancies, obliged entities are to first speak directly to their clients and ask them to correct their reports.²⁶ If the clients failed to clarify the discrepancy and correct the entry, the obliged entity must report the discrepancies to the Register. This approach was viewed as helping to maintain the quantity of discrepancy reports received by the Register at a manageable level, ensuring the Register's Authority has the capacity to review and follow up on them.

²³ The NRA is the basis upon which risk ratings are given to each legal form automatically. To learn more about the risk assessment, consult Austria's [National Risk Assessment](#).

²⁴ According to the Register's Authority, ad hoc selection of cases took place recently concerning companies that could be at risk of being used by Russian oligarchs in consideration of the recent sanction lists against the Russian Federation for the illegal invasion of Ukrainian territory.

²⁵ Coercive penalties of up to EUR 30 000 are also available to enforce the provision of documents within a strict timeframe of 4 weeks.

²⁶ When there are conflicting opinions regarding the beneficial owners between the obligated entities and their clients, it is usually the case that they refer to the Register's Authority to obtain an unofficial opinion on the subject.

After a discrepancy is reported, an automatic communication is sent to the entity in question, stating that their report has been flagged as incorrect. In such cases, the party has six weeks to review and correct their reports,²⁷ and if this does not occur, the Register's Authority will audit their case.

Human resource capacity and cooperation with other agencies

To support the working of the Register and the sharing of suspicious cases as well as enhance knowledge-sharing between competent authorities, the Register's Authority actively cooperates with other authorities within Austria, such as the Financial Intelligence Unit and the Tax Authorities.

The Register Authority currently has six employees who work under the Ministry of Finance. Their tasks range from the technical development of the Register to the auditing of cases and legal proceedings, to the budget for its functioning. Acknowledging its small size, the interviewee highlighted that the Register can use the structures of the Austrian fiscal administration, such as the Tax Authority, which implements coercive penalties, and the Anti-Fraud Office, which implements fiscal penalties. The Register

Authority also relies on the Federal Computing Agency for its technical set-up.

The outsourcing of certain areas of the Register and its cooperation with other government agencies is viewed as enabling the Authority to do its work in an efficient way, since this avoids the duplication of functions between various authorities, thus saving taxpayer funds.

Furthermore, through cooperating with other agencies, the Register Authority promotes information-sharing, which is viewed as enhancing its ability to work on cases. For example, the Register provides suspicious activity reports to the national Financial Intelligence Unit to investigate whenever they find cases within the Register that could be linked to money laundering/terrorist financing.

The Register also aims to achieve a similar level of cooperation with foreign competent authorities administering their respective beneficial ownership registers, given the number of entities and arrangements with international components.

Two key takeaways from the approach taken by the Austrian Register to ensure accuracy of data are:

- (i) the interconnection of registers, which allows for the cross-checking of

²⁷ If the report is corrected, the obligated entities have an obligation to check whether the discrepancies have been addressed.

information to make sure the beneficial owners do exist, that company data is accurate, and in general make it more difficult for false/inaccurate information to be submitted to the Register;²⁸

(ii) the cooperation with other government agencies to leverage existing resources to support the Register's operation rather than duplicating those within the Register.²⁹

More information on the Austrian Register of Beneficial Owners can be found on its [English-language website](#).

²⁸ Information gathered in other official registers in Austria (such as the Central Resident Register and the Business Register) is fed into the Register.

²⁹ This allows the Register to outsource certain functions to other competent authorities: the

coercive penalties are carried up by the Tax Authorities and the fiscal proceedings by the Anti-Fraud Office. Additionally, the technical set-up of the Register is carried out by the Federal Computing Office.

Recommendations

The analysis of the primary data collected during the course of this study, viewed within the context of existing research and EU policy, highlights the following recommendations for EU Member States and EU institutions:

1. Mandate verification of beneficial ownership information in law

Member States should establish in law a requirement to verify beneficial ownership data held in registers, ideally setting out the main outcome that verification mechanisms shall achieve and the key data points that shall be checked. For example, EU law should mandate that verification processes confirm the identity of the beneficial owner as well as their status, and report on the outcome of these checks.

2. Verify the identity of both domestic and foreign beneficial owners

Member States should implement measures to verify the identity of beneficial owners that are foreign citizens as well as domestic nationals. This may require different methods to those used for beneficial owners that are domestic citizens.

3. Collect information about the full ownership chain

The EU and Member States should implement measures to collect information on the full ownership chain where beneficial ownership is held indirectly through a chain of entities or arrangements.

4. Member States should require beneficial ownership data for newly-registered entities to be submitted within a clearly-defined time period.

While the length of this time period may depend on the national context, 14 to 30 days is common practice within the EU.

5. Member States should implement proportionate, dissuasive sanctions for non-compliance with beneficial ownership disclosure requirements, using support from automated mechanisms to improve efficiency.

Member States should implement proportionate and dissuasive sanctions for non-compliance and should consider using automated mechanisms to initiate and monitor administrative sanctions (for example, issuing warning letters), thus

increasing the efficiency with which registers can apply sanctions.

6. Member States should conduct automated verification checks on all entries in beneficial ownership registers, and combine these with a risk-based approach to conduct more extensive checks on certain entries.

Member States should apply automated checks to the data fields for which this is possible, ensuring as far as possible that these cover all entries made in the register. In addition, Member States should conduct further verification which may include manual checks using a risk-based approach, with additional checks being undertaken on higher-risk submissions.

Conclusion

The new evidence presented in this paper shows that the majority of EU Member States have at least some mechanisms in place to ensure the accuracy of data in beneficial ownership registers. The study has identified many examples of best practices that can be viewed as innovative and leading the way internationally, and to which other countries within and beyond the EU can look for guidance as they seek to ensure the accuracy of beneficial ownership information in registers.

However, when viewing the findings for the EU as a whole, the evidence in this paper demonstrates that the application of measures to ensure data accuracy is patchy, with most measures reviewed in this study not being present in all or even most Member States. Therefore, when considering beneficial ownership data across the EU, significant gaps remain with regard to measures to ensure the accuracy of beneficial ownership data as required by AMLD5. In particular, this paper identifies three key areas where measures to ensure data quality can be improved:

Verifying the identity of foreign beneficial owners

Fewer and less-robust checks were found to be undertaken in order to verify the identity of beneficial owners that are

foreign citizens versus the case when beneficial owners are domestic citizens. This is unsurprising, given the reliance in the EU on automated identity checks that validate identity information against other state databases that contain information on domestic citizens. However, this finding is still important, since the presence of foreign beneficial owners has been identified as a red flag for ML/TF risk. Although there are practical challenges when verifying identity information concerning foreign citizens – such as a potential inability to cross-check information against a population database in a foreign state – this study shows that some level of identity-checking is possible and is already happening in practice in some Member States. Therefore, other Member States should look to these examples and seek to implement comparable measures appropriate for their context. This would help strengthen the EU's overall framework to counter ML/TF.

Verifying information on how beneficial ownership is held

Whereas identity checks were commonplace, at least for domestic beneficial owners, verification checks to establish the truthfulness of a beneficial ownership declaration – i.e. verifying

whether the declared beneficial owner is in fact the beneficial owner – were found to be far less common. Again, this is an important although unsurprising finding. Existing research identifies knowledge and resource challenges with respect to verifying information on how beneficial ownership or control is held. However, this issue again has a direct impact on ML/TF risk across the EU: the presence of complex ownership structures has been identified as an increased risk, so verifying accuracy in precisely these challenging cases can be expected to have the most impact on reducing ML/TF risk. The evidence presented in this study identifies solid practices in operation in some Member States, which other Member States should look to and implement according to their context, thus strengthening the EU's overall defences.

Use of discrepancy reporting as a supplementary mechanism to ensure the accuracy of data

Discrepancy reporting can be an important tool to help ascertain the accuracy of beneficial ownership information in the registers. However, in the absence of further legal requirements, mandates and resources given to authorities, there is a risk that discrepancy reporting becomes the only additional check undertaken after the data is submitted to the register. The practices in some of the Member States surveyed shows the importance of having clear processes to deal with discrepancies

and appropriate systems to respond to errors and material discrepancies in a timely manner. Equally important is providing guidance to obliged entities and others required to submit reports to ensure they have a good understanding of what constitutes a discrepancy and which steps should be taken. Without these measures, there is a risk that authorities will be overburdened with reports and will face challenges in meaningfully reviewing and addressing both the errors and material issues reported.

Overall, this paper finds that while almost all Member States have some mechanisms in place to ensure the accuracy of data, many of the measures currently in operation are limited to verifying the identity of beneficial owners who are domestic citizens. The widespread lack of measures to verify declared individuals' status as a beneficial owner shows that there is much more to be done in order for all Member States to comprehensively deliver on the commitments in AMLD5 to ensure that the beneficial ownership information in central registers is adequate, accurate and current. The policy recommendations presented in the previous section offer concrete guidance on areas to prioritise at the national and EU level in order to address these issues in a manner that can continue to strengthen the EU's defences against money laundering and corruption.

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Annexes

Annex 1: Detailed methodology

This study employed a three-part methodology aimed at:

1. Understanding the *de jure* status of quality and verification mechanisms in EU Member States used to ensure information accuracy and up-to-dateness in order to better understand how provisions of the EU AMLD related to quality of beneficial ownership information have been transposed;
2. Understanding the *de facto* implementation of verification and data accuracy mechanisms in Member States with active beneficial ownership registers; and
3. Supplementing the above information with a more detailed case study on practices within a particular Member State selected based on the initial results from part 2.

Review of legal frameworks

In order to generate an overview of the legal measures in EU Member States to ensure that beneficial ownership information is of high quality and, in particular, is accurate and current, a review of relevant aspects of the legal frameworks in EU Member States was conducted. A questionnaire was developed to assess how provisions of the EU AMLD on the accuracy and timeliness of beneficial ownership information have been transposed, and the extent to which legal frameworks for beneficial ownership disclosure in EU Member States included specifications relating to verification of information, timeliness, and sanctions (see Annex 2).

The questionnaire was constructed based on the features detailed under the three relevant Open Ownership Principles (verification, up-to-dateness, and sanctions), with additional questions added based on feedback from the Network of Experts on Beneficial Ownership Transparency (NEBOT) members. The questionnaire was distributed via Microsoft Forms to Transparency International (TI) chapters in 20 EU Member States, and additional research was carried out by NEBOT members and Transparency International researchers. In total, the legal frameworks of 24 Member States were analysed. Contacts at TI chapters had a good working knowledge of legal frameworks related to anti-corruption in their jurisdiction; nevertheless, guidance was included in order to define key terms. To keep data collection manageable,

respondents were asked to answer the questions based on a review of primary and secondary legislation that directly provides for beneficial ownership disclosure. Where laws for more than one beneficial ownership register existed, respondents were asked to submit information only for the register covering the broader economy which was implemented as a result of AMLD5.

Survey of practices in registers in EU Member States

To understand the nature and extent of measures in place to ensure data quality within beneficial ownership registers in Member States, a survey was conducted. A set of questions was developed based on the same three areas identified for the legal framework review in order to facilitate comparison between the *de jure* and *de facto* situation, with additional questions on issues of a practical nature such as the enforcement of sanctions that exist in law. Again, the questionnaire was reviewed by NEBOT members, and was validated by network members who are themselves staff members at beneficial ownership registers. The questionnaire was distributed to contacts at beneficial ownership registers across all Member States with the assistance of DG FISMA, and respondents from registers in 18 Member States responded. Participants completed the questionnaire using Microsoft Forms.

Case study with beneficial ownership register staff

Following the initial analysis of the legal framework review and register survey, the representative from one of the beneficial ownership registers, Austria, was selected for a follow-up interview in order to provide a detailed case study. The selection was based on the register's survey responses, which indicated a range of interesting verification practices in operation. The research team conducted an interview by video call on August 1, 2022, asking a series of open-ended questions to enable the respondent to speak in more detail about the mechanisms used to ensure data quality in their jurisdiction.

Member States included in the study

For this study, the legal frameworks of 24 Member States were reviewed, and survey responses were received from representatives of beneficial ownership registers from 18 Member States. A list of countries covered under each of the above surveys is provided in Annexes 3 and 5, respectively. These findings were analysed to identify key trends and implementation gaps across EU Member States, as well as examples of best practices used to improve the accuracy of beneficial ownership registers.

Annex 2: Questionnaire for review of the legal framework

1. Verification

This section covers legislative provisions that relate to the verification of BO information. The questions cover measures taken to verify information at the time it is submitted to the register, as well as measures to check information once held in the register.

1.1 Does the law stipulate that information submitted within BO disclosures should or must be verified?

Please note that “verification” corresponds to any checks or processes to be taken by any stakeholder (public authority, registrar, obliged entities, etc.) whose aim is to ensure that the beneficial ownership information is accurate.

This may be mentioned in primary legislation without further details, and may relate to steps taken to check information at the time of submission and/or to steps taken to check information after it has been submitted.

Yes - verification is a requirement | **Yes** - verification is recommended but not a hard requirement | **No**

If yes, please provide link(s) to the legislation and paste relevant excerpts below.

Verification at point of submission

1.2 Does the law specify that supporting information on the **beneficial owner(s)** is required when BO declarations are made (e.g. BO’s passport or national identity number)?

Yes | **No**

1.3 If yes, what supporting information is required? Please, paste relevant text below.

1.4 Does the law specify that information submitted as part of BO declarations will or can be checked against other data sources?

This provision may be found in BO specific legislation, however its absence from this legislation does not mean that such checks will not be mandated through alternative legislation.

Yes | No

If yes, paste relevant text below.

1.5 Does the law require that electronic signatures or biometric data from **beneficial owner(s)** are submitted with a BO declaration?

Yes | No

If yes, paste relevant text below.

1.6 Does the law specify that supporting information on the **person/entity submitting the BO declaration** is required when these are made (e.g. national identity number, tax identification number)?

Yes | No

If yes, paste relevant text below.

1.7 Does the law require that electronic signatures or biometric data from the **person/entity submitting the BO declaration** are submitted?

Yes | No

If yes, paste relevant text below.

1.8 Does the law require some or all BO declarations to be independently verified prior to submission, for example by a notary?

Yes | No

If yes, paste relevant text below.

Verification after submission

1.9 Does the law mandate or permit the registrar or other responsible agency to check for accuracy of BO information held on the register after declarations have been submitted, for example by conducting periodic reviews of a sample of entries on the register?

Yes | No

If yes, paste relevant text below.

1.10 Does the law mandate the registrar or other agency to undertake additional checks based on identified risks or red-flags?

Yes | No

If yes, paste relevant text below.

1.11 Does the law require regulated entities (such as banks) to report discrepancies between BO information held on the centralised register and other BO information sources that they hold?

Yes | No

If yes, paste relevant text below.

1.12 Does the law require competent authorities (such as law enforcement, financial intelligence units) to report discrepancies between BO information held on the centralised register and other BO information sources that they hold?

Yes | No

If yes, paste relevant text below.

1.13 Other than the reporting mechanism referred to in the previous questions, does the law provide for mechanisms through which the public can report errors and discrepancies found in information held on the register?

Yes | No

If yes, paste relevant text below.

2. Up to date

This section covers legislative provisions that relate to keeping BO information held on registers up to date.

2.1 Does the law stipulate a time period within which newly registered entities must submit BO information to the register?

Yes | No

2.2 If yes, what is this time period? Please, paste the relevant text below.

2.3 Is there a legal requirement to update BO declarations within a specified time period after a change to BO information?

Yes | No

2.4 If yes, what is this time period, and is there a justification given for it? Please, paste relevant text below.

2.5 Are entities required to confirm that their BO information remains accurate on a regular or periodic basis?

Yes | No

If yes, paste relevant text below.

2.6 If yes, how often are they required to do so?

2.7 Does the law stipulate that all changes to beneficial ownership must be reported to the register?

Yes | No

If yes, paste relevant text below.

3. Sanctions

This section covers legislative provisions that relate to sanctions that exist for non-compliance with BO disclosure requirements.

3.1 Does the law contain sanctions for noncompliance with BO disclosure requirements?

Yes | No

If yes, answer Q3.2-3.8

If answering No to Q3.1, move directly to Q4.1.

3.2 Does the law contain sanctions that can be applied to the entity that is required to make the BO declaration?

Yes | No

If yes, paste relevant text below.

3.3 Does the law contain sanctions that can be applied to the person making the declaration?

Yes | No

If yes, paste relevant text below.

3.4 Does the law contain sanctions that can be applied to the beneficial owner(s)?

Yes | No

If yes, paste relevant text below.

3.5 Does the law contain sanctions that can be applied to the registered officers of the company?

Yes | No

If yes, paste relevant text below.

3.6 Do sanctions exist for the following types of non-compliance:

- a. Failure to submit a BO declaration **Yes | No**
- b. Late submission of a BO declaration **Yes | No**
- c. Incomplete information submitted with a BO declaration **Yes | No**
- d. Falsifying a BO declaration **Yes | No**
- e. **Failure to submit an update to a BO declaration** **Yes | No**

- f. **Failure to confirm accuracy of a BO declaration when required** Yes | No
- g. Other [please specify]

3.7 Do administrative and / or criminal sanctions exist?

Yes – administrative sanctions only | Yes – criminal sanctions only | Yes – administrative and criminal sanctions | No

If yes, paste relevant text below.

3.8 Do sanctions include monetary and / or non-monetary penalties?

Yes – monetary penalties only | Yes – non-monetary penalties only | Yes – monetary and non-monetary penalties | No

If yes, paste relevant text below.

4. Further information

4.1. Are you aware of any piece of legislation that may hinder the operation of verification mechanisms (e.g., banking secrecy rules preventing banks from reporting discrepancies)?

Yes | No

If so, please provide a summary and, if possible, link to the relevant legislation.

4.2. If the disclosure forms that companies must use to submit a new BO declaration are publicly available, please provide a link where we can view or download this.

Annex 3: List of countries from which the legal review data was collected

Austria	Latvia
Belgium	Lithuania
Croatia	Luxembourg
Cyprus	Malta
Czech Republic	Netherlands
Denmark	Poland
Finland	Portugal
France	Romania
Germany	Slovakia ³⁰
Greece	Slovenia
Hungary	Spain
Ireland	Sweden

³⁰ Two respondents filled out the survey with regards to Slovakia.

Annex 4: Questionnaire to review verification practices

1. Identification questions

1.1. Member State [drop-down menu]

1.2. Name of agency [free text]

2. Verification

This section covers processes that relate to the verification of BO information. We use the term “verification” to refer to any checks or processes that are undertaken by any stakeholder (public authority, registrar, obliged entities, etc.) with the aim of ensuring that the beneficial ownership information held on the BO register is accurate.

The questions in this section cover measures taken to verify information at the time it is submitted to the register, as well as measures to check information once held in the register.

2.1. Verification at the point of submission

The following questions relate to checks that are undertaken at the time information is submitted to the registry, either automatically as part of a digital submission process, or manually.

2.1.1 Where electronic submission forms are used, does the submission form ensure that responses to certain questions conform to plausible entries?

Examples: using drop down menus to select a country from a predetermined list; constraining the permitted responses to the field for percentage ownership to prohibit total ownership from exceeding 100%; date of birth field must not be in the future etc.)

Yes | No | Not sure

2.1.2 If answering yes to the previous question, please outline which fields of information these apply to. [free text]

2. 1.3 When BO declarations are submitted to the registry, are any officially-issued identifiers (such as national identification number, taxpayer number, passport number etc) required for the beneficial owner(s) in some or all circumstances?

Officially issued identifier refers to any number or alphanumeric sequence that is used to identify or refer to an individual or company within an official government system. Examples include identity card number, passport number, taxpayer identification number etc.

Yes - in all circumstances | Yes - in certain circumstances | No | No - but reforms are underway | Not sure

2.1.4 If answering yes to the previous question, please list each officially-issued identifier that is required during the submission of a BO declaration. Where identifiers are only required under certain circumstances (e.g. if declaration is made by a newly registered company; if the BO is a domestic citizen) please outline the circumstances when this is required. **[free text]**

2.1.5 When BO declarations are submitted to the registry, is supporting documentation or evidence required (such as copy of the BO's passport, notarised statement of ownership etc.) required in some or all circumstances?

Yes - in all circumstances | Yes - in certain circumstances | No | No - but reforms are underway | Not sure

2.1.6 If yes, please explain what information is required. **[free text]**

2.1.7 When beneficial ownership is held indirectly, for example through a chain of companies, is information required on the full chain of ownership?

Yes - in all circumstances | Yes - in certain circumstances | No | No - but reforms are underway | Not sure

2.1.8 If yes, please explain what information is required. **[free text]**

2.1.9 Are any fields of information submitted (e.g. address, date of birth) or pieces of supporting documentation mentioned in your response to the previous questions used to check information against other databases or data sources? For example, is domestic address checked against a database of valid addresses?

Yes | No | No - but reforms are underway | Not sure

2.1.10 If yes, please list all such checks that are conducted, noting any differences in checks conducted when BOs are domestic vs foreign citizens. **[free text]**

2.1.11 When BO declarations are submitted to the registry, are any officially-issued identifiers (such as taxpayer number, passport number etc.) and/or any supporting information (such as copy of identity card) required from the person/entity that is submitting the BO declaration where they are not the beneficial owner?

Yes - in all circumstances | Yes - in certain circumstances | No | No - but reforms are underway | Not sure

2.1.12 If yes, please list each officially-issued identifier and supporting evidence that is required. Where these are only required under certain circumstances, please outline the circumstances when this is required. **[free text]**

2.1.13 Does the registry have power to refuse a BO declaration, and if so under what conditions? **[free text]**

1.14 Are any other accuracy checks or verification measures undertaken at the time declarations are submitted to the register that have not been mentioned above? **[free text]**

2.2. Verification after submission

The following questions relate to checks that are undertaken of BO data once it is held on the register.

2.2.1 Does the registrar or another responsible agency check the accuracy of BO information held on the register after declarations have been submitted? For example, by conducting periodic reviews of a sample of entries on the register or analysing entries to identify red flags such as suspicious company structures.

Yes | No | No - but reforms are underway | Not sure

2.2.2. If yes, please outline the accuracy checks conducted, and the agency that is responsible for these. **[free text]**

2.2.3. Under the 5th EU AMLD, national law in EU Member States should require obliged entities (such as banks) to report discrepancies between BO information held on the centralised BO register and other BO information sources that they hold. Please outline the mechanisms and procedure for how this takes place in your country. Please include:

How obliged entities report discrepancies

Whether the register authority investigates the discrepancy reported, or passes to another competent authority

Details of any timeline to take action following the discrepancy reported

Whether an alert/ notice is put in that entry on the register

Whether the register authority provide any feedback to obliged entities after the discrepancy has been resolved **[free text]**

2.2.4. When information about a discrepancy is reported, what action does the BO registry take? **[free text]**

2.2.5. How many reports of discrepancies have been received in the last 12 months? **[free text]**

2.2.6. Is there a mechanism for competent authorities (such as law enforcement, financial intelligence units) to report discrepancies between BO information held on the centralised register and other BO information sources that they hold?

Yes | No | No - but reforms are underway | Not sure

2.2.7. If yes, please outline the mechanisms and procedure for how this takes place. **[free text]**

2.2.8. Other than the reporting mechanisms referred to in the previous questions, are there other mechanisms through which the public can report errors and discrepancies found in information held on the register, and are these used?

Yes | No | No - but reforms are underway | Not sure

2.2.9. If yes, give relevant details below. **[free text]**

2.2.10. What challenges does the registry have with putting verification mechanisms in place? Do these relate to e.g., the lack of a mandate to do so, insufficient resources, technical issues, etc.? **[free text]**

3. Up to date and auditable information on beneficial ownership

This section covers information relating to the timeliness of information held on the BO register, and the extent to which historical records are maintained.

3.1 How many companies are registered on the BO register (or, where this is part of the national company registry, how many companies are on the company register)? Please include in your answer any explanatory notes, e.g. no. active vs dormant / dissolved companies. **[free text]**

3.2 How many companies does the BO register contain BO information for? Please include in your answer any explanatory notes, e.g., no. companies that have submitted that they have no registrable BO. **[free text]**

3.3. Does the register indicate to users whether information is out of date (for example, is there a flag indicating that the BO entry for a company has not been updated, e.g. annually, where this is required in your country)?

Yes | No | No - but reforms are underway | Not sure

3.4 If yes, paste relevant details below. **[free text]**

3.5 What actions, if any, does the registry take to ensure that information on the register is kept up to date? For example, are reminders or warnings sent for late submissions? **[free text]**

3.6 What challenges does the registry have with ensuring information is kept up to date? Do these relate to e.g., the lack of a mandate to do so, insufficient resources, technical issues, etc.? **[free text]**

4. Sanctions

This section covers the use of sanctions that exist for non compliance with BO disclosure requirements, and the registry's role in enforcing sanctions.

4.1 What is the role of the agency that implements the BO registry in applying sanctions for non-compliance? Where the BO registry sits under the authority of a particular Ministry, for example the Ministry of Justice, please detail the role of the BO registry as well as the role of the relevant Ministry. **[free text]**

2.2 Does the BO registry have the power to issue administrative penalties such as fines?

Yes | No | No - but reforms are underway | Not sure

4.3 If yes, please outline relevant details below. **[free text]**

4.4 If no, does another authority have such power? **[free text]**

4.5 Within the past 12 months, please provide any information you are able to on the extent to which the BO registry or other agency has issued administrative sanctions. **[free text]**

4.6 Does the BO registry have power to send official warnings or similar where companies are potentially not complying with BO requirements?

Yes | No | No - but reforms are underway | Not sure

4.7 If yes, please outline relevant details below. **[free text]**

4.8 Does the BO registry have a mandate to provide information to the judiciary or other competent authorities to enforce criminal sanctions for non compliance with BO requirements (where these exist)?

Yes | No - the BO registry does not have this mandate, although criminal sanctions exist | No - no criminal sanctions exist for non-compliance | No - but reforms are underway | Not sure

4.9 Is information on compliance (e.g. compliance rates) documented?

Yes | No | No - but reforms are underway | Not sure

4.10 If yes, paste relevant information about the compliance rate with BO requirements in your country. **[free text]**

4.11 Is information on sanctions and their enforcement (e.g. prosecutions) documented and published?

Yes | No | No - but reforms are underway | Not sure

4.12 If yes, paste relevant details below. **[free text]**

4.13 Does the registry have powers to strike off a company where adequate BO information has not been received?

Yes | No | No - but reforms are underway | Not sure

3.14 If yes, paste relevant details below. **[free text]**

5. Further information

5.1 Are there other challenges your agency experiences when seeking to ensure data held on the BO registry is accurate that have not been yet mentioned? **[free text]**

5.2 What changes do you think would be most helpful in overcoming the challenges you outline in the previous questions? **[free text]**

5.3 If the disclosure forms that companies must use to submit a new BO declaration are publicly available, please provide a link where we can view or download this. **[free text]**

5.4 Would you be available for a follow-up interview? **Yes | No**

5.5 If yes, could you please provide your contact details (name and e-mail address)? **[free text]**

Annex 5: List of countries that responded to the survey on the register's verification of beneficial ownership

Austria	Latvia
Bulgaria	Lithuania
Cyprus	Luxembourg
Czech Republic	Malta
Finland	Portugal
France	Romania
Greece	Slovakia ³¹
Hungary	Slovenia
Ireland ³²	Sweden

³¹ Two respondents filled out the survey with regards to Slovakia.

³² Two respondents filled out the survey with regards to Ireland.

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NEBOT Paper 3

Beneficial Ownership Registration for Trusts – Gaps and Loopholes

Network of Experts on Beneficial Ownership Transparency, NEBOT



Beneficial Ownership Registration for Trusts – Gaps and Loopholes

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Abstract

Trusts are a type of legal vehicle which can be used to run a business, own shares or hold assets such as a house or a bank account. Although many trusts are used for legitimate businesses or for family purposes, including for the protection of children and vulnerable individuals, trust provisions can be subject to abuse. The secrecy provisions of trusts can be so sophisticated that competent authorities do not even attempt to go after them.

This paper analyses the beneficial ownership legal framework on trusts established by the Financial Action Task Force and by the EU Anti-Money Laundering Directive (AMLD), comparing it to the provisions applicable to legal persons. In addition, the paper describes the different

ways in which EU Member States have transposed the AMLD in relation to the scope of trusts subject to beneficial ownership registration, the conditions which trigger registration, the parties that have to be identified, and the exceptions as well as the access to information. The paper analyses the gaps and loopholes available in the legal framework in relation to scope, beneficial ownership definitions, special types of trusts and complex ownership structures that should be subject to further regulation, and enforcement capabilities. Finally, the paper proposes general policy recommendations as well as suggested amendments to the draft text of the “AML Package” regarding the reform of the beneficial ownership transparency framework in the EU.

1. Introduction

In the classic case, trusts are a type of legal vehicle where a party called a “settlor” or “grantor” transfers assets, e.g. money or real estate, to another party called the “trustee” for the purpose of holding the assets under its name (as the legal owner) and managing them in favour of “beneficiaries” according to instructions and designation of beneficiaries (or classes of beneficiaries) established by the settlor in the trust deed.

Trusts are a type of legal vehicle which can be used to run a business or hold assets such as a house or a bank account. Trusts are widely used in common law countries, although they have also become popular in civil law countries that either possessed similar provisions based on Roman law or had established new laws to incorporate the features of the Anglo-Saxon trust. Although many trusts are used for legitimate businesses or for family purposes, including for the protection of children and vulnerable individuals, trust provisions can be subject to [abuse](#). Provisions related to [secrecy and asset protection](#) have resulted in trusts being involved in accusations of [tax evasion](#), [avoidance of sanctions](#), [money laundering](#), [embezzlement](#), [defrauding creditors](#), [defrauding the spouse upon divorce](#), or even used to shield assets against victims of [murder](#) or [sexual abuse against a minor](#).

The secrecy provisions of trusts can be so sophisticated that competent authorities do not even attempt to go after them. For instance, the famous 2011 StAR (World Bank/UNODC) report on grand corruption cases, “[The Puppet Masters](#)”, acknowledged:

*Investigators interviewed as part of this study argued that the grand corruption investigations in our database failed to capture the true extent to which trusts are used. **Trusts, they said, prove such a hurdle to investigation, prosecution (or civil judgment), and asset recovery that they are seldom prioritized in corruption investigations. Investigators and prosecutors tend not to bring charges against trusts, because of the difficulty in proving their role in the crime...** As a result, even if trusts holding illicit assets may well have been used in a given case, they may not actually be mentioned in formal charges and court documents, and consequently their misuse goes underreported. (pp. 45-46, emphasis added).*

The paper on “[Concealment of beneficial ownership](#)” by the Financial Action Task Force (FATF) and the Egmont Group reached similar conclusions:

The interaction of the trust with other legal persons adds an additional layer

*of complexity and helps frustrate efforts to discover beneficial ownership... **It is also possible that the use of legal arrangements may increase the difficulty of investigating and identifying the beneficial owner, thereby explaining their relatively low prevalence in the case study sample.***

(p. 34, emphasis added)

Classification

Although the classification and treatment of trusts vary depending on the country, by global standards, trusts are usually considered legal arrangements (rather than legal persons or entities), hence why they are regulated separately. The FATF regulates beneficial ownership transparency for legal persons under Recommendation 24, while provisions for legal arrangements such as trusts are included under Recommendation 25. The EU AMLD also regulates beneficial ownership registration for legal persons in Art. 30, while trusts and other legal arrangements are regulated by Art. 31.

Although the 4th AMLD already required some trusts to register their beneficial owners, the ambiguous wording led to uncertainty as to which trusts were subject to registration (based either on the trust's governing law or on the trustee's location).

The 4th AMLD also limited registration of trusts to those that generate tax consequences, although the term "tax consequences" was not defined:

*Art. 31.1 Member States shall require that **trustees of any express trust governed under their law** obtain and hold adequate, accurate and up-to-date information on beneficial ownership regarding the trust...*

*4. Member States shall require that the information referred to in paragraph 1 is held in a central register **when the trust generates tax consequences.***

As the next table shows, the 5th AMLD clarified that trusts subject to beneficial ownership registration include those whose trustee is located in the EU, as well as any trust that has acquired real estate or established business relations in an EU country. Access to trusts' beneficial ownership registration would be based on demonstrating a legitimate interest. These provisions are quite different from those that apply to legal persons, where the trigger for registration is based on incorporation and where access to information is public.

Table 1: Different provisions for legal persons and trusts in the AMLD

Legal persons	Trusts
<p><u>Scope</u></p> <p>Art. 30.1)</p> <p>Member States shall ensure that corporate and other legal entities incorporated within their territory are required to obtain and hold adequate, accurate and current information on their beneficial ownership, including the details of the beneficial interests held...</p> <hr/> <p>3) Member States shall ensure that the information referred to in paragraph 1 is held in a central register in each Member State, for example a commercial register, companies register as referred to in Article 3 of Directive 2009/101/EC of the European Parliament and of the Council(1), or a public register...</p>	<p><u>Scope</u></p> <p>Art. 31. 3a)</p> <p>Member States shall require that the beneficial ownership information of express trusts and similar legal arrangements as referred to in paragraph 1 shall be held in a central beneficial ownership register set up by the Member State where the trustee of the trust or person holding an equivalent position in a similar legal arrangement is established or resides.</p> <p>Where the place of establishment or residence of the trustee of the trust or person holding an equivalent position in similar legal arrangement is outside the Union, the information referred to in paragraph 1 shall be held in a central register set up by the Member State where the trustee of the trust or person holding an equivalent position in a similar legal arrangement enters into a business relationship or acquires real estate in the name of the trust or similar legal arrangement...</p> <hr/> <p><u>Access</u></p> <p>Art. 30.5) Member States shall ensure that the information on the beneficial ownership is accessible in all cases to:</p> <p>(...)</p> <p>c) any member of the general public.</p>
<p><u>Access</u></p> <p>Art. 30.5) Member States shall ensure that the information on the beneficial ownership is accessible in all cases to:</p> <p>(...)</p> <p>c) any member of the general public.</p>	<p><u>Access</u></p> <p>Art. 31.4) Member States shall ensure that the information on the beneficial ownership of a trust or a similar legal arrangement is accessible in all cases to:</p> <p>(...)</p> <p>(c) any natural or legal person that can demonstrate a legitimate interest;</p>

Gaps and Loopholes

Given that trusts cannot be created according to local laws in many countries, many of these jurisdictions fail to have provisions or to properly regulate trusts, even though (foreign) trusts could be holding assets or companies in the country. In other cases, even common law countries with centuries-old traditions of trusts may face some challenges to ensure trusts' beneficial ownership transparency.

The first issue is one of enforcement. In many countries, trusts do not need to incorporate or be registered in order to exist, to have legal validity or to enjoy benefits (they may need to register if they hold real estate, but that is because real estate ownership requires registration). Since trusts are not incorporated in the relatively standardised way that companies are (if the trusts are registered at all), there is no information on the number of trusts that exist in the world, the value of their assets or the individuals associated with them. In contrast, most legal persons need to register either to exist (have legal validity) or at least to enjoy limited liability. As a result, although the AMLD's Art. 31 requires trusts to register their beneficial owners in certain situations, e.g. if the trustee is located in the EU, without information on whether a trust even exists, compliance with beneficial ownership registration may be considered voluntary or simply impossible to enforce (unless indirect measures are established, as proposed below).

Second, trusts tend to have much more complex control structures than companies. The problem is that a country may only have a general definition of beneficial ownership which does not apply to trusts (e.g. if it is based on thresholds or refers to "ownership"), with the result that the definition may fail to include all the relevant parties. As established by the FATF and the AMLD, all parties of a trust (settlers, protectors, trustees, beneficiaries/classes of beneficiaries and any other individual with control over the trust) should be identified as beneficial owners of a trust:

AMLD, Art. 31.1, second paragraph:

Each Member State shall require that trustees of any express trust administered in that Member State obtain and hold adequate, accurate and up-to-date information on beneficial ownership regarding the trust. That information shall include the identity of: (a) the settlor(s); (b) the trustee(s); (c) the protector(s)(if any); (d) the beneficiaries or class of beneficiaries; (e) any other natural person exercising effective control of the trust.

Third, there is usually insufficient regulation for situations where the party to a trust is a legal person rather than an individual. This creates two problems. On the one hand, the definition may be unclear as to who should be identified as the beneficial owner (whether the corporate trust party must be looked through or whether it is possible to register the legal person as a trust party).

On the other hand, even if look-through provisions are applied, the mere combination of legal persons as parties to the trust would add (impose) thresholds on a definition which is supposed not to have thresholds (see the discussion below on thresholds for further details).

Fourth, based on FATF Recommendations, trust transparency usually relies on the trustee, who is considered an obliged entity. This creates two issues. For one, regulations may only cover the use of professional trustees while neglecting non-professionals who act as trustees (e.g. someone who acts as trustee only for her brother's trust). Additionally, the focus on trustees means that there may be no beneficial ownership transparency regarding trusts created within the legal framework of an EU country if that trust does not have an EU trustee (or real estate/bank accounts in the EU). In contrast, all local EU legal persons must register their beneficial ownership upon incorporation.

Fifth, access to trusts' information is restricted, although there are provisions where access is granted based on a legitimate interest or in cases in which a trust owns a non-EU company. However, the loopholes mentioned in the point above mean that the EU may have no information on that trust in the first place.

The rest of this paper is organised as follows. Section 2 offers an overview of how EU countries have regulated beneficial ownership for trusts, including issues on triggers, definitions, and public access to information. Section 3 describes gaps, loopholes as well as best practices in relation to trust beneficial ownership registration, particularly on triggers and exceptions, identification of trust parties, complex structures, access to information and measures for enforcement. Section 4 proposes policy recommendations, including comments to the proposed "AML Package".

2. The situation in EU countries

Based on the findings of the Tax Justice Network's [Financial Secrecy Index](#) published in 2022, the following table shows for each EU Member State: whether domestic trusts (or similar structures such as *fiducie*, *Treuhand* or *fideicomiso*) can be created according to local laws, the scope of trusts (foreign and/or domestic) which are subject to beneficial ownership registration, exceptions to the scope, conditions that trigger beneficial ownership registration, the list of trust parties that have to be identified as part of beneficial ownership registration, and whether there is public access to beneficial ownership information of trusts (at least *de jure*, i.e. based on the legal framework).

As for the conditions that trigger registration, the table entry "AMLD" refers to a legal framework that follows the criteria mentioned in the Directive, which requires registration whenever a trust is administered by a local trustee or when the

trust acquires real estate or establishes business relations in the EU. The symbol (+) indicates that the country, in addition to adopting the Directive triggers, requires trust registration in additional cases, e.g. for trusts created according to local laws. The symbol (-) indicates that the country has adopted fewer conditions compared to the Directive or that it added additional limitations not contained in the Directive, e.g. that trusts are covered only if the trustee is a natural person or if the trustee is a professional.

With regard to the trust parties that have to be identified as part of beneficial ownership registration, the table entry "AMLD" refers to a legal framework that follows the criteria mentioned in the Directive, which requires registration of the settlor, trustees, protectors, beneficiaries and any other individual with effective control over the trust.

Table 2: Legal framework regarding trusts in each EU Member State

Country	Domestic trusts?	Scope of trusts	Exceptions	Trigger	Trust parties to be identified	Public access?
Austria	Yes	Both	-	AMLD	AMLD	Yes
Belgium	-	Foreign	-	AMLD	AMLD	-
Bulgaria	-	Foreign	-	Local trustee	AMLD	Yes
Croatia	-	Foreign	-	AMLD	AMLD	Yes, for locals
Cyprus	Yes	Both	-	AMLD(+)	AMLD	-
Czechia	Yes	Both	-	AMLD(+)	AMLD	Yes, on some parties
	-	Foreign	-	AMLD	Beneficiaries + (other parties if "BO" is such in other ways)	Yes
Denmark						
Estonia	-	Foreign	-	Local trustee	AMLD	(It will be)
Finland	-	Foreign	-	AMLD	AMLD	-
France	Yes	Both	-	AMLD(+)	AMLD	-
	Yes	Foreign & some domestic	-	AMLD	AMLD	Yes, for a fee
Germany						
Greece	-	Foreign	-	AMLD(+)	AMLD	-
	Yes	Both	-	AMLD if local bank	AMLD	-
Hungary						
Ireland	Yes	Both	Yes	AMLD	AMLD	-
Italy	Yes*	Both	-	Other*	AMLD	-
Latvia	-	-	-	-	-	-
Lithuania	Unclear	Foreign	-	AMLD(-)	AMLD	-
Luxembourg	Yes	Both	-	AMLD	AMLD	-
Malta	Yes	Both	-	AMLD(-)	AMLD	-
Netherland	Similar*	Both	-	AMLD	AMLD	Yes
Poland	-	Foreign	-	AMLD	AMLD	Yes
	-	Foreign	-	AMLD, w/out real estate	AMLD	Yes, for locals
Portugal						
Romania	Yes	Both	-	AMLD (-+)	AMLD	-
Slovakia	-	-	-	-	-	-
	-	Foreign	-	AMLD	AMLD (only if natural person?)	Yes
Slovenia						
Spain	-	Foreign	-	AMLD	AMLD	-
Sweden	-	Foreign	-	Other	AMLD	Yes, for locals

Table References

Existence of domestic trusts. **Italy** notified the EU Commission of the existence of the *mandato fiduciario* and the *vincolo de destinazione* as being similar to trusts. In **Lithuania**, although most of the assessments suggests that domestic trusts cannot be created, a paper by the EU Commission identified trust provisions in Art. 4106 of the Civil Code. In **Luxembourg** it is possible to create a *fiducie*. **The Netherlands** notified the EU Commission of *fonds* as being similar to trusts.

Scope of trusts. In **Germany**, the scope covers the “*nicht rechtsfähige Stiftung*” when the trustee is in Germany and the trust is self-serving for the settlor/for profit. It appears that the *Treuhand* is not covered. In **Latvia** and **Slovakia**, beneficial ownership registration does not apply to trusts.

Triggers. In **Cyprus**, the scope also covers domestic trusts. In **Czechia**, it also covers domestic trusts and trusts with main assets or its main purpose in Czechia. In **France**, it also covers domestic trusts, trusts with assets, rights or where any settlor or beneficiary is in France. In **Greece**, it also covers trusts where the settlor or beneficiary are tax residents in Greece. In **Hungary**, it appears that only local banks may file beneficial ownership information, so a trust would need to engage with a local bank to be able to register beneficial ownership data. In **Italy** the trigger is trusts that have effects for tax purposes, or trusts that are established or resident in Italy. However, as of March 2022, the legal framework for beneficial ownership registration was not yet in force. In **Lithuania**, it appears that other than having real estate or business relations, the trigger is having a sole professional trustee (it is not clear what happens for a non-professional trustee or when a trust has more than one trustee). In **Malta**, apart from trusts which acquire real estate or establish

business relations, only trusts administered by professional trustees are covered (but not those managed by private trustees). In **Portugal**, trusts have to register their beneficial owners if they have a Tax Identification Number; if they engage with activities with obliged entities; if the trustee is themselves an obliged entity; the trustee is located in Portugal; or if the trust is authorised to operate in the Madeira Free Trade Zone. In **Romania**, it covers domestic trusts and trusts which acquire real estate or establish business relations, but not necessarily trusts with a local trustee. In **Sweden**, it appears to apply to trustees who are natural persons who reside in Sweden, or who reside abroad but with operations in Sweden.

Exceptions. In **Ireland**, the following trusts are excluded from the definition of “relevant trust”: (a) an occupational pension scheme that is an approved scheme pursuant to Chapter 1 of Part 30 of the Act of 1997; (b) an approved retirement fund within the meaning of Chapter 2 of Part 30 of the Act of 1997; (c) a profit sharing scheme or employee share ownership trust approved pursuant to Part 17 of the Act of 1997; (d) a trust for restricted shares within the meaning of section 128D of the Act of 1997; (e) the Haemophilia HIV Trust which was established by deed dated the 22nd day of November 1989, made between the Minister for Health, of the one part and certain other persons, of the other part; (f) a unit trust within the meaning of the European Union (Modifications of Statutory Instrument No. 110 of 2019).

Public access. In **Croatia**, a national ID is necessary to access the register. In **Czechia**, there is no public access (unless a legitimate interest is proven) to information on settlors, beneficiaries or protectors. In **Estonia**, authorities state that the information will be publicly available for a small fee.

3. Mind the gaps

As Table 2 indicates, there are several gaps in the legal framework of EU countries' beneficial ownership registration of trusts that would affect compliance with the Directive and that would undermine transparency to tackle money laundering. This section explores loopholes in relation to the scope of trusts subject to registration, the beneficial ownership definition, scenarios with complex ownership structures, access, and challenges to enforcement.

3.1 Triggers and exceptions

As the table shows, less than half of EU Member States allow for the creation of trusts under their laws: Austria, Cyprus, Czechia, France, Germany, Hungary, Ireland, Luxembourg, Malta and Romania. Italy and the Netherlands declared to the EU Commission some structures as being similar to trusts. Lithuania did not indicate that it had domestic trusts, but a paper from the EU Commission suggested otherwise.

Most countries that allow domestic trusts to be created under their laws cover both domestic and foreign trusts, except for Germany where it is not clear if some types of domestic law trusts are covered (the *Treuhand* and some "*nicht rechtsfähige Stiftungen*"). In Latvia and Slovakia, there is no beneficial ownership registration for trusts. In addition, Ireland is the only

country to add explicit exceptions to the scope of trusts that are registered. These exceptions refer to trusts used for pension schemes or other trusts approved by the tax administration.

As for the conditions that trigger beneficial ownership registration, there is inconsistency between countries. Although most countries follow the AMLD conditions (i.e. a local trustee or acquiring real estate or establishing business relations), some countries go beyond these conditions. For instance, Cyprus, Czechia, France and Greece also cover domestic trusts, some trusts with local assets or where some parties to the trust are residents.

On the other hand, some countries fall short on complying with the AMLD conditions. For example, Bulgaria and Estonia only require registration when there is a local trustee in the country (not when the trust acquires real estate or establishes relations). Romania is the opposite, where the conditions on real estate and business relations are present, but having a local trustee does not trigger registration. Portugal fails to include the condition on acquiring real estate, although it adds other situations (e.g. trusts with tax identification number or trusts authorised to operate in the Madeira Free Zone). In Hungary, it is not clear if beneficial ownership registration is dependent on the trust having a local bank

account, since only bank managers appear to be allowed to file beneficial ownership information. In Italy, trust registration is based on having tax consequences or the trust being established or resident in Italy, but registration was not yet in force as of March 2022. Malta and Sweden make registration dependent on the trustee being a professional or a natural person, respectively.

3.2 Identification of all parties

The AMLD requires all parties to the trust to be registered, including the settlor, trustee(s), protector, beneficiaries or classes of beneficiaries as well as any other individual with effective control over the trust. However, not all EU countries require this. For instance, while Denmark's law mentions all trust parties, the Executive Order on amendment of the Executive Order on registration with the Danish Business Authority exempts the settlor, the trustee and the protector unless they are considered beneficial owners for additional reasons, not just for being for instance a "settlor". In Slovenia, it is unclear if the law applies only to natural persons who are the settlor, trustee, or protector, etc.

3.2.1 Economic and legal settlor

A beneficial owner must always be the "real" individual with control, ownership or benefit, rather than a nominee, agent or proxy. However, as some articles suggest, some complex trust structures involve two types of settlors: the legal settlor (a nominee) who will appear on the trust deed and thus would be registered, as opposed to the "economic" settlor (the real owner of the assets settled into the trust) who deliberately tries to remain hidden.¹ For this reason, the Directive could make it explicit that the settlor must always refer to the real (former) owner of the assets who put them into the trust. Alternatively, the law could require the identification of both the "legal settlor" (similar to a nominee shareholder who offers their name to appear in the trust deed) as well as the "economic settlor" who actually puts the assets into the trust.

3.2.1 Discretionary beneficiaries

There are many types of trusts. Trusts focusing on asset protection usually involve a discretionary component, where the trustee is given discretion (on paper) to decide on trust distributions. This means that the trustee may be able to choose when a distribution will be made and how

¹ For instance: "In principle, the legal settlor is the founder. If a professional third party has set up a trust, the individual tax resident of Belgium who has contributed assets into that trust (ie the economic settlor) is deemed to be the targeted founder" (Lust, S., "The Belgian 'Cayman tax' and its impact on wealth and estate planning in Belgium", Trusts & Trustees 2017); "I am aware of a trust that was

settled, I believe, in 2012, and I'm aware that the settlor was, what I would call in this discussion, a legal settlor rather than an economic settlor, and I'm aware that the legal settlor was a professional adviser" ("Taxation and Regulatory Issues Involving International Trusts: The Full Transcript" Taxlinked.net),

much will be given, but more importantly, if a distribution will be made at all.

Asset protection trusts rely on the trustee's discretion, rather than establishing distribution instructions beforehand e.g. "distribute 50% each year to each of the two beneficiaries" in order to respond more flexibly to changing circumstances. For instance, if one of the beneficiaries has had a good year, receiving a trust distribution may trigger higher marginal personal income tax rates. To avoid paying such tax, the beneficiary may choose to postpone distributions until a year with reported losses which could be offset, so as not to pay additional personal income tax. An even greater extreme is a situation where an insolvent beneficiary owes money to creditors. In such case, if any distribution is made, the money will end up in the creditors' hands. To prevent this, discretionary trusts usually include provisions to prevent distributions to indebted beneficiaries.

Discretionary trusts also create secrecy. Being the beneficiary of a discretionary trust, a beneficiary could claim not to be a beneficial owner because they are merely "potential" beneficiaries and may end up not receiving anything at all. Even the OECD's Common Reporting Standard (CRS) [Implementation Handbook](#) allows for this non-preventive identification of beneficiaries of a discretionary trust: "*With respect to trusts that are Passive NFEs, a jurisdiction may allow Reporting Financial Institutions to align the scope of the*

beneficiary(ies) of a trust treated as Controlling Person(s) of the trust with the scope of the beneficiary(ies) of a trust treated as Reportable Persons of a trust that is a Financial Institution. In such case the Reporting Financial Institutions would only need to report discretionary beneficiaries in the year they receive a distribution from the trust" (p. 19). In other words, criminals or other individuals may be appointed as "discretionary beneficiaries" and thus avoid being automatically identified as beneficial owners of the trust, as happens with any other party to the trust.

The Directive should contain explicit provisions on discretionary beneficiaries. At the very least, it should require beneficiaries to be identified whenever they receive a distribution, or ideally, before they receive a distribution. In this regard, under section 1457(3) of the Czech Civil Code for example, a person only becomes a beneficiary (and thus has rights to receive income from the trust) by registration in the trust register (not necessarily in the register of beneficial owners).

A more transparent alternative would be to require all discretionary beneficiaries to be registered by virtue of appearing in the trust deed (as soon as the trust is created), rather than waiting until they are about to receive a distribution. However, given the risks of discretionary trusts, both in terms of secrecy and shielding assets against creditors, the Directive could consider prohibiting discretionary trusts in the EU.

3.2.1 Indirect distributions

In order to create secrecy, individuals may not be mentioned in the trust deed but still benefit from the trust. This is the case for informal or indirect distributions. For instance, the OECD has [proposed](#) amendments to the CRS to ensure that recipients of indirect distributions should also be considered beneficiaries (and beneficial owners of a trust): *“a Reportable Person will be treated as being a beneficiary of a trust if such Reportable Person has the right to receive, directly or indirectly (for example, through a nominee), a mandatory distribution or may receive, directly or indirectly, a discretionary distribution from the trust. Indirect distributions by a trust may arise when the trust makes payments to a third party for the benefit of another person. For example, instances where a trust pays the tuition fees or repays a loan taken up by another person are to be considered indirect distributions by the trust. Indirect distributions also include cases where the trust grants a loan free of interest or at an interest rate lower than the market interest rate or at other non-arm’s length conditions. In addition, the write-off of a loan granted by a trust to its beneficiary constitutes an indirect distribution in the year the loan is written-off. In all of the above cases the Reportable Person will be person that is the beneficiary of the trust receiving the indirect distribution (i.e. in the above examples, the debtor of the tuition fees or the recipient of the favourable loan conditions)”* (p. 85).

Based on this explanation, the Directive should also clarify that any recipient of an indirect distribution should also be considered a beneficiary of the trust and thus registered as a beneficial owner.

3.3 Thresholds and complex structures

Based on the FATF Interpretative Note to Recommendation 10 on the criteria to determine the beneficial owners of a trust, the AMLD requires all trusts to register their beneficial owners without applying thresholds. It is not clear why both the FATF and the AMLD take such a broad approach in favour of transparency. One potential reason is that trust deeds may be so flexible that such a comprehensive approach prevents avoidance mechanisms. Another potential reason is that there is usually no register from which all parties of the trust are easily identifiable. In such case, the beneficial ownership register essentially replaces the function of the trust register (which does not usually exist).

As for complex ownership structures, the AMLD is silent on scenarios where a trust (or its trustee) is an owner of a company (i.e. the shares of a company are put into a trust), or where a trust party (e.g. trustee or beneficiary) is a legal person. In the former case, when a trust owns a certain percentage of a legal person, e.g. 30 %, such that it would have been identified as a beneficial owner if it were an individual, then the trust beneficial ownership definition should apply to determine who

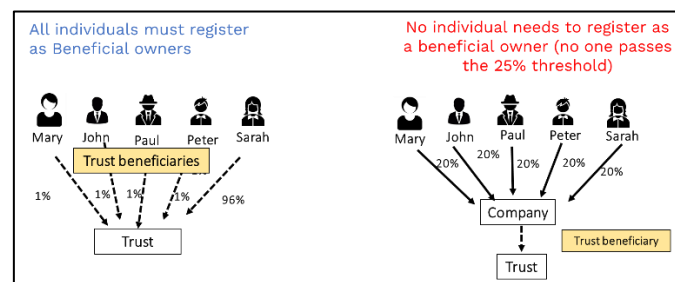
should be identified as the beneficial owner of the underlying company (given that trusts are not natural persons and cannot be considered beneficial owners). In such a case, by applying the beneficial owner definition for trusts, all settlors, trustees, protectors, beneficiaries and any other individual with effective control over the trust should be considered a beneficial owner of the legal person. This is not always explicitly established in law. In fact, some countries may limit the identification to the trustee or to anyone who controls the trust.

On the other hand, when a party to the trust is a legal person, absent any regulation, it is possible that countries would apply the corresponding criteria for the type of legal person, e.g. identify anyone with more than 25% of the shares, if a party to the trust is a company. However, this may result in creating secrecy by adding thresholds that were meant not to exist in the case of trusts. For instance, if five individuals have each 20 percent interest in a company which is the trust beneficiary, then none of the individuals will have to be identified as trust's beneficial owners because none of them would pass the 25 percent threshold to be identified as beneficial owners of the company to begin with. Although beneficial ownership definitions for companies may also include anyone with "control via other means", this may be difficult to prove or enforce. In such

cases, a senior manager may be reported as the beneficial owner of the trust. For this reason, to ensure full transparency on trusts' beneficial owners, it should not be enough to apply the general rules of legal persons in scenarios of complex ownership structures. Instead, rules should require that when a legal person, e.g. a company, is a party to the trust, then the beneficial owners of the company should be identified without applying any thresholds (e.g. any individual with at least one share or vote should be considered a beneficial owner).

If the general rules are applied, when a company is a party to a trust, the trust beneficial ownership register could simply retrieve the beneficial ownership information from the beneficial ownership register of companies. This way, those who hold more than 25% of the shares of the company may be identified as beneficial owners of the trust. However, if the most transparent scenario is implemented, where no thresholds apply, then it would not be enough to retrieve the information contained in the beneficial ownership register for companies, and trusts will have to register additional information, unless the beneficial ownership definition for legal persons changes and stops applying any threshold as proposed by some authors (see e.g. NEBOT paper "BO definition for companies – gaps and loopholes").

Figure 1: Consequences of combining trusts and legal persons



3.4 Access

Under the AMLD, while countries should ensure public access to beneficial ownership information for legal persons, in the case of trusts, access is only for those who may prove a legitimate interest as well as cases where a trust owns a non-EU company. This distinction seems to be related to the classification of trusts as legal arrangements rather than to a consideration of the risks or functions of trusts. Private foundations are the civil law equivalent of trusts in terms of uses, effects and control structure. In fact, the AMLD recognises this similitude, and under Art. 3, it also applies the definition of trusts' beneficial owners to private foundations.

(6) 'beneficial owner' means any natural person(s) who ultimately owns or controls the customer and/or the natural person(s) on whose behalf a transaction or activity is being conducted and includes at least:

(...)

(b) in the case of trusts: (i) the settlor(s); (ii) the trustee(s); (iii) the protector(s), if any; (iv) the beneficiaries, or where the

individuals benefiting from the legal arrangement or entity have yet to be determined, the class of persons in whose main interest the legal arrangement or entity is set up or operates; (v) any other natural person exercising ultimate control over the trust by means of direct or indirect ownership or by other means;

(c) in the case of legal entities such as foundations, and legal arrangements similar to trusts, the natural person(s) holding equivalent or similar positions to those referred to in point(b);

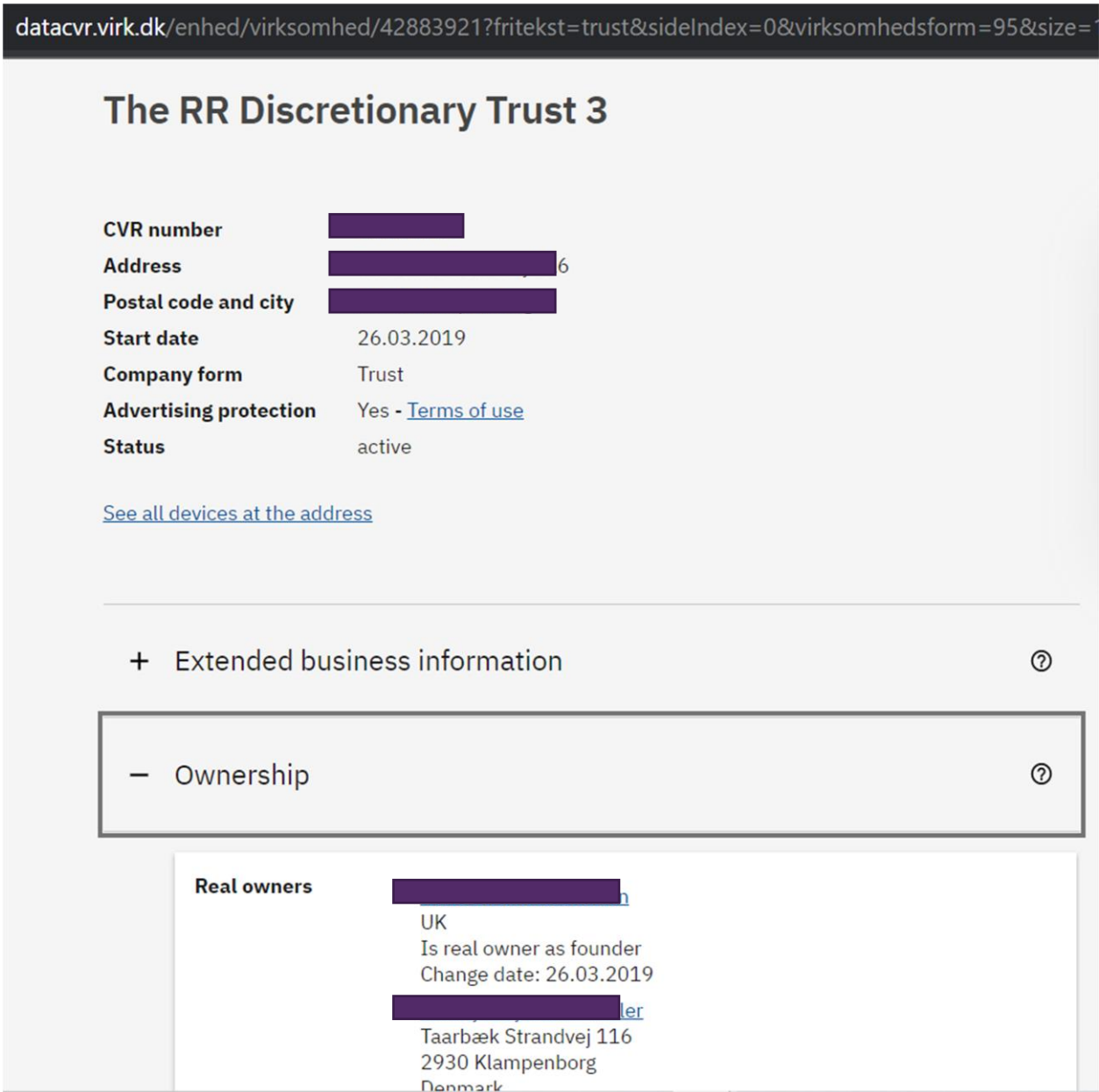
However, based on the classification of private foundations as legal persons, their beneficial ownership information is publicly accessible. In contrast, trusts' beneficial ownership information requires a legitimate interest.

Despite the need for a legitimate interest, at least 12 EU countries have started or plan to grant public access to trusts' beneficial ownership information. These countries include Austria, Bulgaria, Croatia, Czechia, Denmark, Estonia, Germany, the Netherlands, Poland, Portugal, Slovenia and Sweden. However, some of these countries only give public access to residents (e.g.

Croatia, Portugal and Sweden) or not on all trust parties (e.g. Czechia only includes information on the trustee). The most transparent case is found in Denmark, which

offers free, online and public access to the beneficial owners of trusts, as illustrated by the figure below (it also allows searches by type of entity).

Figure 2: Extract on a trust from the Danish beneficial ownership register



3.5 Enforceability as a guiding legislative principle

As described above, trusts are required to register their beneficial owners in the EU whenever the trustee is located in the EU, or when the trust acquires real estate or establishes business relations in the EU. However, without information on the actual number of trusts which exist or operate in a country, registration becomes voluntary (self-reporting) and enforcement may be impossible. A similar conclusion was reached in a 2019 [paper](#) commissioned by the Australian Tax Office (ATO), a country where trusts are extremely integrated and relevant to the economy:

“A question of primary importance is whether the Income Tax Assessment Acts can be adequately enforced with current sources of information about trusts.... The analysis demonstrates that without more complete trust data there is an inherent complexity in better determining the potential size of the active trust population in any one financial year... in the context of a self-reporting system, this presents a unique and complex set of challenges for the ATO...

Trusts are being used for a variety of purposes and in across various industries. Such heterogeneity means that without some regulatory oversight

it would become increasing difficult for the ATO to monitor and administer the taxations laws in relation to trusts. By comparison, the corporate structure is heavily regulated in Australia and yet trusts are just as prominent across as many industries and sectors...

Lack of trust registration and authentication requirements encourages opportunism and fraud on the part of taxpayers. Allegations that trusts exist and have certain terms may be based on falsified documents and/or false claims that constituent documents have been lost or destroyed. Distributive entitlements and/or persons' statuses as trust beneficiaries may be changed prior to tax audits in order to conform with previous years' tax returns” (pp. 89-106)

One could argue that enforcement could be facilitated indirectly by the real estate register, e.g. if trusts are prevented from registering their real estate unless they have first registered their beneficial ownership information. The same could apply to obliged entities and designated non-financial institution businesses and professionals (DNFBPs). For instance, lawyers, notaries or professional trustees could be prevented from engaging or doing transactions with trusts unless the trust has registered its beneficial owners. However, enforcement would still be challenging and would require audits to ensure that obliged entities are complying with the Directive.

One solution would be to require trusts to “incorporate” in order to have legal validity in the EU. Although many countries, especially common law countries, may find this requirement contrary to the (legal) ways in which trusts were created for centuries, the fact is that the fight against financial crimes has changed many features of the way of doing business. Corporate anonymity, bearer shares or the possibility to open an anonymous bank account with a million dollars in a suitcase used to be commonplace. This is no longer the case. Establishing new mechanisms for compulsory registration of trusts (just as it happens with companies and private foundations) would be beneficial to find out about trusts which have other types of connections to the EU which are not yet covered by the Directive like those being governed by the laws of an EU country or having a local settlor, protector or

beneficiary. Interestingly, one EU country already applies this. Czechia requires under Art. 1448.2 and 1451.2 of the Civil Code that trusts must be registered in order to be “created” (giving registration a “constitutive effect”, meaning that rights start from the moment of creation). This means trusts in Czechia have their own identification number and a file in the register, which is appreciated by Czech professional trust service providers. The trust can thus be easily identified and proven, and this greatly simplifies dealings with third parties. Another case, though indirect, is France. Although France does not explicitly mention trust registration as a pre-requisite for legal validity, it establishes the sanction of nullification in cases of non-compliance with the registration of beneficial owners (amended Art. 2019, 4th paragraph of the French Civil Code).

4. Policy changes

4.1 Policy recommendations

Based on this paper's analysis, the following recommendations should be considered by EU countries:

1. a) Beneficial ownership registration should be extended to any domestic trust (governed under the laws of an EU country) or to any trust which acquires or already holds real estate or which establishes (or already has) business relations.

b) There should be no exceptions for any type of trust from the requirement to register beneficial owners.

c) Trust registration could then be extended to any trust holding any registrable asset (not just real estate) or where any party (not just the trustee) is resident in an EU country.

2. A domestic or foreign trust's legal validity should be contingent upon the trust having registered its beneficial owners. Alternatively, a trust's legal validity could be subject to "registration/certification of existence" and then authorities should check whether all "registered/certified" trusts have filed their beneficial ownership registration, as is the case with legal persons. "Unregistered" trusts should be prevented from engaging in any transaction (e.g. opening a bank account), or any distribution from an "unregistered" trust

could be considered unjustified or illegal enrichment. Likewise, trustees would be considered the absolute owners of the assets that they hold as legal owners on behalf of the trust (this means that the personal creditors of the trustee would have access to the trust assets as if they belonged to the personal wealth of the trustee).

3. Where a legal person is a party to the trust, the Directive should clarify who has to be identified as a beneficial owner. Ideally, rules ought to clarify that all beneficial owners of that legal person should be identified as beneficial owners of the trust without applying any thresholds that would otherwise generally apply (e.g. "more than 25% of the shares" would become "any natural person with at least one share or vote over the legal person which is party to a trust"). In other words, given that the beneficial ownership definition for trusts cannot include thresholds, such thresholds should not be allowed to be applied throughout the ownership or control structure of the trust.

4. Discretionary trusts should be prohibited. Any beneficiary, including a recipient of an indirect distribution, should first be registered before they may receive a direct or indirect distribution.

5. There should be public access to beneficial ownership information on trusts,

just as is already the case with other legal vehicles which are used for the exact same purposes as trusts, such as private foundations and other legal persons (as explained above, many EU countries are or will offer public access to trusts' beneficial owners).

4.2 The AML Package

On July 20, 2021, the European Commission presented a package of legislative proposals to strengthen the EU's rules to tackle money laundering and to counter the financing of terrorism known as the "AML Package".

Although the AML Package does not propose specific changes on trusts, this could be an opportunity to promote some of the changes mentioned above. For this purpose, the following recommendations could be proposed:

- Art. 43 of the proposed [Regulation](#) in the AML Package could be amended as follows (proposed recommendations in bold):

Identification of beneficial owners for express trusts and similar legal entities or arrangements. In case of express trusts, the beneficial owners shall be all the following natural persons:

*(a) all settlors, including the **economic and legal** settlor(s);*

(b) the trustee(s);

(c) the protector(s), if any;

(d) the beneficiaries or where there is a class of beneficiaries, the individuals within that class that receive a benefit from the legal arrangement or entity, irrespective of any threshold, as well as the class of beneficiaries. However, in the case of pension schemes within the scope of Directive (EU) 2016/2341 of the European Parliament and of the Council 56 and which provide for a class of beneficiaries, only the class of beneficiaries shall be the beneficiary;

(e) in case any of the parties in (a), (b), (c) or (d) are legal vehicles or nominee natural persons, the beneficial owners of each party shall be identified applying the corresponding rules but without thresholds (e.g. any natural person holding one share of the corporate trustee)

(f) any other natural person exercising ultimate control over the express trust by means of direct or indirect ownership or by other means, including through a chain of control or ownership. In this case, no thresholds shall apply in the beneficial ownership definition of any legal person integrated into the ownership chain.

(g) discretionary trusts or any trust where a party may have discretion to choose who is to become a beneficiary or receive a distribution shall not be permitted in the EU. Any person must first be registered as a beneficial owner in order to receive a distribution.

(h) any person who receives an indirect distribution shall also be considered a beneficiary of the trust.

- Art. 48 of the proposed [Regulation](#) in the AML Package could be amended as follows (proposed amendments in bold):

*Foreign legal entities **and domestic or foreign** arrangements*

*1. Beneficial ownership information of legal entities incorporated outside the Union or of express trusts or similar legal arrangements **created according to or governed by the laws of a Member State or** administered outside the Union shall be held in the central register referred to in Article 10 of Directive [please insert reference – proposal for 6th Anti-Money Laundering Directive - COM/2021/423 final] set up by the Member State where such entities or trustees of express trusts or persons holding equivalent positions in similar legal arrangements:*

*(a) enter into **or hold** a business relationship with an obliged entity or enters into any contract or economic relationship with a local legal vehicle;*

*(b) acquire **or hold** real estate or any other registrable asset including vessels, aircrafts, cars, or art in their territory.*

[Option A: For a domestic or foreign trust to obtain legal validity in the EU, it shall be registered in a Member State's beneficial ownership registry.]

[Option B: For a domestic or foreign trust to be able to engage in financial transactions, hold assets, or make or receive payments to or from EU residents, it shall be registered in a Member State's beneficial ownership registry.]

- Art. 12 of the proposed [Directive](#) in the AML Package could be amended as follows (proposed amendments in bold):

Specific access rules to beneficial ownership registers for the public

1. Member States shall ensure that any member of the general public has access to the following information held in the interconnected central registers referred to in Article 10:

*(a) in the case of legal entities **or express trusts or similar legal arrangements**, at least the name, the month and year of birth and the country of residence and nationality of the beneficial owner as well as the nature and extent of the beneficial interest held,*

~~(b) in case of express trusts or similar legal arrangements, the name, the month and year of birth and the country of residence and nationality of the beneficial owner as well as the nature and extent of the beneficial interest held, provided that a legitimate interest can be demonstrated.~~

Conclusion

The AMLD treats trusts differently from legal persons. Although this may be related to the more generalised use and prevalence of legal persons over trusts in most EU countries (compared to most common law countries), the disparity in legal frameworks between legal persons and trusts creates secrecy risks that could be exploited to engage in money laundering.

Even in the scenario where the AMLD is fully implemented and complied with in every country, there remain challenges to trust transparency, including the limited scope of trust registration, the lack of provisions on complex situations affecting the beneficial ownership determination, the restricted access to information, and the lack of information on the number of registrable trusts that operate in each EU country.

The findings of the Financial Secrecy Index underscore these secrecy risks by suggesting that some EU countries are not complying with the scope of trusts under registration, the conditions which should trigger registration, or the beneficial ownership definition.

In contrast, some EU Members have implemented best practices which could be replicated in other countries. For instance, Denmark offers free, online and public access to trusts' beneficial ownership information, while Czechia and France

ensure trust registration by means of legal recognition or sanctions.

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Civil Society Advancing Beneficial Ownership Transparency

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NEBOT Paper 4

The Beneficial Ownership Definition for Companies – Challenges and Opportunities

Network of Experts on Beneficial Ownership Transparency, NEBOT



The Beneficial Ownership Definition for Companies - Challenges and Opportunities

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Abstract

Establishing an effective beneficial ownership (BO) definition is essential to ensure the transparency needed to tackle money laundering, tax evasion and other financial crimes. Currently, the BO definitions lack clarity, are subject to different interpretations and implementation by Member States, and most problematically, may not be identifying all the relevant individuals.

This paper analyses how the BO definition has been implemented differently in each Member State and explains the challenges and consequences related to thresholds, indirect ownership and the chosen elements (e.g. ownership, control and/or benefit).

The paper then analyses proposals for an “adequate” definition, assessing the current loopholes of the BO definition in the EU’s proposed Anti-Money Laundering (AML) Package as well as recommending the most transparent definition, considering which elements and thresholds could be used.

While many factors should be considered, e.g. proportionality, clarity, implementation, etc., in the long run, the way to check most of the boxes would be to have a highly comprehensive BO definition that covered as many individuals as possible. Once many IT and legal challenges are resolved, the BO definition could apply no thresholds in the BO definition for legal persons. This would

allow authorities to have all the information they need and make it clear how the rules are to be applied regardless of the complexity of the structure (so as not to decide how to consider indirect ownership or control). To make the definition enforceable, the criteria on control should also become more “mechanical”, i.e. similar to following a simple check list, such as identifying every natural person with a power of attorney, anyone with control over the bank accounts, anyone who participates in the board of directors, etc. While this may end up covering many individuals, it will be easier to implement and understand, rather than relying on how each individual country or user will interpret the concept of “sufficient voting rights”. However, such an approach may significantly increase the cost for obliged entities to perform their customer due diligence processes.

On the other side of the spectrum, keeping a definition with thresholds and open rules on control may make it easier to approve politically and reduce costs for the private sector, but may hinder the provision of much-needed information to determine who is currently controlling, benefitting from or owning Europe’s legal persons.

If governments are to follow an approach towards effective beneficial ownership transparency, they need to pay the costs of setting up efficient BO registries with advanced IT systems and proper verification that can be relied upon by the private sector and especially obliged entities so as not to increase their compliance costs. In other

words, it should be the responsibility of governments to set up fully reliable BO registries where the private sector can find the full ownership chain up to each beneficial owner. If commercial and BO registries do not collect all relevant ownership information, governments cannot expect third parties (e.g. obliged entities) to produce this information. Instead, once central BO registries make the full ownership chain of each legal vehicle available, obliged entities and other stakeholders will be able to use this information to assess its accuracy based on more sophisticated checks and data that are only available to them, such as data on the person who withdraws money from an ATM or those with power of attorney over the account.

1. Introduction

Before the 4th AML Directive (AMLD), identifying the beneficial owner was primarily the task of a relatively small group of professionals in the service of obliged entities. An obliged entity (e.g. a financial institution, lawyer, accountant) has to carry out due diligence of customers requesting particular services or products in the course of its business. Due diligence measures are a necessary condition for the provision of these services. As part of the due diligence process, the beneficial owner of the customer is ascertained. From a general point of view, the beneficial owner is determined in an endeavour to uncover the possible existence of individuals behind a legal vehicle (e.g. a company, foundation, trust) who may be linked to money laundering, terrorist financing and related criminal activities (e.g. corruption, tax crimes, drug trafficking, human trafficking).

Recently, however, the task has also been entrusted to a wide range of legal entities and their representatives. Legal persons must now identify and record their beneficial owner in order to comply with the general registration obligation, regardless of their activities or characteristics.

Although many people have a notion of what a beneficial owner is, defining the term and the criteria to determine how to identify beneficial owners in a way

that is understood and agreed upon by all stakeholders is a challenging endeavour. The more technical and specific the regulation on beneficial ownership, the more differences arise.

If legal persons are to be successful in their efforts, i.e. if they are to come up with accurate, up-to-date and complete information, it is essential that they first understand what information they are actually required to register. Moreover, the concept of beneficial ownership must also be understood much more precisely and consistently by the obliged entities in order to avoid frictions or conflicts. Obligated entities must regularly check the BO registries to confirm the existence of discrepancies between the information contained in the register versus the information that they have collected as part of their due diligence process. The consistency in the understanding and implementation of the BO concept will also be crucial to competent authorities as they will increasingly be using BO registers and the information they hold to gather usable and comprehensible information.

In the EU, this challenge is exacerbated by the fact that the BO framework was established by a Directive which is a European legislative instrument that needs to be transposed into national legislation for its provisions to be

integrated in the legal frameworks of the Member States. There is also the ambitious requirement that all Member States' BO registries will become interconnected, requiring agreements not just at the IT level but especially on whose and what information is being registered. This creates a need to harmonise the interpretation of the BO concept in order to avoid having inconsistent, contradicting or conflicting national frameworks. The 2021 [AML Package](#)¹ tries to partially resolve this issue by proposing a Regulation (that is directly applicable in Member States, as opposed to Directives) to address some of the inconsistencies observed during the national transposition process. The provisions of said proposed Regulation are yet to be formally agreed upon by the co-legislators.

This paper presents a list of challenges that have been faced by different stakeholders in relation to the BO definition. Section 2 describes the policy challenges of the BO definition. Section 3 refers to the EU framework, including a comparison of each Member State's provisions. Section 4 offers possibilities for improving the BO definition.

¹ https://ec.europa.eu/info/publications/210720-anti-money-laundering-counteracting-financing-terrorism_en

2. The policy challenges of defining “beneficial ownership”

A BO definition (and more broadly, any BO disclosure framework) needs to strike a balance among opposing factors, including the need to be:

- Understandable by all stakeholders (e.g. competent authorities, obliged entities, legal persons).
- Implementable both by central registries as well as by the private sector in charge of collecting and filing BO information.
- Usable both in terms of the dataset it covers and the technical means through which said information is to be gathered, stored and accessed by each stakeholder (e.g. competent authorities, obliged entities, civil society organisations, journalists, investors, business people).
- Enforceable by central registries, supervisors and all competent authorities.
- Effective towards achieving all relevant goals (e.g. the fight against money laundering, tax evasion, sanction enforcement, financing of terrorism, etc.) and approaches (e.g. “reactive” in response to an investigation, or “preventive” before suspicions have arisen).

Depending on the choice of BO definition, different consequences will arise. A definition resulting in hundreds of registered beneficial owners of a single

entity may provide a great deal of transparency, but at the same time some may argue that it constitutes an intrusion into the privacy of a large number of persons (persons with no real influence or significance) and represents an administrative burden for the legal entity the private sector as well as for the registering authority (unless the available and fully-tested technological solutions are applied – otherwise noise and inaccuracies could be added, affecting the use of data). On the other hand, it is neither useful nor efficient to try to identify as few persons as possible, because even relatively important individuals in a legal entity could fall through the sieve and remain hidden.

To understand the tension among all factors, consider for instance a BO definition which required only the top shareholder to be registered. While this definition is easily understandable, implementable and enforceable, it may lack effectiveness towards achieving any relevant goal given that a criminal could control or benefit from an entity in other ways aside from being the top shareholder. On the other side of the spectrum, a BO definition could simply require the identification of “the person who is really in charge, who would be considered responsible and liable by the

court in case of a prosecution for money laundering”. This definition would surely address the goal of tackling money laundering. While it may be understandable by many, its effectiveness may be very low, because it would depend on what each country or actor considers “being in charge”. A BO definition must strike a balance between easily implementable (mechanical) rules and more flexible principles that may adapt to the infinite types of structures of any entity.

Moreover, the chosen definition must also accommodate other general policy constraints including the need for proportionality (considering the burden for the private sector and for registry authorities) as well as efficiency (e.g. how easy it is to comply, file and register information, and then how easy it is for relevant stakeholders to use it). Although privacy concerns may also be raised, these tend to be related to public access to information, while this paper deals only with BO registration (i.e. concerning information that will be made available to authorities).

3. The EU framework

3.1 The AML Directive

The EU framework decided to strike a balance among all the contradictory factors mentioned above by incorporating the BO definition based on the Financial Action Task Force (FATF) Glossary and by applying the criteria to determine a beneficial owner based on the customer due diligence rules (CDD) of FATF Recommendation 10.

However, unlike the CDD of Recommendation 10 which applies a cascading test, the AMLD considers as the beneficial owner of a legal entity or legal arrangement anyone who meets any of the criteria. In essence, the definition covers “any natural persons who ultimately own or control the customer and/or the natural persons on whose behalf a transaction or activity is being conducted.” The criteria to determine a beneficial owner for legal persons similar to companies (i.e. corporate entities) involves identifying any individual with a direct or indirect ownership above 25% of shares or sufficient votes, or with control via other means:

(6) ‘beneficial owner’ means any natural person(s) who ultimately owns or controls the customer and/or the natural person(s) on whose behalf a transaction or activity is being conducted and includes at least:

*(a) in the case of corporate entities:
(i) the natural person(s) who ultimately owns or controls a legal entity through*

direct or indirect ownership of a sufficient percentage of the shares or voting rights or ownership interest in that entity, including through bearer shareholdings, or through control via other means, other than a company listed on a regulated market that is subject to disclosure requirements consistent with Union law or subject to equivalent international standards which ensure adequate transparency of ownership information.

A shareholding of 25 % plus one share or an ownership interest of more than 25 % in the customer held by a natural person shall be an indication of direct ownership. A shareholding of 25 % plus one share or an ownership interest of more than 25 % in the customer held by a corporate entity, which is under the control of a natural person(s), or by multiple corporate entities, which are under the control of the same natural person(s), shall be an indication of indirect ownership. This applies without prejudice to the right of Member States to decide that a lower percentage may be an indication of ownership or control. Control through other means may be determined, inter alia, in accordance with the criteria in Article 22(1) to (5) of Directive 2013/34/EU of the European Parliament and of the Council(3);

3.2 Challenges affecting the implementation of the AML Directive

The EU AMLD's BO definition faces several challenges. First, the transposition of the Directive has not been equal and consistent across the various Member States. Second, there is criticism of the current framework from stakeholders (e.g. the private sector, civil society organisations) including issues on clarity, simplification, thresholds, and details to be registered.

3.2.1 Unequal transposition of the AML Directive

Based on the Tax Justice Network's [Financial Secrecy Index](#) published in 2022, the following table describes the differences between EU Member States on the beneficial ownership registration for companies in relation to the conditions that trigger registration; the definition's elements and thresholds on ownership, voting rights and benefits; the threshold to appoint or remove directors; and whether the definition includes cases of control via other means.

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Table 1: The BO definition in each Member State

Country	Trigger	Ownership threshold (%)	Voting threshold (%)	Benefit threshold (%)	Appoint/Remove Board	Control via other means?
Austria	Multiple	25	25	-	Majority	Yes
Belgium	Local companies	25	25	-	Majority	Yes
Bulgaria	Local companies	25	-	-	Majority	Yes
Croatia	Local companies	25	25	-	Not clear	Yes
Cyprus	Local companies	25	-	-	Majority	Yes
Czechia	Local companies	-	“Exceeding majority”	25	Majority	Yes
Denmark	Local companies	25	25	-	Majority	Yes
Estonia	Local companies	25	50	-	Majority	Not clear
Finland	Local companies	25	25	-	-	Yes
France	Local companies	25	25	-	Majority	Yes
Germany	Multiple	25	25	-	Majority	Yes
Greece	Multiple	25	25	-	Majority	Yes
Hungary	Other	25	25	-	Majority	Yes
Ireland	Local companies	25	Not clear	-	Majority	Yes
Italy	Local companies	25	“Majority”	-	-	Yes
Latvia	Multiple	25	25	-	Majority	Yes
Lithuania	Local companies	25	-	-	-	Yes
Luxembourg	Multiple	25	“Majority”	-	Majority	Yes
Malta	Local companies	25	25	-	Majority	Yes
Netherlands	Multiple	25	25	25	Majority	Yes
Poland	Local companies	25	25	-	Majority	Yes
Portugal	Being (tax) resident	25	Not clear	-	-	Yes
Romania	Local companies	25	-	-	-	-
Slovakia	Local companies	25	25	25	Any	Yes
Slovenia	Multiple	25	25	-	Majority	Yes
Spain	Other	25	25	-	Majority	Yes
Sweden	Multiple	-	25	-	Majority	Yes

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References:

Trigger: **Austria:** domiciled in Austria and foreign companies intending to acquire land. **Germany:** local companies and foreign ones which acquire land or interests in companies which own land. **Greece:** companies that have a permanent establishment and file tax returns, or which are based in Greece. **Hungary:** It is not clear if only bank account managers or any obliged entity can register the beneficial owners of the entities they engage with. While not all companies must engage with a bank, they must all engage with a notary (obliged entity). **Latvia:** local incorporation and apparently having a permanent establishment. **Luxembourg:** local incorporation and foreign subsidiaries registered in the commercial register. **Netherlands:** companies established in the Netherlands, and all legal entities with their statutory base in the Netherlands. **Slovenia:** being registered in the commercial register or the tax register. **Spain:** the headquarters of their effective management or their main activity in Spain, or that are administered or managed by natural or legal persons resident or established in Spain, or domiciled in Spain which deposit accounts. **Sweden:** Swedish legal persons and foreign ones which conduct business in Sweden.

Voting threshold: In **Ireland** and **Portugal**, while the law doesn't refer to a specific threshold, the guidance mentions 25% of voting rights. In **Belgium**, the law refers to a sufficient threshold (25% being a sufficient but not necessary condition to meet the "sufficient" condition).

Appoint/remove the board: In **Croatia**, while the translation of the law is not clear, the Peer Review report by the Global Forum described that it would include "powers for appointing the high-level management", but it is not clear if this refers to any senior management or the majority of them.

Control via other means: In **Estonia**, while the BO definition refers to "control via other means", this is not specifically mentioned among the criteria to determine who must be identified as a beneficial owner.

As the table shows, the Directive has been transposed in very different ways. As regards triggers for when BO information must be filed with a government authority, most countries require local companies to register their beneficial owners consistent with the AMLD. Many countries have "multiple" triggers, which include registration of local companies (as required by the Directive) as well as other situations, such as companies with a permanent establishment. Portugal requires registration based on the tax residency (which apparently also covers local companies because tax residency is based on having the legal seat in Portugal). Spain requires registration based on having the headquarters and the main activity in Spain, and it is unclear if this would cover all companies incorporated in the country. In Hungary, it is not clear if only bank account managers or any obliged entity can register the beneficial owners of the entities they engage with. While not all companies must engage with a bank, they must all engage with a notary (obliged entity). If only banks are able to file BO information, this would result in another implicit condition: being a local company plus having a local bank account.

With regard to the prongs and thresholds, while most countries apply the 25% ownership threshold (Hungary and Slovakia establish it as "at least", most others as "more than"), Czechia and Sweden do not apply an ownership threshold per se. Belgium provides that beneficial owners are those natural persons with a sufficient

percentage of shares owned or voting rights under control. Most countries apply a threshold for the voting rights of 25% (although the AMLD refers just to “sufficient” voting rights), while Estonia applies a threshold of 50% and some countries refer to a “majority” of votes (e.g. Luxembourg or Italy) or even “significantly exceeding the shares of voting rights of other persons” (e.g. Czechia). Other countries do not set a specific threshold for voting rights (e.g. Bulgaria, Cyprus, Lithuania and Romania). As for the benefit element (e.g. rights to dividends), only Czechia, the Netherlands and Slovakia apply a 25% threshold. Many countries also consider a beneficial owner to be an individual who may appoint or remove a majority of the board of directors. Slovakia is the only country that has made the appointment or removal of any director (not the majority) a qualifier, while Finland, Italy, Lithuania, Portugal and Romania do not apply this element. In the case of Croatia, it is not clear what the threshold is. Finally, most countries also require the identification of any individual with other means of control, except for Romania (in Estonia, while the BO definition refers to control via other means, it is not clear if this is part of the criteria to determine who the beneficial owner is).

3.2.2 The definition’s three prongs: control, ownership and benefit

The way the AMLD incorporates the BO definition from the FATF creates confusion because it is too specific to obliged entities’ customer due diligence. For instance, it

refers to “customer” and “transactions”. The consequence of this is that the BO definition could have two possible interpretations. One is “literal”, resulting in part of the BO definition that refers to “transactions” as being irrelevant and inapplicable to BO registration of legal persons. The other interpretation is “holistic” and thus giving a more “applicable” interpretation to the part on “transactions”, by considering it to refer to anyone benefitting from the legal vehicle (the “benefit” element).

Specifically, the AMLD definition, stemming directly from the FATF, states: *“‘beneficial owner’ means any natural person(s) who ultimately owns or controls the **customer** and/or the natural person(s) on whose behalf a **transaction or activity** is being conducted and includes at least”*.

Assuming that “customer” refers to “legal person”, a literal interpretation of the remaining part of the definition would suggest that the BO definition covers only anyone who ultimately owns or controls the legal person (ownership and control prongs), while the rest of the definition regarding “transaction or activity” would only make sense for an obliged entity but is inapplicable to the BO definition of legal persons as part of BO registration. In other words, a bank should identify cases where a bank transfer is on behalf of an individual who has no ownership or control over a customer, but this would be irrelevant for BO registration in central registries.

On the other hand, a “holistic” interpretation considers that the full

definition is relevant (in fact, the term “customer” must already be interpreted as “legal person”). In this case, the last part of the BO definition on “*and/or the natural person(s) on whose behalf a **transaction or activity** is being conducted*” should refer to a natural person who benefits from a legal person.

In fact, the [FATF](#) seems to use this sentence to refer to cases when the ownership and control structure is deliberately created to avoid identifying a person who is indeed benefitting, and should thus be identified as well: “Another essential element to the FATF definition of beneficial owner is that it includes natural persons on whose behalf a transaction is being conducted, even where that person does not have actual or legal ownership or control over the customer... This element of the FATF definition of beneficial owner focuses on individuals that are central to a transaction being conducted even where the transaction has been deliberately structured to avoid control or ownership of the customer but to retain the benefit of the transaction.”²

Given the relevance of “ownership”, “control” or “benefit” as relevant elements to determine “beneficial ownership” (in other words, authorities should know the

identity of anyone with either ownership, control or benefit over a legal person), this paper considers that the BO definition in the AMLD should be interpreted as referring to these three elements. This is also explicitly considered in the BO definitions of some countries including the Netherlands, Slovakia (see the table above) or the US.³

Based on the explanation above, while the AMLD’s BO definition suggests that three elements (ownership, control and benefit) have equal worth in the definition, the criteria to determine who a beneficial owner is focuses on ownership and control, but not on benefits.⁴ It is based on passing a threshold of direct or indirect sufficient number of ownership (above 25%, but Member States may establish lower ones) or having control based on a direct or indirect “sufficient number of votes” or having “control via other means” (this may be determined based on Directive 2013/34/EU).

As for the hierarchy of ownership and control, they appear to be equal, where anyone meeting any condition is considered a beneficial owner, rather than applying a cascading test where only one condition is

² FATF Guidance “Transparency and Beneficial Ownership” 2014, pp 8-9.

³ The US Corporate Transparency Act of 2019 is clearly based upon similar line of thought, as its definition of a beneficial owner includes a person who “(i) exercises substantial control over a corporation or limited liability company; (ii) owns 25 percent or more of the equity interests of a corporation or limited liability company; or (iii) receives substantial economic benefits from the

assets of a corporation or limited liability company.” Available online [here](#) on the US Congress website.

⁴ The criteria to determine beneficial owners is also based on the FATF customer due diligence rules which face the same contradiction. While the BO definition refers to ownership, control and anyone on whose behalf a transaction or activity is being conducted, the due diligence rules only refer to ownership and control, but not to activities or transactions.

checked, and the second one is considered only if no one has passed the first condition.

Therefore, the AMLD definition departs from the FATF CDD of Recommendation 10⁵ because the FATF only focuses on the “control” element and because such control is established based on a cascading test: the first test is anyone with control through ownership (“ultimately having a controlling ownership interest in a legal person”, which may be based on a threshold, e.g. more than 25%). The second test, in case no one has been identified or in case of doubt, requires the identification of anyone exercising “control through other means”.

It is not clear if the AMLD deliberately tried to differentiate itself from the FATF, or if this was an innocent choice of words by legislators. By establishing two elements, ownership and control, the AMLD solves one of the criticisms against the FATF which only focuses on control. By disregarding the cascading test, it also expanded the number of beneficial owners that may be identified.

The criticism of the FATF is that it appears to focus only on “control”, and it suggests a threshold “e.g. more than 25%” to determine the presence of control. However, it results in anyone passing that

threshold being identified as a beneficial owner, even if they have no control at all, which is supposed to be the focus of the FATF. To understand this criticism, imagine a company with two shareholders. John has 26% of the shares and votes, while Mary has the remaining 74%. Based on the FATF thresholds, both individuals would have to be identified as beneficial owners, even though it is clear from the structure that only Mary has control, because with 74% of the votes she can make all decisions regardless of John’s opinion. [If John’s 26% share is to be manifestation of control (controlling ownership interest), the term control must be understood against its common meaning. That is, a “control” in the sense of the FATF is something that is not actually a control at all.]

In the case of the AMLD, it would make sense to identify both individuals because the definition doesn’t suggest that “more than 25%” is an indication of having a “controlling ownership” or “control”. The AMLD simply requires the identification of anyone passing the ownership threshold. The criticism, however, is that 25% becomes an arbitrary number and there is no explanation of how this threshold enables the identification of anyone involved in

⁵ “For legal persons: (i.i) The identity of the natural persons (if any – as ownership interests can be so diversified that there are no natural persons (whether acting alone or together) exercising control of the legal person or arrangement through ownership) who ultimately have a controlling ownership interest in a legal person; and (i.ii) to the extent that there is doubt under (i.i) as to whether the person(s) with the controlling ownership interest are the beneficial owner(s) or where no natural person exerts control through ownership interests, the identity of the natural persons (if any)

exercising control of the legal person or arrangement through other means. (i.iii) Where no natural person is identified under (i.i) or (i.ii) above, financial institutions should identify and take reasonable measures to verify the identity of the relevant natural person who holds the position of senior managing official.

* A controlling ownership interest depends on the ownership structure of the company. It may be based on a threshold, e.g. any person owning more than a certain percentage of the company (e.g. 25%).”

money laundering, either from a reactive or preventive approach. In addition, the threshold is considered too high by some, as will be explained below.

As for the control element, the AMLD fails to set a threshold to determine a “sufficient number of votes”. It does offer examples of what “control through other means” may be. These open provisions have the consequence, as illustrated by the Table above, that every EU country may legally choose different thresholds for voting rights or to determine control via other means, such as requiring a threshold of removing or appointing either a majority or just one director. The fact that the AMLD does not define the term “control” also generates confusion.

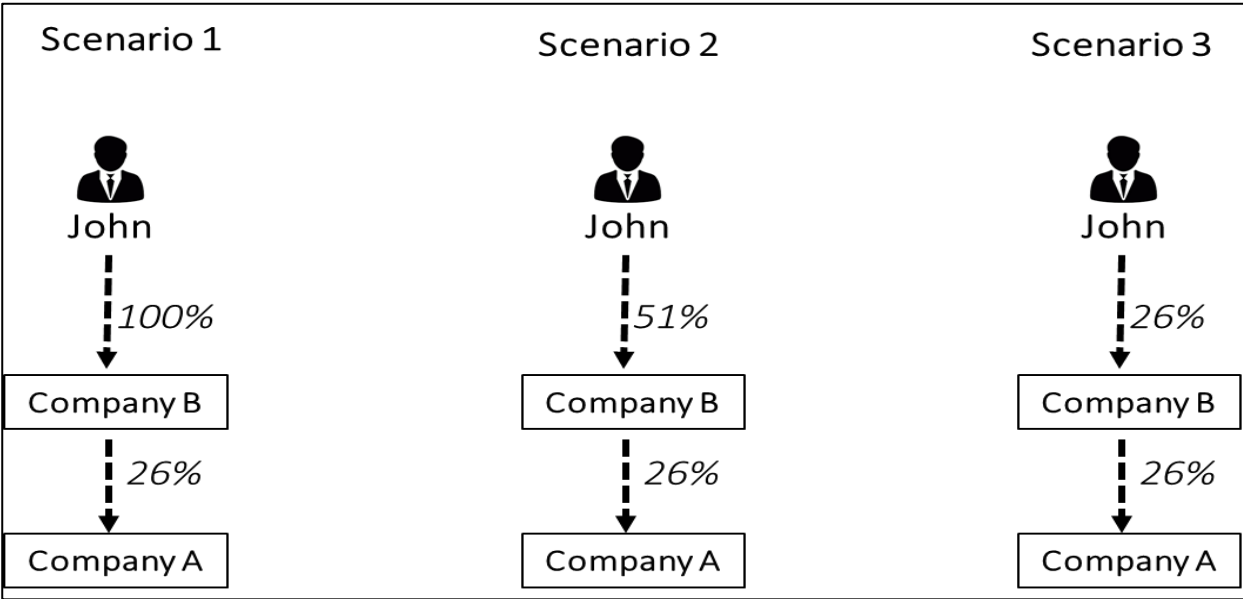
Assuming the AMLD intended to include the “benefit” element in the definition by referring to “on whose behalf an activity or transaction is conducted”, there is a contradiction in the fact that the “benefit” element is not mentioned in the criteria, nor are any thresholds for benefits established.

3.2.3 Indirect ownership

Another criticism is the lack of clarity on the determination of indirect ownership. The AMLD establishes: “A shareholding of 25 % plus one share or an ownership interest of more than 25% in the customer held by a corporate entity, which is under the control of a natural person(s), or by multiple corporate entities, which are under the control of the same natural person(s), shall be an indication of indirect ownership.”

The next figure (on the following page) illustrates three possible scenarios, and the question is whether John would always have to be identified as a beneficial owner of Company A or not.

- In the first scenario it is obvious that John would have to be identified as a beneficial owner: he indirectly owns more than 25% of Company A and he has full control of Company B.
- In second scenario, John would likely be considered a beneficial owner based on the AMLD definition which requires a “shareholding of more than 25% held by an entity under the control of the individual”. Although John indirectly holds just 13.26% of Company A (51% x 26%), Company B holds more than 25% of Company A and Company B is under the control of John because he has more than 50% of the shares and votes.
- Finally, in the third scenario, John would be unlikely to be considered a beneficial owner, unless a country required the “more than 25%” threshold to be tested at every level. In this case, although John indirectly holds just 6.76% of Company A, he would be considered a beneficial owner of Company B for holding more than 25% of Company B’s shares.

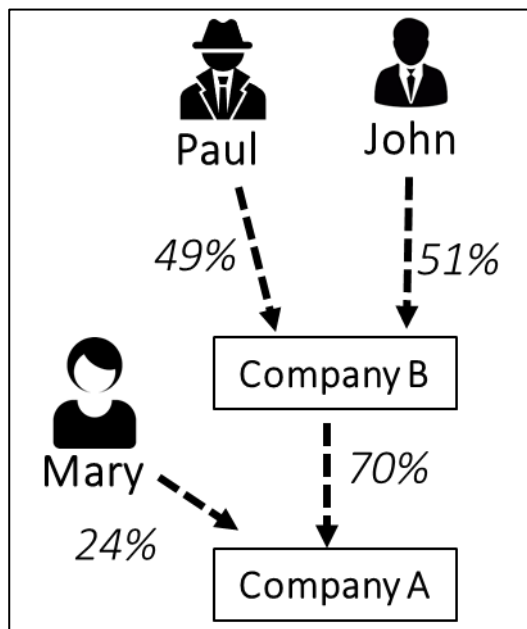


In addition to determining which scenario the AMLD definition applies to (most likely scenarios 1 and 2), identifying John as a beneficial owner in scenarios 2 and 3 may lead to another contradiction. Suppose that Company A is also owned by Mary, who directly holds 24% of the shares and votes of Company A. In all three cases, Mary would not be considered a beneficial owner of Company A, even though she holds more shares than John in scenarios 2 and 3. In other words, in scenario 2, John would be considered a beneficial owner with an indirect ownership of 13.26% while Mary would not be considered a beneficial owner despite holding 24% of the shares and votes. The situation is more extreme under scenario 3, because in this case John is the beneficial owner with only 6.76% while Mary is still excluded despite having 24%.

An even more extreme situation is illustrated by the next figure (on the following page). In this case, John would likely be considered the beneficial owner

because he controls Company B with 51% and indirectly holds 35.7% ($51\% \times 70\%$) of Company A. Mary, still directly holding just 24% of Company A, would not be considered a beneficial owner. The question is what happens with Paul. He holds only 49% of Company B, so he is clearly not in control, which appears to be the AMLD's criterion. However, by holding 49% of Company B, not only does he meet the threshold of holding more than 25% of Company B, but he indirectly holds 34.3% of Company A ($49\% \times 70\%$), yet he may still not

be considered a beneficial owner of Company A.⁶



3.2.4 Thresholds

The criticism on thresholds considers whether a “25% threshold” is adequate to address the risk of money laundering and other illicit financial flows. There seems to be no rationale of how that threshold would lead to identifying the relevant individuals. In fact, as it has been widely warned, a basic ownership structure of four shareholders with equal holdings would result in having

no beneficial owners (no one would pass the “more than 25% threshold”).

In fact, an [investigation](#) by Kroll into the Moldovan Laundromat proved that even a threshold of 5% was easy to circumvent:

“On 17 August 2012, all of the bank’s shares were sold and transferred to 21 new shareholders, each with a stake between 4.5% and 4.99%. A shareholder who held a stake of at least 5% was classified as a significant shareholder, with their acquisition subject to formal approval by the NBM [National Bank of Moldova]. The process was therefore circumnavigated by this scheme.”

3.2.5 Rules make sense for obliged entities but not for central BO registries

The AMLD BO definition for BO registration in central registries is based on and adapted from the FATF CDD rules of Recommendation 10. Not only is this clear from the almost identical wording, but also by the retention of terms which do not make sense in the central register context.

⁶ On the one hand, by indirectly holding 34.3% of Company A, Paul may be considered a beneficial owner. However, for indirect ownership, the Directive refers to having “control” over the entity (Company B) that holds more than 25% of the Customer (Company A). Given that Paul has no “control” over Company B, one could interpret that he is not a beneficial owner of Company A: “an ownership interest of more than 25 % in the customer [Company A] held by a corporate entity [Company B], which is **under the control of a natural person(s)** [John, but not Paul]... shall be an indication of indirect ownership.”

The AMLD definition refers to anyone “*who ultimately owns or controls the customer*”.

An obliged entity has customers, but a central register does not. The main problem is much more serious than the nuance of the term “customer” or “entity” (which is in any case widely understood). The problem with this shortcut of copy-pasting from a different context is that the FATF BO definition and CDD regulations are actually “principles” which are supposed to be applied by obliged entities and designated non-financial businesses and professionals (DNFBPs) such as lawyers and notaries when engaging with a new customer.

A bank employee is supposed to take the time to analyse the customer’s documents and, based on their expert opinion, consider who is a beneficial owner in terms of having a controlling ownership. The [FATF](#) itself is very clear that using a threshold is just one possibility to determine controlling ownership. If a threshold is chosen, then the figure of “more than 25%” becomes just one possibility within that first possibility, or to put it differently, an example within an example:

“The identity of the natural persons...who ultimately have a controlling ownership interest³⁵ in a legal person.

35. A controlling ownership interest depends on the ownership structure of the company. It may be based on a threshold, e.g. any person owning

more than a certain percentage of the company (e.g. 25%).”

In other words, the bank employee may use a threshold as a reference point, but the “principle” obligation is to determine who has a controlling ownership in each specific case, based on all the specific circumstances of each customer.

In contrast, the EU needed a definition and criteria to be applied by central registries, many of which would never engage with the entity that is registering its beneficial owners. In other words, especially in cases of remote incorporation, there would be no person checking the documents or the structure, or trying to understand the specific circumstances of each entity. For registration of entities *en masse*, principles cannot work. Mechanical and clear rules are necessary. In this case, thresholds must become compulsory, not just indicative.

The EU rightly transformed the principle-based FATF recommendations into applicable rules that can easily be checked. However, by making the 25% threshold set in stone rather than a reference point, it created too much rigidity, making circumvention very easy, as explained in the point above.

Establishing rules rather than principles was the right approach to make them implementable. However, they result in thresholds which are too high to achieve the goal of identifying anyone who may be responsible for money laundering or other financial crimes.

Both the FATF and the AMLD also offer a residual to identify “anyone with control through other means”, in case the real beneficial owner is not determined through the ownership threshold test. However, expressed in this way, it becomes a principle which is capable of capturing the right beneficial owner (if properly complied with), but it becomes impossible to be easily implementable in practice. For this reason, as the table above indicates, many countries transformed the “control via other means” into practical rules such as considering a vote threshold (more than 25% of votes) or the right to appoint or remove a majority of the board of directors.

The criticism here is that having two or three conditions may help as reference points for a “principle”, giving sufficient flexibility to whoever is applying it in practice. However, when the conditions become part of mechanical rules, just having two or three conditions may be insufficient, especially if thresholds are high. To put it in perspective, it would be one thing to allow an employee to buy a used car for the company by allowing them to use their judgement but giving them some reference point such as: “try not to spend more than \$10 000, make sure the car is working fine, i.e. as no strange noises when you drive and ideally not too old”. It would be quite different for the company to tell the employee to “buy any car that costs less than \$10,000, doesn’t make noise when you drive and is not more than 5 years old”.

4. The search for the “adequate” beneficial ownership information

The previous section described criticisms to the current AMLD BO definition. This section will explore various alternatives to improve the definition.

4.1 The AML Package

On July 20, 2021, the European Commission presented a package of legislative proposals to strengthen the EU’s rules to tackle money laundering and to counter the financing of terrorism known as the AML Package. The package includes, among other things, a proposal for a Regulation on anti-money laundering and combating the financing of terrorism (AML/CFT) and a proposal for a new AML Directive which would replace the current one.

4.1.1 Clarifying terms (at least partially)

The new BO definition under Art. 2(22) of the AML Package’s Regulation corrects the AMLD definition by referring to a “legal entity or express trust or similar arrangement” instead of a “customer” (which stemmed from the CDD of FATF Recommendation 10). It also explicitly refers to “benefit”, although it still makes reference to a transaction or activity. It would be clearer if the definition were changed to refer to “benefitting from the legal entity or express trust” to clearly

confirm the “benefit prong” of the definition. The table on the following page shows the differences (in bold) between both definitions.

4.1.2 Removing the ownership element

The proposed criteria to determine the identity of the beneficial owner gets closer to the FATF CDD of Recommendation 10 by removing “ownership” as an element that could be present in isolation (even without control) and leaving only the focus on “control”, which can be exercised either through ownership or through other means. This could be consequential if lower thresholds were to be chosen. For instance, if a country were to choose a “no threshold” approach (assuming the proposal changes its current provisions on thresholds and allows for this choice), someone could argue that such a “no threshold” approach is contrary to the Directive, because a person with just one share would have (just) “ownership” but not “control”. In other words, while “ownership” is still kept as an element in the proposal, it only works if that ownership also involves control, but not if it refers to mere ownership without control.

Unlike the FATF, the proposed Regulation does not apply a cascading test, and either manner of control (through ownership or

through other means) is equally applicable to identify an individual as a beneficial owner.

The next table shows the differences (in bold) between both definitions.

Table 2: Prongs in the BO definition of the AMLD and the AML Package

AMLD	AML Package’s Regulation
Art. 6(3)(a) in the case of corporate entities: (i) the natural person(s) who ultimately owns or controls a legal entity through direct or indirect ownership of a sufficient percentage of the shares or voting rights or ownership interest in that entity, including through bearer shareholdings, or through control via other means...	Art. 42(1): In case of corporate entities, the beneficial owner(s) as defined in Article 2(22) shall be the natural person(s) who control(s) , directly or indirectly, the corporate entity, either through an ownership interest or through control via other means.

By removing “ownership” as an independent element from the criteria to determine a beneficial owner, the proposed Regulation is subject to the same criticism that applies to the FATF. First, it creates a contradiction with the definition which covers “ownership” and “control” (and maybe “benefits”), while the proposed criteria now focus only on “control”.

As will be explained below, by focusing on “control”, it creates a confusion where a person passes the threshold to be considered a beneficial owner based on ownership, but lacks control, e.g. the example of a beneficial owner with 26% of shares while the other beneficial owner has total control with 74%. One solution would be to use a term different from “control”, e.g. “exercise power over the corporate entity”, or adding an explanation that

“control” in the BO definition has a special meaning and should not be considered equivalent to the “control” used in other frameworks, e.g. under commercial companies regulations.

4.1.3 Thresholds and indirect ownership

In an attempt to establish consistency, the proposed regulation removes the option for Member States to establish lower thresholds. On the positive side, the proposed regulation clarifies the ambiguity on indirect ownership by establishing that the threshold test has to be applied to each level of ownership. This also reduces costs for obliged entities and companies operating in more than one country because the same threshold applies in all EU countries.

Table 3: Thresholds in the BO definition

also increases the number of beneficial

AMLD	AML Package’s Regulation
Art. 6(3)(a) in the case of corporate entities: ... A shareholding of 25 % plus one share or an ownership interest of more than 25 % in the customer held by a natural person shall be an indication of direct ownership. A shareholding of 25 % plus one share or an ownership interest of more than 25 % in the customer held by a corporate entity, which is under the control of a natural person(s), or by multiple corporate entities, which are under the control of the same natural person(s), shall be an indication of indirect ownership. This applies without prejudice to the right of Member States to decide that a lower percentage may be an indication of ownership or control.	Art. 42(1): In case of corporate entities... For the purpose of this Article, ‘control through an ownership interest’ shall mean an ownership of 25% plus one of the shares or voting rights or other ownership interest in the corporate entity, including through bearer shareholdings, on every level of ownership.

The negative aspect of the consistency on the threshold is that now all Member States will have to implement a threshold of “more than 25%” which has already been described above as too high to allow for the identification of all the relevant individuals who may be involved in a financial crime (recall the previous case of the Moldovan Laundromat where thresholds were artificially kept below 5%). In addition, some countries (e.g. Hungary and Slovakia) were already implementing the slightly lower threshold of “at least 25%”. In this regard, in other regions, e.g. Latin America, countries have established much lower thresholds such as 15%, 10%, 5% and even no threshold at all.

By requiring the indirect ownership threshold to be applied in every case, the proposed Regulation becomes clearer and

owners that can potentially be identified. As described in the example above, the proposed Regulation is opting for scenario 3, where “John” would be a beneficial owner just for holding 26% of Company B which in turn holds 26% of Company A. However, this does create a contradiction against a direct shareholder. While John will have to be identified as a beneficial owner despite having indirectly just 6.76% of Company A, Mary would not need to be identified despite directly holding 24% of

Company A.⁷ The proposed approach involves a certain randomness in the result.

4.1.4 Defining control via other means

While the current AMLD gives examples of cases involving “control through other means” only by referring to articles of the Directive on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings, the proposed Regulation keeps the reference to the articles of that Directive but it adds specific criteria to determine “control through other means”.

⁷ This problem can also occur on higher levels of the structure. e.g. when the direct shareholder is company A with 30%, whose shareholders are John with 25% and company B which has 30% and its shareholders are Mary with 70% and Paul with 30%. John will not be the beneficial owner (with an indirect interest of 7.5%) because of his insufficient 25% share, but Mary (with an indirect interest of 6.3%) and Paul (with an indirect interest of 2.7%) will.

Table 4: Control via other means

AMLD	AML Package's Regulation
Art. 6(3)(a) in the case of corporate entities: ...	Art. 42(1): In case of corporate entities... For the purpose of this Article, 'control via other means' shall include at least one of the following: (a)the right to appoint or remove more than half of the members of the board or similar officers of the corporate entity; (b)the ability to exert a significant influence on the decisions taken by the corporate entity, including veto rights, decision rights and any decisions regarding profit distributions or leading to a shift in assets; (c)control, whether shared or not, through formal or informal agreements with owners, members or the corporate entities, provisions in the articles of association, partnership agreements, syndication agreements, or equivalent documents depending on the specific characteristics of the legal entity, as well as voting arrangements; (d)links with family members of managers or directors/those owning or controlling the corporate entity; (e)use of formal or informal nominee arrangements.
Control through other means may be determined, inter alia, in accordance with the criteria in Article 22(1) to (5) of Directive 2013/34/EU of the European Parliament and of the Council(3)	Control via other means may be determined also in accordance with the criteria of Article 22(1) to (5) of Directive 2013/34/EU.

The proposed regulation adds many relevant criteria to determine control through other means, such as the right to appoint or remove the majority of the board of directors (as Table 1 shows, most Member States already apply this, though some use lower thresholds than the majority), rights to veto or decide on profit distribution or changes in assets, formal or informal agreements to vote or control in other ways, control through family links or the use of formal or informal nominees.

By referring to “at least one of the following” (criteria) as control via other means, the proposal could be interpreted as an exhaustive list rather than an illustrative list of examples which allow for other cases not contemplated in the lists. (An alternative would be to write “control via other means’ ~~shall~~ **may** include, **for illustrative purposes**, one or more of the following (as well as other criteria):”). In addition, while these are relevant criteria and are rightly open and flexible, they lack a more mechanical rule that would make it easier to implement, such as disclosing anyone with a power of attorney. On the

one hand, the Regulation could clarify that this is not an exhaustive list and add the residual “or any other forms of control” in case any other form of control is developed in the future. On the other hand, adding this residual could lead to divergences across countries and obliged entities, creating more inconsistencies and discrepancies.

An alternative would be to offer an explicit definition of control and then determine when control is deemed to exist (e.g. whenever an individual has more than X % of the shares) and when control may exist (control via other means).⁸

4.1.5 Concluding remarks on the proposed BO definitions of the AML package

Overall, the proposed BO definition of the Regulation clarifies some terms (e.g. “legal entity or express trust” to replace “customer”) and scenarios (e.g. applying the threshold test to each level of ownership). It also explicitly adds extensive criteria to determine control through other means and promotes consistency by eliminating some

⁸ One proposal to rearrange the BO definition on control would to say for instance: “Control” is the possibility of exercising directly or indirectly significant/decisive influence on the decisions taken by the corporate entity, including veto rights, decision rights and any decisions regarding profit distributions or leading to a shift in assets, based on one’s own discretion, regardless of whether and on the basis of which legal fact it is exercised. Control is always deemed to exist (without the possibility to prove otherwise) when an individual has the direct or indirect ownership (or voting rights) of xx% of the interests in a legal person (if there is to be a threshold) or the right to appoint or remove more

than half of the members of the board or similar officers of the corporate entity. Control may be shared by several persons and may be exercised for example through/with: a) formal or informal agreements with owners, members or the corporate entities, b) provisions in the articles of association, partnership agreements, syndication agreements, or equivalent documents depending on the specific characteristics of the legal entity, as well as voting arrangements and trust agreement or deed; c) links with family members of managers or directors/those owning or controlling the corporate entity; d) use of legal arrangements; e) use of formal or informal nominee arrangements.

choices by Member States (e.g. to apply lower thresholds).

However, the last point may be the most negative from an implementation perspective. One could argue that at the end of the day, countries all over the world face challenges in terms of compliance, enforcement and verification of BO registration. This means that despite current definitions being open enough to require the identification of anyone with control via other means, the vast majority of companies simply apply in practice the threshold test and identify those with more than 25% of shares or votes. This is also the easiest to check and validate with a system, whereas confirming who is in control through other means would require analysing all corporate documents, shareholder meetings and knowing all informal relations within a company. For this reason, the key criterion that determine how many individuals will be identified as beneficial owners in practice may relate to the ownership or voting threshold. By requiring all Member States to apply the “more than 25%” threshold, the Regulation may be going against implementing the needed transparency that is easier to check.

Support for lower (or no) thresholds has also been mentioned by the FATF. However, the FATF suggests this only in cases of higher risk, but not by default for all legal vehicles. The Interpretative Note to Recommendation 10 states that in cases with money laundering risk, no thresholds should be applied:

*If, during the establishment or course of the customer relationship, or when conducting occasional transactions, a **financial institution suspects that transactions relate to money laundering or terrorist financing, then the institution should: (a) normally seek to identify and verify the identity of the customer and the beneficial owner, whether permanent or occasional, and irrespective of any exemption or any designated threshold that might otherwise apply.*** (emphasis added).

The AML Package could also include the possibility of applying lower thresholds in cases of high risk, e.g. for certain types of legal vehicles, or for legal vehicles where a politically-exposed person is an owner, or for companies in certain sectors, e.g. extractives.

4.2 The most transparent BO definition

In response to the criticism of the BO definitions of the current AMLD definition, the FATF and the proposed Regulation of the AML Package, there is a more comprehensive definition that could be proposed in the long term, as long as central BO registries are required to collect and make available this information to stakeholders, rather than requiring third parties such as obliged entities to produce this data.

A rule on how to identify a beneficial owner without thresholds addresses all the issues

raised on the other definitions and rules while also increasing the chances of being understood, used and enforced. However, it may result in challenges in terms of implementation and proportionality, and it would increase the compliance costs by the private sector, unless governments make this information available.

The most transparent BO definition has the following elements:

1. It covers all elements in equal hierarchy: ownership,⁹ control or benefit.¹⁰
2. It applies no thresholds (anyone with at least one share should be a beneficial owner).
3. It adds mechanical rules to the determination of “control via other means”, e.g. having a power of attorney to manage the entity or its bank account.

The main criticism against this comprehensive approach is that it is not proportional, that it would increase costs both for the legal entity and obliged entities, and that the IT systems of most obliged entities and BO registries may be unable to accommodate so many beneficial owners. In such a case, this most transparent approach would add high costs while lowering effectiveness (there may be too much noise, creating challenges to

verify information or to determine the relevant beneficial owners).

From a “conceptual” perspective, although this approach may sound too ambitious, the reality is that it is precisely the approach applied by the AMLD and the FATF in the BO definition for trusts and for private foundations which are legal persons. For these, all the parties of the trust/foundation must be identified (mechanical rule) without applying any thresholds (point 2) and covering all elements (point 1): “ownership” over the trust assets held by the trustee and by the settlor (formerly) and by the beneficiaries (in the future); “control” over the trust management held by the protector and potentially the settlor or the trustee; and “benefits” over the trust assets in favour of the beneficiaries.

Another benefit of the most transparent approach is that by applying no thresholds, there are no further contradictions in case of indirect ownership, or when a company is a party to the trust.¹¹ All the individuals with any share, vote or rights to dividends in every layer would have to be identified.

Nevertheless, even if the most transparent approach is considered the ultimate means of achieving complete transparency, some practical factors must be considered.

⁹ This should include having interests through financial instruments, e.g. call/put options, futures, convertible stock, etc.

¹⁰ This should include having contracts or arrangements to obtain profits, dividends, etc. from a legal person.

¹¹ Otherwise, if a party to the trust, e.g. the beneficiary is a company, then instead of identifying all the shareholders of the company as beneficial owners of the trust, it would only be necessary to identify those individuals with more than 25% of shares or votes over the corporate beneficiary as beneficial owners of the trust.

On the one hand, the main factor relates to the IT capabilities. This comprehensive approach may need to wait until BO registries are equipped with appropriate IT systems that can collect and process much more information (e.g. identifying hundreds of entities and individuals involved in a complex ownership chain, rather than identifying just one single senior manager).

Another consideration is discrepancy reporting by obliged entities. In the case of customers with complex ownership structures, discrepancy reporting covering hundreds of individuals instead of just one senior manager may indeed increase costs. However, it will be necessary to determine the proportion of customers that have complex ownership structures. In other words, if most of the customers of a bank are entities with a very simple structure, expanding the definition to cover any individual with at least one share would not make a difference. If an entity has two individuals as the only shareholders and beneficial owners, then the bank will need to identify those two individuals, either where the BO definition applies a 25% threshold or where “any individual with at least one share” has to be identified.

To tackle the potential costs to the private sector, especially for obliged entities, it should be the responsibility of the central BO register to collect and make available the full ownership chain of each legal vehicle up to each beneficial owner (without applying thresholds) and ensuring that this information is verified. This way, third

parties, including obliged entities, will be able to obtain from BO registries the full ownership structure of their customers. Instead of merely checking for costly discrepancy reporting involving typos and honest mistakes, the complementary verification by the private sector would be based on more sophisticated checks which are not available to BO registries, such as considering who is withdrawing money from the ATM or managing the account, or analysing transfers of money or relationships among bank accounts. In other words, before expanding the BO definition as a cost shifted to obliged entities, countries should invest in establishing effective BO registries with the right IT and verification capabilities which make the full ownership information available to relevant stakeholders.

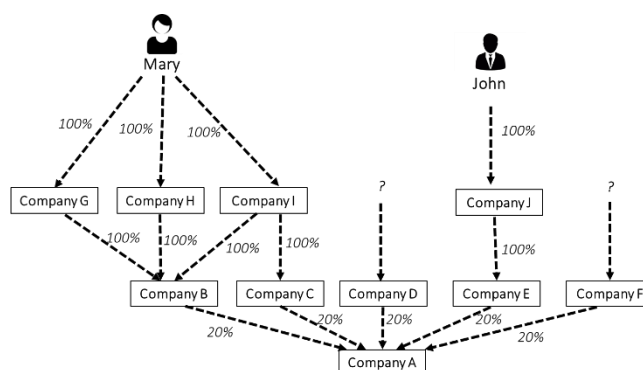
In a way, regardless of the BO definition established by a country, either “more than 25%” or “anyone with at least one share”, **both legal entities and obliged entities must already identify all individuals with at least one share.** The only difference is that in the narrow approach, after identifying all individuals with at least one share, legal entities and obliged entities must only “register or collect information about” the individual with “more than 25% of the shares”, while in the most comprehensive approach, “all individuals with at least one share” must be registered.

Consider a company with a very complex structure. Company A is owned by five other companies, each of them with 20%:

companies B, C, D, E and F. If the BO definition required the identification of just “direct” holders of more than 25% of the shares, then Company A would simply say that no beneficial owner exists and instead identify a senior manager. However, the definition covers both direct and “indirect” ownership. It may be the case that beneficial owner Mary has “indirectly” more than 25% control over Company A through companies G, H, and I which own companies B and C. The only way to know that Mary exists (or to check if any other individual has indirectly more than 25% over Company A) is to know the entire structure of Company A up to every natural person shareholder, so as to then aggregate all of their shareholdings to see if they pass the 25% threshold. It could be the case that John owns 20% of Company A through companies E and J. However, it is not possible to discard John as a beneficial owner (for “indirectly” having “merely” 20%) unless the ownership structures of companies D and F are determined too, because it could be the case that John owns an extra 6% through companies D and F.

In conclusion, regardless of the BO definition, as long as indirect shareholdings are relevant, all individuals with at least one share must be identified to ensure that none of them have directly or indirectly more than 25% of the shares.

The problem is that if central registries do not collect and make this information available, then obliged entities must request this from their customers. This would



demand more resources from obliged entities to significantly expand their due diligence checks and dilute their ability to dedicate the necessary resources and focus on areas of high risk, thereby rendering the requirements less effective. In addition, even if the customer provides the data, obliged entities have no way to check this information at the corresponding register. That is why the information should be given to obliged entities (as well as other stakeholders) from central registries.

4.2.1 Removing control as the only prong of the BO definition

First, even if identifying “the individual who is really in control” were the only goal of the BO definition, its enforcement as such would be impossible. The law could command the BO data collector, either an obliged entity or a BO registry, to register the individual who is really in control. Prescribing this in the law is very easy and generic. On the contrary, complying with this requirement and supervising compliance is extremely difficult if not impossible.

Second, most BO data collectors lack the means or incentives. For instance, a bank

has to find a balance between the goal of having more customers and transactions to make more profits and the compliance risks of enabling money laundering. Even if AML regulations and sanctions are applied to reinforce the compliance department of financial institutions, the bank may not be able to obtain all the relevant data from the customer (e.g. a secret letter of intent, etc.) to know who is really in control.

Moreover, determining the person who is really in control may make more sense for a financial institution given the requirement to conduct customer due diligence in addition to having financial information about the account during the whole bank-client relationship: who manages the account, how much money they receive and transfer, and to whom, etc. In contrast, a BO register lacks the staff or the requirements to conduct due diligence and more importantly, they do not receive any more details on the company until the filing of accounts or annual returns (which cannot be analysed, except for the missing of fundamental formalities). In other words, while a financial institution must (and could) spend more resources to determine who is in control, this becomes impossible for a BO register.

Another reason why focusing only on the real BO with control is insufficient is because this only serves as a “reactive” approach once a legal vehicle is already found to be involved in illegal activity and authorities are looking for the person who is ultimately responsible. Instead, a much

more useful approach is to use BO information preventively, before suspicions even arise. By having information on as many BOs as possible, authorities may run analytics to find red flags such as nominees pretending to be the BOs of hundreds of companies. In addition, this comprehensive approach also allows for the detection of unknown relationships to other legal vehicles and individuals. If one of these entities or individuals is found to be committing illegal activities, authorities will already hold information on all the other persons or entities that they are connected to, allowing the full network to be prosecuted and dismantled.

The solution is thus to identify as many individuals as possible hoping that the real controller will also be identified among them. Having information on all individuals related to an entity could be considered proportionate if it is the only way for authorities to conduct preventive analysis (e.g. whether a BO owns or controls thousands of companies, indicating that this may be a nominee). In addition, once authorities are investigating an entity, they would already have information on all potential responsible individuals as well as all the other individuals and entities that they are connected to (e.g. for sharing a director, BO, shareholder, address, IP address, etc.).

4.2.2 Understandable, implementable, usable, enforceable and proportionate (for simple structures)

A BO definition with the goal of identifying as many individuals as possible is very easy to understand both for entities and obliged entities that need to comply as well as for authorities in charge of supervision and enforcement. While it would be almost impossible to verify that every BO register collected information on the “real BO” of each entity, it is easier to check whether have they obtained information on all the individuals who passed a given threshold. Such an approach becomes mechanical: very easy to implement and check. Of course, obliged entities should also use their skills to identify who among those registered individuals they believe to be in charge or to have control, even if they have little ownership or voting rights. Even if this extra check fails, the comprehensive approach at least allows supervisory authorities to eventually conduct the checks themselves among all the registered individuals. On the contrary, if the initial BO collector attempted to find only the real BO and failed to do it, authorities will have very little data to work with, for instance only the identity of a senior manager.

Additionally, the approach of identifying as many individuals as possible helps to discourage complex ownership chains, given that the longer and more sophisticated the structure, the harder it will be for them to obtain information on all the relevant

individuals. In contrast, identifying “all the individuals” becomes very easy for a simple structure of one or two shareholders who are also the BOs.

5. Conclusion

Establishing an effective BO definition is essential to ensure the transparency needed to tackle money laundering, tax evasion and other financial crimes. Currently, the BO definitions lack clarity, are subject to different interpretations and implementation by Member States, and most problematically, may not be identifying all the relevant individuals.

While many factors should be considered, e.g. proportionality, clarity, implementation, etc., in the long term, the best way to check most of the boxes would be to have a comprehensive BO definition that covers as many individuals as possible, e.g. by applying no thresholds in the BO definition for legal persons. This would allow authorities to have all the information they need and make it clear how the rules are to be applied, regardless of the complexity of the structure (so as not to decide how to consider indirect ownership or control). To make the definition enforceable, the criteria on control should also become more “mechanical”, e.g. anyone with a power of attorney, anyone with control over the bank accounts, anyone who participates in the board of directors, etc. While this may end up covering many individuals, it will be easier to implement and understand. However, to enable the implementation of this effective BO definition without thresholds, countries should ensure that their BO registries collect and make

available the full ownership chain of each legal vehicle and that verification mechanisms are applied to make this information reliable. Otherwise, lowering thresholds would only increase compliance costs for obliged entities. In addition, governments should invest in proper IT systems that are able to collect and process the necessary amount of information. This way, once stakeholders, such as obliged entities, can obtain from BO registries the full ownership chain of their customers up to the beneficial owner among those holding at least one share, banks and other obliged entities will be able to apply more sophisticated checks. Instead of merely checking for typos and other honest mistakes in discrepancy reporting, obliged entities could use the information that is not available to BO registries, such as the person withdrawing money from an ATM, managing the account or transferring money in order to complement BO verification.

On the other side of the spectrum, keeping a definition with thresholds and open rules on control may make it easier to approve politically, but may hinder the gathering of much-needed information to determine who is currently controlling, benefitting from or owning Europe’s legal persons.

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Annex: Dissenting Opinion

5 October 2022



European Banking Federation

Dissenting Opinion on the recommendations set out in NEBOT Paper 4 on the definition of beneficial ownership for companies

The experts representing the European Banking Federation (EBF) in the Network of Experts on Beneficial Ownership and Transparency (NEBOT) appreciate the efforts put in by the drafters of the report to accommodate the different views expressed in the network. Nonetheless, due to the fundamental divergences between the proposed recommendations and the views of the EBF, which could not be reflected to a sufficient extent, we put forward the present dissenting opinion.

Main findings of the report

1. In its essence, the report stipulates that while different factors should be considered, in the long term the most effective approach would be to have a very comprehensive BO definition that would cover as many individuals as possible. It further argues that such an approach would make the definition easier to understand and implement.
2. The EBF experts expressed their concerns with regards to the plausibility of such a proposal given the immense burden this would place on obliged entities. Following a discussion with the drafters of the report, they proposed supplementing the report in order to address these concerns. In doing so, it was suggested that, to be able to implement a BO definition without thresholds, countries should ensure that their BO registries collect and make available the full ownership chain of each legal vehicle and that verification mechanisms are applied to make information reliable. In addition, it was stated that governments should invest to have the proper IT systems that are able to collect and process so much information.

EBF dissenting opinion

Despite all the efforts to find a solution with regards to the opposing views expressed, the EBF experts in NEBOT cannot support the aforementioned conclusions for the following reasons:

- 1. The recommendations lie on a (for the time being) unattainable premise of central registers which can collect and verify BO information**

The EBF experts appreciate the drafters' suggestion to alleviate the enormous burdens a lowered BO threshold would entail for obliged entities by calling for stronger central

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registers with verified and reliable information and for obliged entities to be allowed to fully rely on the information contained in these registers. However, the attainment of such registers is at this stage too far from becoming a reality.

Building strong central registers requires strong political will. Although such registers already exist at the national level (e.g. in Latvia), this is far from being the norm. Political commitment is needed at both EU and national levels to set them up, as well as beyond the EU. Our understanding is that there is no indication of such developments at the EU level. In addition, although the EBF supports the call for the obliged entities to be allowed to fully rely on the information that is contained in the registers, this approach has so far not been adopted by policy-makers.

At the same time, a lowered BO threshold would have huge operational implications on obliged entities. The reporting of discrepancies which is currently imposed on obliged entities would become an overwhelming exercise. The increased operational burden would demand more resources to significantly expand their due diligence checks and would as a result dilute their ability to dedicate the necessary resources and focus on areas of high risk, thereby rendering the requirements less effective and not aligned with the risk-based approach. The lack of interconnectedness of central registers in the EU dramatically exacerbates the problem.

2. Divergence from international standards and other frameworks

Lowering the threshold for beneficial ownership below 25% would, importantly, result in a departure from established international standards and is not in line with the FATF requirements to adopt a risk-based approach.

The FATF, through its assessment procedure and in its 2012 Recommendations, has found 25% to be an acceptable threshold. While it does not mandate a set threshold for determining controlling participation, the recommendations state that it is necessary to record and verify 'the identity of natural persons ... who ultimately have a controlling ownership interest in a legal person'. A 'controlling ownership interest', according to footnote 35, 'depends on the ownership structure of the company. It may be based on a threshold, e.g. any person owning more than a certain percentage of the company (e.g. 25%).' In practice, most jurisdictions globally employ the 25% threshold.

A lowered threshold would result in a situation where most non-EU obliged entities will continue to apply the 25% threshold for beneficial ownership under the FATF recommendations. The increased operational burden for transacting with EU entities would place the EU at odds with other jurisdictions without a sound principled basis for departing from best practice established by the FATF. The divergence from international best practice would thus lead to competitive disadvantages of internationally operating obliged entities compared to those from third countries. Even assuming that, in the EU, central registers would collect and verify BO information, this would still not solve the potential problems related to transacting with third-country entities.

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The lowering of the threshold of BO for AML purposes makes it even more difficult to create any potential synergies with the tax reporting frameworks resulting from the Common Reporting Standard, the Directive on Administrative Cooperation (DAC2) and FATCA, as well as the Double Tax Conventions and withholding tax procedures.

3. Control vs ownership: the person controlling a corporate is the one who has authority over it

Beneficial ownership is not synonymous with mere ownership. According to FATF, it refers to the natural persons who exert effective control over the entity regardless of whether they occupy a formal position within the establishment. A lowered or even fully removed threshold as suggested by the drafters of the report does not necessarily point to a natural person having control over a legal entity. It would fundamentally change the concept of beneficial ownership from being indicative of control to instead establishing a 'look-through' approach whereby those with a minimal ownership interest in the company are identified irrespective of their ability to exercise control over its affairs. The EBF experts maintain that this runs completely counter to the risk-based approach, which is the backbone of the AML/CFT framework.

Individuals falling below the current 25% ownership interest are already captured within the definition of beneficial owner by virtue of the second aspect of the beneficial ownership test – i.e. 'control via other means'. This will be the case where the individual exercises control by virtue of, for example, indirect ownership, a veto right or other arrangements (formal or informal). It is appropriate for individuals with a less than 25% ownership interest to be caught by the second aspect of the test and not the first. This is because it is clear that a lower ownership interest with no 'other means' of control will not entitle an individual to exercise control over a company. Such an individual would need 'other means' in order to exercise such control in reality.

4. Risk of 'white noise': operational constraint without benefit for the fight against money laundering

The draft AML Regulation already introduces a number of new obligations with respect to determining the ultimate beneficial owners of legal entities, including new data points (nationality, residential address, tax identification number) and standard verification of identity (instead of risk-based). A proposal to lower the threshold indicative of beneficial ownership would risk overwhelming both obliged entities and competent authorities with white noise which holds little meaning in determining those individuals who actually exercise control over customer entities.

EBF position

The EBF experts stress once more that the goal of strengthening transparency is not to know who all the shareholders of an entity are but to identify criminals that might hide their identity behind a corporate structure. This goal is best achieved by enabling obliged

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entities to look through the increasingly sophisticated means employed by financial criminals to obscure their identities using complex legal structures. This is recognised by recital 13 of the fourth AML Directive which states that “Identification and verification of beneficial owners should, where relevant, extend to legal entities that own other legal entities, and obliged entities should look for the natural person(s) who ultimately exercises control through ownership or through other means of the legal entity that is the customer”.

The ability to trace through complex ownership structures will best enable obliged entities to identify the true beneficial owners of their clients, i.e. the persons who exercise control over the decisions of the corporate entity and not the persons who have an ownership interest which does not permit them to intervene in the life of the corporation. Creating an enabling legal framework for enhanced information exchange for AML/CFT purposes in a way that respects personal data protection rules could support this objective. It would allow obliged entities to obtain a more complete picture of their customers' behaviour. We believe that the report could have explored certain best practices in that domain, including national initiatives on data pooling and KYC utilities. The findings in the recent report by FATF on “Partnering in the Fight Against Financial Crime: Data Protection, Technology and Private Sector Information Sharing” would have been an appropriate basis for discussion.

In contrast, this goal would not be achieved by simply altering the definition as to who qualifies as a beneficial owner to include individuals who may exercise no such control.

Conclusion

In conclusion, the EBF experts once more acknowledge the work of the drafters and we show understanding about the ultimate goal they aim to achieve, namely enhanced transparency. However, we are unable to support the final recommendations in the report. We believe that regrettably, the unattainability of the premise of strong central registers collecting and verifying BO information, coupled with the significant operational burden a lowered BO threshold would otherwise entail, renders the recommendations impractical. Even more, applying in practice a lower BO threshold could even be counter-productive by shifting focus away from real money laundering and terrorist financing risks.

We reiterate that, in our view, the best way to improve transparency is by enhancing the framework for sharing information for AML/CFT purposes while striking a balance with the pertinent personal data protection and privacy framework.

Civil Society Advancing Beneficial Ownership Transparency

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NEBOT Paper 5

**Beneficial ownership registers in the EU: Progress so far
and the way forward**

Network of Experts on Beneficial Ownership Transparency, NEBOT



Beneficial ownership registers in the EU: Progress so far and the way forward

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Abstract

Central registers for the beneficial ownership information of legal entities are key transparency tools for combatting money laundering and financial crime. In the European Union, these registers were prescribed by law in 2015. Three years later, EU legislation opened them up to the general public by removing the requirement to prove legitimate interest.

Roughly seven years after the first EU norm in this regard, despite normative and *de facto* advances in Europe, a number of Member States have still yet to deliver on central registers where competent authorities, obliged entities and the general public can access and retrieve beneficial ownership information in an efficient manner. Moreover, where these registers exist, challenges remain with respect to their accessibility and usability as well as the availability and reliability of the information they hold.

This paper assesses these challenges and the overall status of the implementation of beneficial ownership registers in the EU with respect to its end-users. Through desk research, surveys, and interviews, the authors identified key issues hindering a more effective use of this tool, such as access restrictions based on nationality, the unavailability of key information on beneficial owners, and data accuracy issues,

among others. The authors also mapped approaches to implementation as well as features that improve register efficiency, such as API access and interconnection with other databases.

The paper is concluded with a set of recommendations to strengthen beneficial ownership registers in the EU. These include, among others: free access to beneficial ownership data, widening the scope of entities with beneficial ownership disclosure requirements, the collection and publication of additional types of beneficial ownership information, and improved functionality requirements.

Introduction

Information on beneficial ownership is acknowledged by the European Union's anti-money laundering (EU AML) policy to be an essential tool to combat money laundering and financial crime. From the gatekeepers of the financial system – accountants, lawyers, financial institutions – who work to prevent money laundering activities and report suspicious behaviour, to the competent authorities tasked with the detection, investigation and sanctioning of wrongdoing, to civil society – all should be able to access and use beneficial ownership data held in central registers in the EU.

The 4th EU Anti-Money Laundering Directive (AMLD) mandated the creation of these registers. It envisioned timely access by obliged entities, in the context of fulfilling their customer due diligence obligations, and by competent authorities. This directive also established that the latter ought to have unrestricted access to the information kept in beneficial ownership registers across the Union. The 5th AMLD went a step further and required countries to open up their beneficial ownership registers of corporate and other legal entities to all members of the general public.

At the core of EU AML policy is not just access to these registers, but also the quality of the information they hold. While the 4th AMLD already mandated that EU Member States (MSs) ensure that the data stored in beneficial ownership registers be adequate, accurate and current, the 5th AMLD expanded on this requirement, indicating that MSs ought to put in place mechanisms to this effect, which in turn would include an obligation for obliged entities and, in some cases, competent authorities¹ to report data discrepancies, as well as appropriate follow-ups.

This paper mirrors the pillars of the EU AML policy and, cognizant of the spirit of the EU directives and their intent, the authors investigate whether the different stakeholders that play a role in the fight against money laundering and financial crime – obliged entities, competent authorities and the general public – are able to access, use, and trust the data from corporate beneficial ownership registers in the EU.²

The first section of the paper describes the methodology used by the authors to examine the issues indicated above: a combination of surveys, interviews, and direct engagement

¹ “(...) to the extent that this requirement does not interfere unnecessarily with their functions”, Art. 30, §4 of the 4th EU AMLD as amended by the 5th.

² The term “beneficial ownership register” in this study derives from the provisions of the 4th EU

AMLD as amended by the 5th and corresponds to a central register containing beneficial ownership data of corporate and other legal entities only, therefore excluding trusts and similar legal arrangements.

with all public beneficial ownership registers in the EU. It is then followed by the presentation and discussion of results. A final section concludes the report and provides policy recommendations to ensure that beneficial ownership registers in the EU are able to serve as effective tools to combat money laundering and related crimes.

Methodology

The key question that this paper aims to answer is whether competent authorities, obliged entities, and the public at large (including civil society), in the course of their efforts to prevent and tackle money laundering and financial crime, are able to access, use and trust the information held in beneficial ownership registers across the EU. In other words, are these registers achieving the purpose for which they were established? And, if only partially or unsatisfactorily, what are the factors potentially hindering their (effective) use? What best practices can be learned from and emulated among the different experiences observed across the EU?

Rather than focusing on technical compliance and the different legal frameworks (or lack thereof) transposing the 4th and 5th EU AMLDs across Europe, this paper aims to investigate the successes and challenges of their implementation in practice.

The authors have hence opted for direct engagement with the end-users of beneficial ownership registers via (a) online surveys with representatives of competent authorities and obliged entities, and (b) semi-structured interviews with civil society actors. The authors have also (c) mapped the status of the implementation of beneficial ownership registers in the EU via desk

research and a systematic interaction with the registers as accessible to the general public. Each of these methods is described in further detail below.

Survey with competent authorities and representatives of obliged entities

Through a process that involved extensive consultation with representatives of competent authorities and obliged entities within the Network of Experts on Beneficial Ownership Transparency (NEBOT), the authors developed two questionnaires that formed the basis for surveys with each type of actor.

Both questionnaires were structured under four pillars of analysis that break down and operationalise the overarching question of the paper on the effectiveness of beneficial ownership registers in the EU. These four pillars are the (i) *accessibility* and (ii) *usability* of the registers as well as the (iii) *availability* and (iv) *reliability* of the information they hold.

The intuitive premise of these pillars is that for beneficial ownership registers to be effective, their end-users should – in a timely fashion and with ease – be able to access the platform where the data is held, find the data they need, and, finally, be able to trust the

information they have obtained. Finding the needed information is itself linked both to the functionality of the register as well as the actual presence of this data within the register.³

For an overview of each questionnaire pillar and details on the survey implementation (fieldwork time span, response rates, etc.), see Annex I. The questionnaires themselves are included in Annexes II (competent authorities) and III (obliged entities).

Semi-structured interviews with journalists

Since investigative journalists are some of the most frequent users of beneficial ownership information, the authors set out to use their experience to supplement the picture of access and quality of data in existing beneficial ownership registers. The main questions addressed to journalists concerned the ease of accessing the data and the quality of information, as well as how their national register system compared to

any foreign ones that they might have also accessed. More information on how these interviews were conducted is available in Annex I, and the questionnaire for these interviews is provided in Annex VI.

Mapping of beneficial ownership registers and their features

Building on Transparency International's [Access Denied](#) report published in May 2021, the authors conducted desk research to assess the four pillars underlying the present study from the perspective of civil society and the general public.

The 4th AMLD as amended by the 5th AMLD posits that any member of the general public should have access to core information on the beneficial owners of companies.⁴ After identifying the countries where publicly-accessible registers have been established, the authors proceeded with attempting to retrieve specific data from these registers.

³ The usefulness of beneficial ownership registers is not limited to the identification of beneficial owners on an individual basis, but is increased through their interconnection with other databases. See section "Usability of beneficial ownership registers" below and NEBOT Paper 6 for more on this topic.

⁴ As per Art. 30, §5(c) of the 4th AMLD as amended by the 5th AMLD, "at least the name, the month and year of birth, the nationality and the country of residence of the beneficial owner as well as the nature and extent of the beneficial interest" should be made available to the public. Exemptions to this rule are laid out in §9, which states that in exceptional circumstances where this access "would expose the beneficial owner to disproportionate risk, risk of fraud, kidnapping, blackmail, extortion,

harassment, violence or intimidation, or where the beneficial owner is a minor or otherwise legally incapable, Member States may provide for an exemption from such access to all or part of the information on the beneficial ownership on a case-by-case basis." Member States shall however "ensure that these exemptions are granted upon a detailed evaluation of the exceptional nature of the circumstances. Rights to an administrative review of the exemption decision and to an effective judicial remedy shall be guaranteed." Finally, a MS "that has granted exemptions shall publish annual statistical data on the number of exemptions granted and reasons stated and report the data to the Commission."

More specifically, for each public register, the authors searched for (or requested) information on three companies: one retail company and two media companies. To make the exercise as comparable as possible across countries, the authors searched for the beneficial owners of local [Lidl](#) companies (a grocery store chain which [operates](#) in most of the EU countries under nationally-registered businesses). If Lidl was not present, authors searched for [Ikea](#), the furniture retail company. Both companies were selected not just for their common presence in the EU and local registration, but also because information on their beneficial owners is available in the companies' own annual reports as well as in [media articles](#) concerning the [history of the companies](#).

Furthermore, to check whether the scope of the registers is broad enough to include other key companies, authors made a pilot search for two large national media companies. If these companies were not found to have a record in the register, authors looked for other large media companies until two media companies with a registration were found. Details on the selection of these media companies are available in Annex I, and the companies are listed in full in Annex VII.

The end result of this multi-method approach is an overview of the status of the *de facto* implementation of beneficial ownership registers across the 27 EU Member States –

namely, its successes and challenges from the perspective of its multiple end-users.

Discussion

The majority of countries across the European Union (23 out of 27 MSs) have a central beneficial ownership register in place (see Figure 1 below). The exceptions are Italy and Spain, which, roughly five years after the legislative deadline, have not even complied

with the 4th EU AMLD. These countries still do not have a centralised register as per the EU Directive to host and make accessible beneficial ownership information, even to competent authorities and obliged entities.⁵

Figure 1. Beneficial ownership registers in the EU



⁵ There are different registries holding beneficial ownership information in Spain, including the General Council of Notaries' Beneficial Ownership Database (BDTR), set up in 2012 and currently accessible to competent authorities and obliged entities. The upcoming *Registro de Titularidades Reales (RETIR)* will, as per the EU Directive,

centralise (at the national level) already available beneficial ownership information from different registries in the country (including the BDTR) and also directly collect data from additional stakeholders that do not currently declare their beneficial ownership to the existing registries.

As of September 2022, the registers in Greece and Cyprus were also not yet fully in place, with the authorities still in the process of collecting data from the legal entities required to disclose their beneficial owners and setting up the final technical infrastructure of the register. Greece has been implementing a pilot rollout of the register with the country's Financial Intelligence Unit (FIU) and supervisory authorities since May 2022.⁶ Cyprus has so far implemented an "interim solution" to the register and data is available to the public upon request.⁷

Accessibility and use of beneficial ownership registers

Competent authorities

Competent authorities consulted within the framework of the paper confirmed that central beneficial ownership registers have overall improved their organisation's capacity to perform their designated AML responsibilities. In this regard, beneficial ownership registers were described by respondents as e.g. hubs for "extensive information on the beneficial owners of legal

entities", able to provide "a good overview about the owner-structure" of companies.

The changes brought about by the establishment of beneficial ownership registers as highlighted by respondents include improved accessibility – in a secure way – to beneficial ownership data that would otherwise be harder, or in some cases even impossible, to find. Respondents also emphasised the ability to cross-check and validate data that is available from multiple sources. In the case of Denmark, the ability to connect the data from beneficial ownership registers with other datasets enables the country's FIU to go beyond a manual consultation of the register on specific probes and run macro-level analysis, applying data science methods to identify overarching money laundering patterns and red flags.

The establishment of beneficial ownership registers was described as improving the ability of competent authorities to perform their obligations within their national contexts, such as analysis by FIUs of Suspicious Transaction Reports (STRs) and the generation of intelligence. Moreover, beneficial ownership registers were also seen to enable the exchange of more

⁶ The Greek registry authority announced on August 8, 2022, that legal entities have until the last day of October 2022 to declare their beneficial owners. See more information at <https://www.gsis.gr/polites-epiheiriseis/epiheiriseis/mitroo-pragmatikon-dikaioyhon>.

⁷ Cyprus set July 31, 2022, as the initial deadline for the submission of beneficial ownership declarations. On July 25, however, the country announced that

this deadline would be extended until the implementation of the register's "final" solution, at which point fines will be imposed for non-compliance. See more at <https://www.companies.gov.cy/en/knowledgebase/news/continuation-of-the-interim-solution-of-the-beneficial-ownership-register-beyond-the-31st-of-july-2022>.

comprehensive information with foreign authorities, facilitating international cooperation.⁸

When it comes to the accessibility of these registers, in most cases, competent authorities have some form of special access to their national registers.

In countries where a minimum set of beneficial ownership data (such as name, date of birth, nationality) is publicly available free of charge without online registration requirements (e.g. in Bulgaria, Latvia, Luxembourg, and Slovakia), competent authorities reported using their special access only when retrieving supplementary information on beneficial owners (for instance, personal ID number and residential address in Slovakia or proof of control of an individual over a given legal entity in Latvia).

In Denmark, while a public website is available for the consultation of beneficial ownership information, special credentials are necessary for competent authorities to connect with the application programming interface (API) offered by the register.⁹ Through this API connection, the Danish FIU was able to develop software that

automatically retrieves all beneficial ownership data, including supplementary information, from the register on a daily basis, in addition to the other features discussed in Box 1 on page 27 of this paper.

Secure portals and special credentials are also the usual means through which competent authorities retrieve beneficial ownership data in countries that opted to make access to the general public conditional upon online registration schemes and/or the payment of a fee (e.g. in Belgium, Ireland, and Sweden) or that do not yet have a public register in place (e.g. in Finland). These special credentials may take a few days to be issued or approved. However, once this process is complete, data is in general easily available.

In Greece, for instance, different levels of access to their pilot portal are granted to specific FIU personnel depending on their roles. The type of information provided to a given individual depends on their own level of access.

These secure portals are intended not only to grant competent authorities with special or unrestricted access to beneficial ownership

⁸ Apart from beneficial ownership registers, competent authorities also rely on several other beneficial ownership data sources in order to carry out their responsibilities. These include requests for information targeted at obliged entities, other competent authorities, or directly at legal persons; tax authority databases; company registers; and even publications in official gazettes for information on e.g. incorporation deeds, statutes, amendments to those instruments, transfers of shares, etc.

Authorities in some countries have also reported using commercial private company data providers, such as Orbis, Vision Net (Ireland), InfoTorg (Sweden), and BiQ (Denmark). The use of BiQ and Orbis in Denmark is normally restricted to queries involving foreign owners.

⁹ An API access is also available to the general public, conditional upon prior registration with the country's Central Business Authority.

data (i.e. both basic and supplementary data), but in some cases also aim to prevent the tipping-off of individuals implicated in investigations. This is the case in Belgium, whose FIU and law enforcement agencies (LEAs) were granted unique and exclusive access to the country's beneficial ownership register through the website of the Belgian Federal Public Service Finance for this purpose.

In some of the countries that responded to the survey, however, direct access does not appear to be available to all types of competent authorities. Law enforcement agencies in Austria and the Netherlands reported that they would retrieve data from their registers' public websites rather than being granted any kind of special access to the data that these hold. These public websites contain only a subset of the beneficial ownership data collected, which is in turn made available upon registration and conditional upon the payment of a fee. To access supplementary data, the Austrian LEA further reported that they worked in close cooperation with the country's FIU.

The EU AMLDs set out that MSs "shall ensure that competent authorities and FIUs have timely and *unrestricted* access to *all* information held in the central register" (emphasis added).¹⁰ If LEAs in Austria and the Netherlands are only granted access to the same information that is made available to

the general public and have to rely on other competent authorities for supplementary data, then only a portion of the information held in the registers is directly accessible to them. This is likely to impact the timeliness and adequacy of the information available to LEAs, potentially extending the length of investigations.

As for the payment of fees, the EU AMLD appears unclear on whether MSs are allowed to charge competent authorities for access to beneficial ownership information. While stating that MSs may choose to make beneficial ownership information available on the condition of paying a fee, the directive does not specify from whom a fee can be required.¹¹ The same provisions also state that competent authorities should have access to beneficial ownership information "without any restriction", albeit without clarifying whether the term "restriction" refers to the availability of information or the accessibility of the registers to these authorities against the payment of a fee.

Beyond issues at the national level, competent authorities also flagged their frequent inability to access the beneficial ownership registers of other EU countries. In most cases, competent authorities in EU MSs have to rely on the public access interface to access information held in the beneficial ownership register of another Member State. In some countries, however,

¹⁰ Art. 30 §6 of the 4th EU AMLD as amended by the 5th.

¹¹ Art. 30 §5a of the 4th AMLD as amended by the 5th.

authorities are unable to use the publicly accessible interface due to complex registration requirements (as discussed below) and have to resort to the usual international cooperation requests.

Competent authorities that are more advanced in data science would also benefit from easier, structured access to data from across the EU. For instance, with its own data science unit, the Danish FIU indicated that it would be in a position to profit from the API connections that exist in some of the other EU countries. However, when these exist, they are normally designed for national actors and hence exclusively accessible to the latter.

Obligated entities

Similarly to what was observed for competent authorities, the types and the timeliness of access available to professionals with AML obligations under EU policy varies across the EU. Representatives of obliged entities from countries where the data is made available free of charge and without the need for prior registration (e.g. Denmark and Latvia) are able to search for the information they need on their country's register and receive immediate results.

A respondent from France reported that apart from the fact that professionals can promptly retrieve data free of charge and without prior registration on the website of the country's register, the French beneficial ownership register also offers obliged entities the ability to connect with the

register's API. This API connection allows for the register's data to be interlinked with obliged entities' tools and business applications.

Other countries offer some form of "accreditation" process for obliged entities to access registers. In Belgium, for instance, supervisory authorities first have to send a list of the obliged entities under their jurisdiction to the registry authority. Once the registrar processes this list, obliged entities have to authenticate themselves via an electronic identification system in order to access the data.

One shortcoming of this approach is that foreign obliged entities are naturally excluded from this "accreditation" process. Lacking institutional access, they have to resort to the access that is available to the general public, which is in the case of Belgium limited to EU citizens in possession of e-identification means (among other requirements; more on this topic below). Hence, in practice, a number of obliged entities, including those in other EU Member States, cannot access the Belgian beneficial ownership register.

Some of these "accreditation" processes can also be excessively time-consuming and hinder the proper use of the register. In Finland, for instance, where the register is not yet public, there are two ways for obliged entities to retrieve beneficial ownership data: through an annual subscription, or by ordering single extracts on beneficial

owners. Entities making single inquiries have their access rights verified before each individual order is processed, an operation that normally takes several days.

In Portugal, while the beneficial ownership register in principle makes data available free of charge, only those in possession of an active mobile key or ID reader to electronically identify themselves (more on this topic below) can access the data. Respondents from banking institutions reported the occurrence of delays in access whenever employees lack any of these means. As a result, similarly to the Belgian case, foreign obliged entities are unable to access the Portuguese register unless they have an ID mobile key.

It is not uncommon, however, for obliged entities to have to consult registers of third countries when conducting due diligence. EU anti-money laundering rules do not contain special measures to ensure that obliged entities have guaranteed access to beneficial ownership information across EU countries. In principle, public registers have the potential to grant foreign obliged entities immediate access to data. However, in practice, e-identification requirements serve as an access barrier creating unnecessary delays at the least, and the inability to retrieve data at worst.

Issues were also raised by representatives of obliged entities related to the existence of

fees for accessing beneficial ownership information. Respondents highlighted the incongruence of requiring obliged entities to pay for the data whose accuracy they are mandated to help ensure through the reporting of discrepancies. More specifically, there was criticism of what respondents saw as the transfer to obliged entities of the registry authorities' obligation to verify and keep beneficial ownership data up-to-date. According to respondents, charging fees would therefore add insult to injury and act as a sort of "double penalty" for these organisations.

General public

The beneficial owners of well over one quarter of all EU-registered companies currently remain hidden from public view. This is due to four Member States who have yet to implement beneficial ownership registers or provide the public with access. These countries are Finland, Greece, Italy,¹² and Spain.

Spain is planning to open up its central beneficial ownership register to the public in late 2022 (it will charge fees). Finland has a central beneficial ownership register, but it [does not provide public access](#) – only journalists, obliged entities, and other actors deemed to have a legitimate interest in using the beneficial ownership data for anti-money laundering purposes may be granted access.

¹² Italy has at least 3.5 million registered businesses excluding finance, agriculture and predominantly public service companies in health and education.

An independent Greek reporter who worked on several investigative projects (e.g. the Panama Papers and the Paradise Papers), says that it is regretful that Greece is one of the countries to have no public access to beneficial ownership information. This access would help them investigate suspicious relationships in the corporate-state spheres that they encounter. The editor of the Organized Crime and Corruption Reporting Project (OCCRP), an investigative journalist group, says that the only way to get information on companies in Spain and Italy is to look in company registrars or in private business intelligence databases. But it is costly (at least 9 euros per search in Spain) to access ownership information in this way, and often the information is missing and not guaranteed to reflect the true beneficial owner.

A journalist from the Finnish Broadcasting Company says that most Finnish journalists have not yet applied for access to the Finnish beneficial ownership register. Moreover, even for those granted permission to access the register, they notes that the information is quite expensive (7 euros per search). “With respect to corporate information, Finland is a third world country,” they say.

On the other hand, ten EU countries home to a third of all EU businesses have already built central registers with data available to anyone free of charge (see Table 1). These countries are Bulgaria, the Czech Republic, Denmark, Estonia, France, Latvia, Luxembourg, Poland, Slovakia and Slovenia.

Table 1. Share of EU non-financial companies per type of beneficial ownership register

Countries with beneficial ownership registers	Share of EU businesses registered in those countries
Non-public/private (4 countries)	28%
Public for free (10)	34%
Public with fees (7)	24%
Limited to nationals, residents or foreigners of selected EU countries – <i>free or fees-based</i> (6)	14%
	100%

Source: authors’ calculations, [Eurostat](#)

Note: Eurostat records the number of companies in EU countries by excluding financial sector, agriculture, health and education sectors. By the authors’ estimates, this leaves about 70% of the economy included in the figures above.

A reporter for Gazeta Wyborcza, a Polish daily newspaper, appreciates the free access to the register. Like many other reporters interviewed, they consider the accessibility of the UK’s beneficial ownership register to be the best in Europe.

Slovakia has two registers, both free: one is a [general one](#) and the second [a more detailed database](#) with a chain of ownership description attached (but it only includes the companies that have ongoing business relationships with government entities of at

least 100 000 euros per year). The registers have proven useful even for journalists and NGOs operating in other countries. For instance, [Czech journalists and NGOs have been using the Slovak detailed register](#) to uncover conflicts of interest and potential wrongdoing.

An investigative journalist for REPORTER.lu in Luxembourg, says that their country's free beneficial ownership register is "an incredible tool that helps investigate criminals and tax evasion." As with many others, however, they are concerned about verification of the data. They note that there are an increased number of companies trying to hide in trust structures. An additional seven countries make beneficial ownership data available for anyone, albeit for a fee: Austria, Cyprus, Germany, Hungary, Ireland, Malta, and the Netherlands (Estonia switched from fee-based to a free access regime in September 2022). These countries represent 24% of all businesses registered in the EU. The fees range from 1.96 euros (Germany) to 5 euros (Malta) for one beneficial ownership extract. Payments can be easily arranged with credit cards, sometimes requiring online registration in the web portal. It usually takes up to five minutes to get one document in fee-based registers. The Netherlands allows for the purchase of several documents at the same time, while others like Austria and Malta require users to purchase each individual document separately.

The Malta register in particular makes access yet more difficult for potential users. After

payment, it sends the interested party an email with a link to the beneficial ownership information; however, this expires only one hour after the receipt of the e-mail. Cyprus instructs users on its website to fill in and submit beneficial ownership extract orders in person (i.e. in Cyprus) or by post. The authors were nevertheless able to request the information by e-mail and pay for the extracts via a bank transfer. In the exercise carried out for this report, it took over two weeks for the register to provide the information to the authors.

Getting data from the German beneficial ownership register took the authors over a week. The German authorities require not just an online registration, but also ask for a copy of the user's identification to be uploaded or, alternatively, require an online interview with the interested party (though the latter option repeatedly took at least half an hour to find an available interviewer). German authorities sent the final confirmation code to the physical address of the requesting party, which extended the waiting time for the data. Once the registration is confirmed, the purchase can be done in minutes.

An investigative journalist of paper trail media, investigative newsroom working for the German news magazine DER SPIEGEL, says that in order to obtain access to the register, they had to provide their press card and describe their anti-money laundering experience, which made them feel uncomfortable given the possibility that this

information could be shared between branches of government.

Six countries containing 14% of EU-based businesses make public access to their beneficial ownership registers conditional upon nationality or country of residency and the possession of electronic identification. These countries are Belgium, Croatia, Lithuania, Portugal, Romania, and Sweden.

Belgium and Portugal require a national ID to log in to their web portals.¹³ Both Croatia and Sweden allow only a limited number of other

EU citizens to use their database provided they have a digital identification tool. Both Romania and Lithuania allow access only after extensive registration, requiring pdf forms to be filled out in Romanian or Lithuanian respectively, electronically signed (with a qualified eIDAS signature) and be sent to authorities for approval. While the Lithuanian register is free for now, the authorities plan to charge fees at some point in 2023.¹⁴

Table 2. Overview of the implementation of beneficial ownership registers in the EU and their accessibility for the general public

Country	Beneficial ownership register	Public access	Online registration or e-identification required?	Access restricted to nationals/residents/ EU citizens	Fees per extract	Register
Austria	Yes	Yes	No	No	Yes €3.00	WiReG
Belgium	Yes	Yes	Yes	Yes Belgian ID required or, for foreigners, BIS number	No	UBO register
Bulgaria	Yes	Yes	No	No	No	Commercial Register
Croatia	Yes	Yes	Yes	Yes	No	Registra stvarnih vlasnika
Cyprus	No ⚠️ Interim solution implemented	Yes	Yes	No	Yes €3.50	Register of Beneficial Owners
Czech Republic	Yes	Yes	No	No	No	Evidence skutečných majitelů
Denmark	Yes	Yes	No	No	No	CVR

¹³ In Portugal, nationals can log in using either an ID card reader or the digital ID mobile key (*Chave Móvel Digital*). EU citizens or third-country nationals can only get access via a digital ID mobile key, which they can request if they have a Portuguese tax identification number. Belgium requires either a national ID number or BIS number (a unique identification number for foreigners who have

social security-related contact with the Belgian government).

¹⁴ Users may also retrieve beneficial ownership data in Lithuania via a web portal ([Registru centro savitarnos sistemas](#)). This option, however, seems to be available only to Lithuanians with national electronic identification means or e-banking accounts.

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Country	Beneficial ownership register	Public access	Online registration or e-identification required?	Access restricted to nationals/residents/ EU citizens	Fees per extract	Register
Estonia	Yes	Yes	No	No	No	e-ariregister
Finland	Yes	No ⚠️ Access to media and persons with legitimate interest	Yes	No	Yes €7.00 (in English: €24.80)	Patentti-ja Rekisterihallitus
France	Yes	Yes	No	No	No	INPI
Germany	Yes	Yes	Yes	No	Yes €1.96	TransparenzRegister
Greece	No ⚠️ Pilot rollout with FIU and supervisory authorities	No ⚠️	N/A	N/A	N/A	Μητρώο Πραγματικών Δικαιούχων
Hungary	Yes	Yes	Yes	No	Yes €3.70	TTNY
Ireland	Yes	Yes	Yes	No	Yes €2.50	RBO
Italy	No ⚠️	No ⚠️	N/A	N/A	N/A	N/A
Latvia	Yes	Yes	No	No	No	Latvijas Republikas Uzņēmumu reģistrs
Lithuania	Yes	Yes	Yes	Yes	No However, fees will be charged from some stakeholders as of 2023	Registru centras
Luxembourg	Yes	Yes	No Login as anonymous user possible	No	No	RBE
Malta	Yes	Yes	No	No	Yes €5.00	MBR
Netherlands	Yes	Yes	Yes	No	Yes €2.55	KVK
Poland	Yes	Yes	No	No	No	CRBR
Portugal	Yes	Yes	Yes	Yes Portuguese ID required or, for non-citizens, Portuguese tax identification number	No	RCBE
Romania	Yes	Yes	Yes	Yes Qualified electronic signature required	Yes €4.00 for current information and €20.00 for historical report	RBR

Country	Beneficial ownership register	Public access	Online registration or e-identification required?	Access restricted to nationals/residents/ EU citizens	Fees per extract	Register
Slovakia	Yes	Yes	No <i>Login as anonymous user possible</i>	No	No	RPO
Slovenia	Yes	Yes	No <i>Login as anonymous user possible</i>	No	No	eRDL
Spain	No ⚠	No ⚠	N/A	N/A	N/A	N/A
Sweden	Yes	Yes	Yes	Depends: Information is available for free for those with e-identification (nationals and eIDAS countries). Upon the payment of a fee (250 SEK or €23), the information can be retrieved without e-identification.		Bolagsverket

Availability and reliability of beneficial ownership data

When it comes to data availability, respondents from competent authorities, obliged entities and the media were all able to list different legal vehicles and types of information on beneficial owners that, although relevant to their work, are absent from their national registers.

The first problem concerned entities that are missing from national registers. These included: (limited liability) joint-stock property companies (Finland), partnerships (Austria), associations (France) or voluntary associations (Denmark), branches of larger enterprises (Denmark), and (personally-

owned) small businesses (Denmark and Austria). All of these types of entities are not mandated to disclose their beneficial owners to registry authorities according to their respective national legislation, despite the fact that, according to respondents, some of them might present high money laundering risks.

With respect to types of beneficial ownership information, respondents also provided a list of data points that registers fail to make available to them, some of which the EU AMLDs already require to be publicly accessible.¹⁵ This is the case, for example, for the beneficial owner's date of birth, which was flagged as missing by obliged entities in Denmark. The mapping exercise also

¹⁵ Art. 30 §5(c) of the 4th EU AMLD as amended by the 5th states that any member of the general public should have access to "at least the name, the month and year of birth, the nationality and the country of residence of the beneficial owner as well as the



nature and extent of the beneficial interest held." The same provision adds that MSs can provide access to additional information on beneficial owners.

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confirms this absence in beneficial ownership registers from Bulgaria, the Czech Republic, Hungary, Slovenia, and Sweden.

Other data points not made available to the public despite requirements under the EU AMLD are displayed in Table 3.





Table 3. Information contained in beneficial ownership extracts of EU registers

Country	Beneficial ownership register	Public access	Beneficial owner name	Month and year of birth	Country of residence	Nationality	Nature of interest	Extent of interest	Additional information
Austria	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Full date of birth
Belgium	Yes	Yes ¹⁶	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Bulgaria	Yes	Yes	Yes	No	Yes	No	Yes	Yes	Full ownership chain
Croatia	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Explanations on ownership structure
Cyprus	No  Interim solution implemented	Yes	Yes	Yes	Yes	Yes	Yes	Yes	N/A
Czech Republic	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Registration date and date on which natural person became the company's beneficial owner
Denmark	Yes	Yes	Yes	No	Yes	No	Yes	Yes	Beneficial owner address: date on which natural person became the company's beneficial owner; all companies owned by the beneficial owner; all companies registered at a given address
Estonia	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	Date of beneficial ownership declaration's last update
Finland	Yes	No  Access to media and persons with legitimate interest	N/A	N/A	N/A	N/A	N/A	N/A	N/A



¹⁶ Despite multiple attempts, the authors were denied access by the Belgian register to beneficial ownership extracts of all legal entities they searched for. In all conducted searches, the following

recurrent message was displayed: “Unfortunately, you do not have the right to access this page or execute this query.”

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Country	Beneficial ownership register	Public access	Beneficial owner name	Month and year of birth	Country of residence	Nationality	Nature of interest	Extent of interest	Additional information
France	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	No additional information
Germany	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No additional information
Greece	No  <i>Pilot rollout with FIU and supervisory authorities</i>	No 	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Hungary	Yes	Yes	Yes	No	No	Yes	Yes	Yes	N/A
Ireland	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	N/A
Italy	No 	No 	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Latvia	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Full date of birth, historical beneficial ownership data and the full ownership chain (upon registration), beneficial owner's ID number (+issuing date and authority)
Lithuania	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Additional company information (address, co-owner(s), authorised person, incorporation date, location and registrar); registration date
Luxembourg	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Full date of birth; additional company information (NACE, beneficial owner's birthplace and date of the beneficial ownership declaration's last update)
Malta	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Date on which natural person became the company's beneficial owner
Netherlands	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Partially <i>Extent in 25% ranges</i>	Date on which natural person became the company's beneficial owner; registration date
Poland	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Full date of birth or ID number

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Country	Beneficial ownership register	Public access	Beneficial owner name	Month and year of birth	Country of residence	Nationality	Nature of interest	Extent of interest	Additional information
									(which contains the date of birth)
Portugal	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Full date of birth; whether the beneficial owner is of legal age; source of information; in the case of indirect ownership: related companies' tax ID number and country of incorporation
Romania	Yes	Yes	Yes	Yes	Yes	Yes	No <i>There is no description of the specific nature and extent of interest, only a broad description based on the beneficial ownership definition¹⁷</i>	No	Additional company information (type of organisation, status, etc.); registration date
Slovakia	Yes	Yes	Yes	Yes	Yes	Yes	No <i>There is no description of the specific nature and extent of interest, only a broad description based on the beneficial ownership definition</i>	No	Full date of birth; additional company information (main activity, date of formation, etc.); date of last beneficial ownership update; source of information
Slovenia	Yes	Yes	Yes	No	Yes <i>Full address</i>	No	Yes	Partially <i>Extent in 25% ranges</i>	Additional company information (tax ID number, seat, date of registration in tax register, etc.); registration date
Spain	No 	No 	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Sweden	Yes	Yes	Yes	No	Yes	Yes	Yes	Partially <i>Extent in 25% ranges</i>	Registration date

Other categories of information, though not mandated to be made public under current EU legislation, would in the views of survey

respondents and interviewees increase the efficacy of their work if incorporated into the registers, and would facilitate the

¹⁷ In one of the retrieved beneficial ownership extracts, the nature of the beneficial owner's control is better explained, but the extent of their control is still absent.

interconnection of beneficial ownership data with other datasets.

In this regard, an investigative reporter for the French newspaper Le Monde, notes the importance of historical ownership data, which is currently not available in the French beneficial ownership register, as an example. A similar report was made by a journalist from REPORTER.lu in Luxembourg.

Information on full ownership chains was another request from survey respondents. In this regard, and unlike most of the other registers, Latvia and Slovakia do provide information on ownership structures that help to explain how the beneficial owner was determined. Denmark gives users a link to all the other companies where a given beneficial owner has beneficial ownership, and also the names of companies based at the same address as the searched entity.

Beyond data availability, both types of actors raised challenges linked to the accuracy and the up-to-dateness of information, which they largely attributed to insufficient or inadequate verification mechanisms employed by registry authorities and/or the lack of appropriate and dissuasive sanctions for non-compliant entities.¹⁸ The apparent lack of clarity concerning the definition of beneficial ownership on the part of declaring individuals or entities was another factor

that one respondent saw as contributing to the diminished trust in the data held in beneficial ownership registers.¹⁹

Company search results

The company search exercise conducted for this study shows that the availability and accuracy of beneficial ownership information varies across registers. In the case of Lidl, the authors found that in some circumstances, another company is listed as the beneficial owner rather than a natural person (Bulgaria, Luxembourg), while in others, no beneficial owner is listed at all (Sweden), or only a manager is listed (Cyprus, Germany). There are also cases where the company in question received an unexplained exemption from the law (the Netherlands, Portugal) and the beneficial owners are not available.

In the first half of 2022, there were still several indications of the registers missing many beneficial ownership declarations from active companies. The interviewed German journalist says that they find that perhaps two-thirds of German companies they have searched for had not yet provided beneficial ownership information to the register. They point out that “there is a huge enforcement problem.” According to official numbers from the German government in response to a parliamentary request, close to 50% of limited liability companies required to disclose their beneficial owners to the

¹⁸ See NEBOT Paper 2 “Quality and Verification of Beneficial Ownership Information” for a full review of the verification mechanisms and sanction schemes employed by registry authorities in the EU as well as recommendations in this regard.

¹⁹ See NEBOT Paper 4 “The beneficial ownership definition for companies - challenges and opportunities” for a full discussion on the topic.

country's register by end of June 2022 had failed to do so.²⁰

The Journalist from Le Monde also observes that the French register is far from complete. In their estimate from early 2022, about half of companies still had not declared their beneficial owners (but by mid-summer 2022, this number had gone down to 20%).²¹ According to them, while the access is rather good, the quality of data itself is in fact lacking. In Poland, the incompleteness of the Polish data and their reliability was cited as a serious problem by the journalist from Gazeta Wyborcza.

The authors' own desk research conducted for this study also indicated potential issues with compliance and accuracy of the data. There was no beneficial ownership information to be found concerning some of the largest media companies in Bulgaria and Hungary. Additionally, the Maltese and Hungarian databases failed to provide the true beneficial owners of their two largest newspapers which are known to be owned by political parties and a government-controlled foundation, respectively; the registers only provided the names of their statutory representatives

Discrepancy reporting

Despite its importance in the fight against money laundering and financial crime, discrepancy reporting in the EU still faces

several challenges. The survey of representatives from obliged entities reveals shortcomings related both to the content of what these organisations are mandated or allowed to report on as well as the process through which the reporting takes place and is handled.

One of the problems raised by respondents is the existence of bank secrecy regulations preventing the disclosure of information stemming from customer due diligence (CDD) procedures with any actor outside of the financial institution in question. In Denmark, for instance, where such regulations exist, these institutions are only able to alert the registry authority to the mere existence of discrepancies for a given legal entity, without being able to pinpoint which exact piece of information does not correspond to the one in the register.

Another example was reported from Finland. A respondent from this country reported that, although bank secrecy regulations allow for exceptions to the non-disclosure rule whenever there is a relevant legal basis,²² exceptions to this prohibition have so far been interpreted narrowly by financial institutions. This is due to the fact that the disclosure of information subject to banking secrecy without a legal basis is punishable

²⁰ See the German government's full response (in German): <https://dserver.bundestag.de/btd/20/032/2003221.pdf>

²¹ Source: Survey with registry authorities for NEBOT Paper 2.

²² Chapter 15, Section 14 of the Act on Credit Institutions (610/2014).

under the country's penal code,²³ as well as the lack of clear guidance from the national AML legislation in this regard. While requiring that obliged entities report any inconsistencies or discrepancies they detect in the beneficial ownership register,²⁴ Finnish law fails to clarify that specific information on beneficial owners is to be provided without prejudice to banking secrecy provisions.

Another challenge was flagged in Finland, namely the mismatch between obliged entities' and companies' reporting duties in the absence of identifiable beneficial owners. Whereas the former are required to investigate the existence of possible beneficial owners until the very last tier of ownership, the companies themselves are required to report only the first and second tiers of ownership. Apart from being incoherent, this approach inevitably leads to unnecessary discrepancy reports.

In other countries, such as Belgium, obliged entities are able to file discrepancy reports whenever data inaccuracies are found, but they cannot report on missing entries, i.e. they are unable to notify the registry authority that a given legal entity mandated to disclose its beneficial owners has not yet complied. The ability to do so would, however, constitute an important layer of

oversight for registers whose set-up is already complete (i.e. where the deadline for legal entities to file their beneficial ownership declarations has already passed).

The Irish beneficial ownership register, for instance, has created two separate mechanisms for this purpose: one for the reporting of discrepancies and another for non-compliance. The first is set up for obliged entities and competent authorities and the second for anyone who is unable to find a company in the register.²⁵

When it comes to the process of submitting discrepancy reports, one suggestion from the survey was the establishment of fully-online reporting channels rather than PDF-based reporting systems involving e-mails or physical correspondence. In Ireland, for example, obliged entities must first send an e-mail to the registry authority asking for a specific form that they have to fill out in order to request a "liaison officer". This person is responsible for coordinating and authenticating reports of discrepancies in the register. Upon receipt of this form, the registry authority appoints the liaison officer to the obliged entity via e-mail and sends a second form through which the reporting of discrepancies is made. The liaison officer is then the person responsible for uploading

²³ Chapter 38, Sections 1 and 2 of the Penal Code of Finland.

²⁴ Chapter 6, Section 5 of the Act on Preventing Money Laundering and Terrorist Financing (444/2017).

²⁵ See more information at <https://rbo.gov.ie/faq-reporting-of-discrepancies-and-non-compliance.html>

this second form to a secure folder in the register.

Finally, respondents also raised issues regarding the inadequacy of follow-ups to their reports. Many times, obliged entities are not notified of the results of their reporting, and the modifications to the data in the registers were considered to take too much time to be implemented. A respondent from Finland noted that the fact that obliged entities hardly receive any feedback on the discrepancy reports they file results in the absence of any validation on how they interpret the beneficial owner(s) of legal entities. This, in turn, makes corrective action or operational improvement hard to achieve.

Usability of beneficial ownership registers

Centralised platform for beneficial ownership information

The ability to search beneficial ownership information for different types of legal persons on a single platform was seen as an important attribute of the registers where this was present and as a shortcoming where it was missing. As an example: whereas the Austrian beneficial ownership register automatically collects and displays data from the country's e.g. company and associations registers, in Ireland, there is one beneficial ownership register for companies, another for trusts, and a third for certain financial vehicles. An obliged entity representative from this country pointed out that the

creation of a central hub for all three registers, in addition to making the access and the retrieval of data more agile, would also improve discrepancy reporting, as only a single process would need to be observed.

Interconnection with other databases

The interconnection of beneficial ownership registers with other databases was also praised and requested in the surveys. In Belgium, for instance, the linkage of beneficial ownership data to the country's official gazette which contains all the acts of legal persons (modification of the board of directors, modification of the corporate purpose, etc.) was reported as being helpful to obliged entities. The obliged entities considered further interlinkages with e.g. the company register to be opportune if implemented.

Other suggestions coming from the Austrian FIU and LEA respectively were the interconnection of the register with documentation on criminal proceedings and with an EU sanctions list.

BOX 1. Suspicious Transaction Reports and beneficial ownership data in a single platform available to the Danish FIU

The Danish beneficial ownership register offers an API connection to any type of end-user, including the general public.

Leveraging the fact that an API simplifies the process of linking data stores, the Danish FIU has built a system connecting beneficial ownership information with STRs.

More specifically, the Danish FIU has special access to the register's API, through which one can consult the social security number (SSN) of the individuals in the register. Since STRs in the country also usually contain this number, the Danish FIU was able to create a system connecting the information from the register to all the STRs submitted to them by obliged entities (as well as with the country's business database).

This system has allowed analysts to connect actors from different STRs through complex company structures.

When foreign owners are involved, however, and in the absence of universal unique identifiers, analysts have to resort to using these people's names to try to manually identify links with STRs.

Interlinking data positively impacts the work of competent authorities, obliged entities, and civil society not only by empowering faster and better analyses, but by improving the overall quality of the information held in beneficial ownership registers.

In Denmark, for instance, the interconnectedness of the beneficial

ownership register with e.g. the country's national register of addresses allows the registry authority to verify the beneficial owner's declared place of residence. More specifically, when a natural person is registered as a beneficial owner, the register automatically cross-checks the address provided in the beneficial ownership declaration against the country's national register of addresses to confirm whether they match.²⁶

Beyond the national level, the survey results pointed to the need for an international or at least EU-wide beneficial ownership register which would allow end-users not only to consult data but also, in the case of obliged entities, to submit discrepancy reports.²⁷

The EU has recently launched its [Beneficial Ownership Registers Interconnection System \(BORIS\)](#), through which end-users can currently search for beneficial ownership data from six MSs (Austria, Denmark, Greece, Latvia, Malta and the Netherlands).²⁸ While data coming from cost-free public national beneficial ownership registers can already be retrieved through BORIS, the implementers have yet to finalise a payment interface enabling the purchase of data from registers

²⁶ Other (automatic) checks are also performed by the Danish beneficial ownership register (e.g. as to whether the person is deceased, missing, under the age of 18, etc.). See more on how Denmark verifies beneficial ownership information at <https://taxjustice.net/2020/10/08/how-denmark-is-verifying-beneficial-ownership-information/>

²⁷ Submitting discrepancy reports through a single platform requires a solution to the current fragmentation issue (i.e. the multiple beneficial

ownership definitions in the EU and the need for a single one to be adopted by MSs, an issue addressed by new EU regulation under discussion).

²⁸ The remaining MSs with beneficial ownership registers in place should be added to the platform. See more information at https://e-justice.europa.eu/38590/EN/beneficial_ownership_registers_interconnection_system_boris?EUROPEAN_UNION&action=maximize&idSubpage=1&member=1

charging fees. This payment interface should be ready by early 2023.

Beneficial ownership extracts from BORIS (available in pdf format; see Annex VIII for an example) only contain the types of beneficial ownership information required under current EU policy. Similarly to most national registers, other information such as historical data, full ownership structures, and the different items discussed in the previous subsection are missing from the extract, even when these are available in the national register (e.g. historical data in Latvia).

BORIS implementers are also working on a registration protocol that will be mandatory for all the system's users. Similarly to the approach taken by many MSs, BORIS will use the eIDAS electronic identification system for this purpose. However, eIDAS only authenticates natural persons with a European electronic identification, therefore creating access restrictions based on users' nationality. This applies not only to the general public but also to competent authorities and obliged entities. The latter will be accredited via institutional VIP schemes which determine the level of access to which they are entitled. However, individual members of these organisations will still have to rely on their personal e-identification to log in.

API access, data in structured format and the ability to download datasets

Survey results also revealed satisfaction with API access, the ability to download datasets, and the provision of data in a structured format where these features were present.

In Denmark, for instance, the API allows for delta updates. That is, rather than downloading the full dataset every time there is an updated data point in the register, users only need to download it once. They are then able to request only the information that has been changed (which the country's FIU does daily).

The Greek FIU also highlighted the usefulness of being able to extract the results of a query to a file that can be further processed with the use of their analytical tools.

Unique identifier for beneficial owners and legal entities

More often than not, different natural and legal persons can have identical or similar names. Unique identifiers help ensure that there is clarity with respect to the exact entity or person to which a given piece of information is attributed. The public version of the Danish beneficial ownership register accessible via its API connection contains a special unit-number to identify persons in the database for this purpose.

More than simply clarifying ambiguities in a single dataset, unique identifiers enable the proper interconnection of different databases, serving as the common elements

linking data from different sources (similarly to the SSNs in Box 1 above).

When unique identifiers are defined at the national level, however, there is the risk of “collision” when multiple entities from different countries have the same ID.

One suggestion coming from the Danish FIU that has the potential to mitigate this problem is the use of the European Unique Identifier (EUID) for legal entities rather than the national incorporation number, which the Romanian register does. The EUID comprises a country code, the register identifier, the registration number, and possibly a verification digit and is the company ID used in BORIS.²⁹

Establishing unique identifiers at the international level for beneficial owners and natural persons in general appears to be less straightforward. This is due to the fact that not all countries have population registers and, when these exist, they are not always public. In Latvia, for instance, such a register does exist at the national level, but problems arise when foreign natural persons are involved. When filling out their beneficial ownership declarations, foreigners are required to provide a copy of their passports. However, these expire, and when new ones are issued, the registry authority cannot determine whether both passport numbers correspond to the same person.

Improved search options

In many countries, the inability to query the names of both beneficial entities and legal entities was flagged as a challenge. Table 4 shows that this is the case for the majority of registers in the EU, at least with respect to their public interfaces. An additional problem is presented by the inability to search by approximate terms (in e.g. Austria and Hungary), the need to know specific numbers identifying legal entities (in e.g. Cyprus, Portugal, and Poland), or even the need to use the Cyrillic alphabet in the case of the Bulgarian register.

Sometimes, helpful search features are not available to the public but are nevertheless offered to competent authorities. This is true in the case of Belgium and Luxembourg, where FIUs can search by entity or beneficial owner, while the public can only search the name of the entity. In Austria, a respondent from a supervisory organisation reported being able to search by parts of names and apply a phonetic search, whereas members of the general public can only search by the exact registration name of a legal entity (or its ID number).

While it is warranted for registry authorities to restrict part of the information declared to them from public view, the same logic does not apply to the features of the register. Once resources have been employed to develop useful functionalities, it makes little

²⁹ See the implementing regulation: <https://eur-lex.europa.eu/legal->

[content/EN/TXT/PDF/?uri=CELEX:32015R0884&from=DE](https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32015R0884&from=DE)

sense not to make them available to the public at large.³⁰

On the positive side of search functionalities, respondents from the Danish FIU were satisfied with the ability to filter their queries by e.g. addresses and regions. Filtering options also exist in the German register.

Notification on the status of a given piece of information

Notifications on the status of a given piece of information in the register were considered to be useful. The Belgian register, for instance, displays when the available data was last confirmed by the declaring entity. Obligated entities in Belgium also reported being able to see if a discrepancy report has already been submitted to the register for a given legal entity.

Table 4: Usability of EU public registers

Country	Search/request by legal entity or beneficial owner?	Exact spelling required to search?	Search possibilities	Further requirements for the general public/comments
Austria	Legal entity	Yes	Legal entity's name or ID number	N/A
Belgium	Legal entity	N/A – see next cell	Multiple search options (legal entity's name, creation date, address, etc.), but the only one yielding results was legal entity's ID number	N/A
Bulgaria	Both	No	Beneficial owner's name or ID, company's name or unique identification code (UIC)	Search only available in Cyrillic
Croatia	Legal entity	No	Legal entity's name or personal identification number (OIB)	None
Cyprus	Legal entity	N/A – data needs to be requested	None. Beneficial ownership extract ordered with legal entity's name and ID number	Guidance on the website instructs user to fill in and submit beneficial ownership extract order by hand/post. ³¹ Possibility of English-language document for extra fee.
Czech Republic	Legal entity	No	Legal entity's name	Possible to download a PDF version of beneficial ownership declaration
Denmark	Both	No	Legal entity's and beneficial owner's name; address	Available as open data. Possible to download a

³⁰ Provided that the functionalities pertain to the beneficial ownership register and not to a given software owned by competent authorities importing data from the register.

³¹ Authors were however able to request information via e-mail after payment by bank transfer (with the requirement to send confirmation to the register).

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Country	Search/request by legal entity or beneficial owner?	Exact spelling required to search?	Search possibilities	Further requirements for the general public/comments
				PDF version of beneficial ownership declaration
Estonia	Both	No	Legal entity's name. If searching by beneficial owner, first and last names are required as well as date of birth and country of birth or personal identification code and its issuing country	Available as open data
Finland	Legal entity	N/A	N/A	N/A
France	Legal entity	No	Enables advanced search by different categories (legal entity's name, representatives, address, SIREN, etc.) and filters	Possible to download a PDF version of beneficial ownership declaration
Germany	Legal entity	No	Legal entity's name. Filters can be applied to search results (e.g. seat, legal form, etc.)	The user needs to request the information and approval is not always immediate, with reference code sent to physical address via the postal system
Greece	N/A	N/A	N/A	N/A
Hungary	Legal entity	Yes	Legal entity's name	N/A
Ireland	Legal entity	No	Legal entity's name or ID number	N/A
Italy	N/A	N/A	N/A	N/A
Latvia	Legal entity for any user and both for those with Latvian e-identification	No	Legal entity's name or registration number ³²	Available as open data
Lithuania	Both	No <i>When searching for legal entities</i>	Legal entity's name or ID number or, when searching by person, beneficial owner's name and surname and either month and year of birth or ID number	User needs to provide the purpose of data use
Luxembourg	Legal entity	No	Legal entity's name or ID number	N/A
Malta	Both	No <i>When searching for legal entities</i>	Legal entity's name or ID number or, when searching by person, beneficial owner's name, surname and passport/ID number are required	User needs to pay for each item separately; the register sends the result by email pointing to a link, which expires one hour after receipt of the email
Netherlands	Legal entity	No	Legal entity's name or incorporation number	N/A

³² Authors were not able to log in without a Latvian e-ID and were therefore unable to check search options available to logged-in users.

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Country	Search/request by legal entity or beneficial owner?	Exact spelling required to search?	Search possibilities	Further requirements for the general public/comments
Poland	Both	Yes	Legal entity's tax ID number (NIP), beneficial owner's personal ID number (PESEL) or or name, surname and date of birth for persons without PESEL	N/A
Portugal	Legal entity	N/A – search by legal entity's name not possible	Legal's entity tax identification number (NIF)	'Motivation' of every data request
Romania	Legal entity	No	Legal entity's name or registration number	Online portal only allows for searches by legal entity. For queries by beneficial owner, user needs to request access via e-mail, fill out a form per request (requiring qualified electronic signature) and pay an invoice
Slovakia	Legal entity	No	Legal entity's name or ID number	User is able to open multiple tabs for different consultations
Slovenia	Legal entity	No	Legal entity's name. Filter by country possible	N/A
Spain	N/A	N/A	N/A	N/A
Sweden	Legal entity	No (but company ID required)	Legal entity's ID number	N/A

Conclusion and policy recommendations

The analyses carried out for this paper show that beneficial ownership registers are an important tool for competent authorities, obliged entities, and civil society to prevent, identify, and tackle money laundering and financial crime in the EU.

The study has presented both advances and shortcomings when it comes to the implementation of these registers in practice. The utility of these registers, as demonstrated in the analysis, relies on the quality of the information they hold, as well as their accessibility and usability by national and foreign stakeholders.

To further strengthen beneficial ownership transparency in the EU, authorities at the national and EU levels should consider the following recommendations:

EU Member States

Accessibility of beneficial ownership registers

Member States should:

- Ensure that all national and foreign competent authorities have full and direct access to beneficial ownership data held in registers.
- Ensure that all national and foreign obliged entities have access to beneficial ownership data they need to perform their AML obligations.
- Ensure that all members of the public can access at least basic beneficial ownership

information from the register without restrictions due to nationality or residency.

- Make beneficial ownership data available free of charge for national and foreign competent authorities, obliged entities and the general public.
- If registration or accreditation is required by the registrar, ensure that these do not exclude foreign legal and natural persons and that access to data remains timely.

Availability of beneficial ownership information

Member States should:

- Expand the scope of entities that have to disclose their beneficial owners to the register to include all entities that carry high money laundering risks.
- Ensure compliance of legal entities obliged to disclose their beneficial owners to the register.
- Disclose, at the very least and in compliance with the 5th AMLD, all the required data necessary to identify a company's beneficial owner, including full name, month and year of birth, country of residency, and nationality, as well as the nature and extent of the interests held.
- Collect and make available additional information on ownership structures and how they develop over time (i.e. historical data). This includes a full description of both the nature and extent of interests held (in exact percentages), with the dates at which the beneficial ownership started/changed hands, coupled with information on the ownership and control chain, and on all companies through which control is indirectly held

(including additional beneficial owners and their country of incorporation).

- Collect and make available to competent authorities the beneficial owner's tax identification number and residential address, as well as politically-exposed person (PEP) status. The last of these should also be made public.
- Make beneficial ownership registers' metadata available, including information about when a beneficial ownership declaration has been submitted or updated and whether any discrepancies have been reported.

Reliability of beneficial ownership information

Member States should:

- Ensure that beneficial ownership data is of good quality through the implementation of verification mechanisms (which should include cross-checking of data) and dissuasive sanctions.³³
- Provide obliged entities with clear guidance on discrepancy reporting and follow-up mechanisms.
- Ensure that beneficial ownership registers provide online reporting channels rather than PDF-based discrepancy reporting systems involving e-mails or physical correspondence.
- Clarify that banking secrecy rules should not interfere with the obligation of financial institutions to report any potential discrepancies found in the register.

Usability of beneficial ownership register

Member States should:

- Provide API access to every type of end-user – national and foreign competent authorities, obliged entities and the public.

- Make sure the API enables the download of datasets and useful features such as delta updates.
- Ensure that data is made available in a structured format, for example, in line with Open Ownership's [Beneficial Ownership Data Standard \(BODS\)](#).
- Provide adequate search functions for all types of end-users, allowing for searches using parts of the name of a legal entity and beneficial owner.
- Improve the conditions for the interconnection of registers with other databases, including the implementation of unique identifiers for both legal entities and natural persons (set at the international level).
- Ensure that all functionalities of the register available to competent authorities and obliged entities are also available to the public.

EU institutions

- Conclude the review of the implementation of the 4th and 5th EU AMLDs by Member States and sanction cases of non-compliance.
- Ensure (through e.g. periodic independent audits) that existing beneficial ownership registers are aligned with the minimum requirements set in the 5th EU AMLD and sanction non-compliance.
- Consider, as part of the forthcoming anti-money laundering rulebook and the 6th AMLD, measures to improve the accessibility, availability, reliability and usability of beneficial ownership data as well as to facilitate the interconnectivity of registers across the EU, including:
 - require the disclosure of beneficial ownership information by all legal entities presenting high money laundering risk.
 - require the disclosure of a legal entity's full ownership chain and the exact extent of control exercised by the beneficial owner.

³³ For specific recommendations on the verification of beneficial ownership data, see NEBOT Paper 2.

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- require historical ownership data, information on the date when an individual became a beneficial owner, and PEP status to be collected/published across the EU.
- require MSs to publish registers' metadata, including information about when a beneficial ownership declaration has been submitted/updated and whether any discrepancies have been reported.
- require register authorities to independently verify the beneficial ownership information provided to the register.
- clarify registration requirements to remove restrictions and ensure that all competent authorities, obliged entities, and members of the public have access to beneficial ownership registers across the EU.
- require free access to beneficial ownership registers for all types of end-users.
- require improved functionalities, including API access enabling the download of datasets, as well as better search functions for all end-users.
- require beneficial ownership data to be published as structured data in machine-readable format, for example, in line with Open Ownership's Beneficial Ownership Data Standard (BODS).
- require registry authorities to publish annual statistics on the register's performance, such as visits/requests for information, number and type of sanctions given, reports on discrepancies, etc.
- With respect to BORIS:
 - ensure that all information collected and made available to a given type of end-user at the national level is also made available through BORIS; or, at a minimum, require that whenever national beneficial ownership registers display information beyond what is currently mandatory, this is made explicit in BORIS' beneficial ownership extract.
 - ensure that there are no access restrictions for competent authorities, obliged entities, and the general public based on nationality or country of residence.
 - ensure that basic company information (e.g. shareholders, company directors, financial accounts, etc.) is made available by BORIS. This could potentially be achieved by interconnecting BORIS with the Business Registers Interconnection System (BRIS).
 - improve functionalities, including API connection and better search functions (by e.g. allowing searches by name of beneficial owner).

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Annexes

Annex I: Full Methodology

Survey with competent authorities and representatives of obliged entities

Survey implementation

The survey with competent authorities focused on EU MSs where at least pilot beneficial ownership registers were in place and was targeted at all agencies with designated responsibilities for combating money laundering under EU AML policy, and which make use of beneficial ownership information for this purpose.

An online form was disseminated among these organisations through a variety of channels, and responses were collected from March to July 2022. In total, 31 valid submissions³⁴ were received from 8 financial intelligence units (FIUs), 5 law enforcement agencies (LEAs), 2 tax authorities (TAs), 3 supervisors of obliged entities, and 1 asset recovery organisation, covering 11 countries in total. The full breakdown of responses per MS and type of organisation is listed in Annex IV.

The survey with obliged entities was targeted at professionals in the banking, legal and accountancy sectors, who are also subject to obligations under the EU AMLDs. Accountancy Europe, the European Banking Federation, and the Council of Bars and Law Societies of Europe disseminated the survey amongst their national professional associations from April to May 2022. The members of these professional associations at the national level were deemed to be the most appropriate respondents for the survey as they were able to give input stemming not only from their experiences with their own national beneficial ownership registers, but also from those of their peers.

In total, 21 responses were collected from 15 EU jurisdictions. Nine of these responses came from banking professionals, 7 from lawyers, and 5 from accountants. Annex IV contains the breakdown of responses per profession per MS.

One important caveat of the selected approach for both surveys is that while it allowed for the collection of diverse and insightful experiences with beneficial ownership registers on the part of key AML players within the EU, the results are anecdotal in nature rather than raw, objective data. The latter is a *sine qua non* for statistical analysis and for reaching

³⁴ This number excludes submissions from respondents not targeted by the survey.

overarching conclusions. Throughout the paper, however, the authors have made generalisations to the extent that this was possible from the responses received.

Questionnaire development

The questionnaires began by asking competent authorities and representatives of obliged entities about the extent to which they make use of their national beneficial ownership registers and alternative sources of information on beneficial ownership. Competent authorities were then additionally asked about the potential impact of the implementation of these industry-wide registers on their ability to perform their AML responsibilities.

Following this brief introductory section, the first pillar on the (i) *accessibility* of beneficial ownership registers covered questions on the mechanisms through which both types of organisations were granted access to these registers, as well as the timeliness of these processes. For competent authorities, a differentiation was made between confidential data and information unrestricted to the public. In the case of obliged entities, additional questions on the existence of user fees and the extent to which they constitute an access barrier were included.³⁵

Under the (ii) *usability* pillar, both competent authorities and representatives of obliged entities were asked to identify and elaborate on functionality traits of beneficial ownership registers which pose challenges for their organisations in terms of retrieving and using data (e.g. lack of access to the full dataset, inability to search with approximate terms, inability to download datasets, etc.), as well as on features that otherwise work well and increase the reach and impact of their work (e.g. interconnection with other databases).

The (iii) *availability* pillar included questions such as whether all legal entities relevant to the work of the different organisations were covered by the register. For the legal entities encompassed by the register, both competent authorities and representatives of obliged entities were asked whether certain pieces of information crucial to their work were missing from the beneficial ownership extracts of the legal entities included the register, e.g. nationality, date of birth, address, social insurance number, etc.

Finally, the questions under pillar (iv) *reliability* tapped into respondents' perception of data accuracy and up-to-dateness. Additionally, while competent authorities were asked about the frequency with which they spot discrepancies between the data found in the register and

³⁵ In this and all following sections of the questionnaire, respondents were invited to highlight processes and characteristics of the register that they considered to improve the effectiveness of their work, and were asked to provide recommendations to address the aspects they perceived as inadequate or hindering the optimal use of these registers.

that of alternative sources to which they have access, a more detailed set of questions was designed for representatives of obliged entities, aiming to gather information on the process of submitting discrepancy reports and the perceived adequacy of follow-ups by the relevant authorities.

Although both questionnaires focused mainly on the respondents' experiences with and perceptions of their national beneficial ownership registers, a final section was included in both questionnaires on the cross-border use of registers. This section included questions on the extent to which organisations used beneficial ownership registers from other jurisdictions within and beyond the EU, the benefits of their implementation, and potential challenges linked to cross-border use.

Semi-structured interviews with journalists

All the interviews with journalists were carried out by phone and/or by email from March to April 2022. Since the authors aimed to reach the journalists who had experience with searching for companies' ownership, members of the International Center for Investigative Journalists and the International Consortium of Investigative Journalists were targeted. Some of those reporters in turn recommended colleagues with even more experience on the topic. All attributed quotes in this report have been published with the explicit permission of the journalists concerned.

The authors focused on journalists from countries that are either systemically important by their above average economic size or on those who work in countries which have only recently set up their beneficial registers. For detailed questions, see Annex VI.

Mapping of beneficial ownership registers and their features

For each public register, the authors searched for information on three companies: one retail company and two media companies. To make the testing as comparable as possible over countries, the authors searched for the beneficial owners of local [Lidl](#) companies (a grocery store company which [operates](#) in most of the EU countries under nationally registered businesses). If Lidl was not present, authors searched for [Ikea](#), the furniture retail company. Both companies were selected not only for their common presence in the EU and local registration, but also because they possess dominant family beneficial owners in their ownership structures as documented by their own annual reports as well as [media stories](#) about the [history of the companies](#).

Furthermore, to check whether the scope of registers is broad enough to include other key companies, authors made a pilot search for two large national media companies. The [Guardian's](#) and [International Media's](#) lists of largest media companies were used for this purpose. For countries absent in these lists, the authors researched and identified the

seemingly largest media companies based on circulation. If none of companies were found to have a record in the register, authors looked for other large media companies until two media companies with a registration were found.

The authors then proceeded with checking the media company and/or publishers of these media outlets by visiting their home pages and looking for contact or legal information which would contain a reference to the company. This search was conducted from April to August 2022. For the list of companies whose beneficial ownership records were accessed in this exercise, see Annex VII.

While attempting to retrieve information for these companies, the authors closely monitored the hurdles that an average citizen might encounter, such as conditions for registration, fees, requirements for extra information (such as knowledge of company's complete legal name, ID number, etc.) as well as rough estimate of time needed to make a successful single search.

The company search exercise mimicked the behaviour of any ordinary EU citizen trying to search for information in his or her country's national beneficial ownership register as well as in registers of other EU countries. In this way, the authors approximated the general public's access, availability, usability and reliability of the data.

Annex II: Questionnaire for survey with competent authorities

Information on the organisation

1. Country: *[Drop-down list]*
2. Name of organisation: *[Open-ended]*
3. Type of organisation
 - a. law enforcement agency
 - b. financial intelligence unit
 - c. tax authority
 - d. judicial authority
 - e. supervisor of obliged entity
 - f. other. Specify _____

Use of beneficial ownership information and data sources

*Please note that the term “BO register” in all questions of the survey refer to the central register containing beneficial ownership data of **corporate and other legal entities**, therefore excluding trusts and similar legal arrangements.*

4. In the performance of your AML duties under EU policy, how often if ever does your organisation use beneficial ownership information of corporate and other legal entities incorporated in your territory?
 - a. very often
 - b. often
 - c. rarely
 - d. never

[If 4 = d, end of survey]

[If 4 = a, b, or c, move to Question 5]

5. What is (are) the purpose(s) of this use (e.g., analysis of suspicious transaction reports, investigation on money laundering, associated predicate offences or terrorist financing, tracing of criminal proceeds, verification of BO requirements for licensing/registering financial institutions, etc.)? *[Open ended]*
6. What sources of beneficial ownership information of corporate and other legal entities incorporated in your territory does your organisation make use of and why (e.g., commercial providers like Orbis, tax authority databases, central registers for beneficial ownership information

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of any kind, requests for information targeted at obliged entities, other competent authorities or directly at legal persons, etc.)? *[Open ended]*

7. How often if ever does your organisation use your country's central register for beneficial ownership information to retrieve the data you need?
- very often
 - often
 - rarely
 - never

[If 7 = c or d, move to Question 8]

[If 7 = a or b, skip Question 8 and move to Question 9]

8. Please explain the low use of BO registers by your organisation. *[Open ended]*

[Move to Question 11]

9. After the establishment of a BO register in your country (if there is one in place), have members of your organisation continued to use the alternative sources you named in Question 6 to retrieve information on beneficial ownership of corporate and other legal entities incorporated in your territory? Please elaborate on the changes to your organisation's daily work stemming from the establishment of your country's BO register, if any.
10. If applicable, has the establishment of a BO register in your country improved your organisation's capacity to perform its AML obligations? If so, how? If not, why not?

Access to national BO registers

11. How does access to the data of your country's BO register work? Is there a mechanism in place to grant access to this data exclusively to your organisation and/or other competent authorities (e.g., specific software, website closed to the general public, an API, special access credentials to the BO register, request to the registry authority, etc.)? *[Open ended]*
12. How is the data restricted to the general public made available to your organisation? Is the same mechanism described in the previous question used for your organisation to access confidential data? Please explain. *[Open ended]*
13. Thinking about both types of information – those open to the public and those restricted to competent authorities only – does your organisation have immediate access to them or is access granted through a process that requires any amount of time? Please elaborate on how long it takes for members of your organisation to access any given data point from the time one identifies the need for this data and has actual access to it, providing a response for each type of information (confidential vs. open, if access to them differs). Please also point out if the first access is different from remaining ones in terms of speed of access. *[Open ended]*
14. In your opinion, does your organisation have *timely* access to the data held in your country's BO register? In other words, to what extent are members of your organisation able to access the data

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they need in time for the purposes of this access? Please consider access to information that is made available to the general public and information that is restricted to competent authorities.

- a. yes, fully
- b. to some extent
- c. not at all

[If 14 = b or c, move to Question 15]

[If 14 = a, skip Questions 15 and 16 and move to Question 17]

- 15. Please explain what prevents your organisation from having timely access to the data on your country's BO register. *[Open ended]*
- 16. Do you have any recommendations on how to improve competent authorities' access to the data on your country's BO register? *[Open ended]*

[Move to Question 18]

- 17. What makes access to the data of your country's BO register for members of your organisation agile? Do you have any recommendations to make access to this data even more speedy? *[Open ended]*

Availability and quality of information held on national BO registers

- 18. What types of challenges (if any) do members your organisation face when attempting to use BO data held in your country's BO register (or any interconnected platform scraping data from it) once access to these platforms have been granted to them? And how detrimental are these issues to the completion of the AML/TF obligations your organisation has? (Rate all that apply [not a problem – somewhat a problem – definitely a problem])
 - a. Issues related to the availability of information (not all entities relevant to the work of my organisation are covered or there is missing information for covered entities)
 - b. Issues related to the quality of information (information is inadequate, outdated or inaccurate)
 - c. Issues related to the usability of the register or of the interconnected platform scraping data from it (functionalities or their absence pose problems)
- 19. Considering corporate and other legal entities exclusively, does your country's BO register or the interconnected platform scraping data from it cover all entities that are relevant to your work?
 - a. yes
 - b. no

[If 19 = b, move to Question 20]

[If 19 = a, skip Questions 20 and 21, and move to Question 22]

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20. Please detail which relevant entities are not covered. Is (are) there any *type(s)* of legal entity(ies) of relevance to your organisation not covered by the register or are there any issues with the *geographical location of incorporation* of entities preventing data availability? *[Open-ended]*
21. To the extent you are able to say, do the legal provisions of your country allow for such missing data or, on the contrary, does your country's legislation mandate the availability of BO information for these entities and yet this obligation has not been implemented? *[Open ended]*
22. Is (are) there any type(s) of information on beneficial owners of entities covered by your country's BO register that would be relevant to your organisation and is (are) not made available to you (e.g., BO's nationality, date of birth, address, social security number, etc.) ?
- a. yes
 - b. no

[If 22 = a, move to Question 23]

[If 22 = b, skip Question 23 and move to Question 25]

23. Please specify which type(s) of information on beneficial owners of entities covered by your country's register that would be relevant to your organisation's work and that are not made available to you.
24. To the extent you are able to say, do the legal provisions of your country allow for such missing information on beneficial owners or, on the contrary, does your country's legislation mandate the availability of this data and yet this obligation has not been implemented? *[Open ended]*
25. Do members of your organisation trust the quality of the information held by your country's BO register?
- a. yes, fully
 - b. to some extent
 - c. not at all

[If 25 = b or c, move to Question 26]

[If 25 = a, skip Question 26 and move to Question 27]

26. Please explain the low trust in the quality of the information held by your country's BO register, considering the overall *adequacy* and *accuracy* of this data in your response.
27. Is the data held on your country's BO register *current* (i.e. members of your organisation seldom or never find outdated information in the register)?
- a. Yes
 - b. No

[If 27 = b, move to Question 28]

[If 27 = a, skip Question 28 and move to Question 29]

28. Please comment on data up-to-dateness issues members of your organisation face. *[Open ended]*

29. Does your organisation often spot discrepancies between the data held by your country's BO register and that from other sources you may use (e.g., customer due diligence data)? Please specify the other sources. *[Open ended]*
30. Are there any other challenges with regards to the quality of information provided in your country's BO register not covered by the previous questions? *[Open ended]*
31. Do you have any recommendations on how to improve the availability of BO data in your country's BO register and/or the quality of the data it holds? *[Open ended]*

Usability of national BO registers

32. Are there any functionality traits of your country's BO register (or of any interconnected platform scraping data from it) that pose challenges for members of your organisation to retrieve and use data? (e.g., lack of access to the full dataset, inability to search with approximate terms/requirement to search by exact spelling of legal entities' names, etc.)
 - a. Yes
 - b. No

[If 32 = a, move to Question 33]

[If 32 = b, skip Question 33 and move to Question 34]

33. Please elaborate on the functionalities of your country's BO register or their absence that pose problems for members of your organisation to retrieve and use the data held in the register. *[Open ended]*
34. What are the functionalities of your country's BO register (or of any interconnected platform scraping data from it) that work well and increase the efficiency of your organisation's work (e.g., interconnection with other databases)?
35. Do you have any recommendations on how to improve the usability of your country's BO register (or of any interconnected platform scraping data from it)? *[Open ended]*

Cross-border use of BO registers

36. In the performance of your AML duties under EU policy, how often, if ever, does your organisation use the beneficial ownership information of corporate and other legal entities incorporated in *third countries* (jurisdictions outside the EU)?
 - a. very often
 - b. often
 - c. rarely
 - d. never

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37. In the performance of your AML duties under EU policy, how often, if ever, does your organisation use the beneficial ownership information of corporate and other legal entities incorporated in the different *EU jurisdictions* below?

	a. very often	b. often	c. rarely	d. never	My country (not applicable)
Austria					
Belgium					
Bulgaria					
Croatia					
Cyprus					
Czech Republic					
Denmark					
Estonia					
Finland					
France					
Germany					
Greece					
Hungary					
Ireland					
Italy					
Latvia					
Lithuania					
Luxembourg					
Malta					
The Netherlands					
Poland					
Portugal					
Romania					
Slovakia					
Slovenia					
Spain					
Sweden					

38. Is the purpose of this use any different from the one(s) of using beneficial ownership data of corporate and other legal entities incorporated in your territory? If so, how? *[Open ended]*

39. For which EU jurisdictions, if any, marked as "very often" and "often" above does your organisation (attempt to) use their respective national BO registers? Please list all countries. *[Open ended]*

40. If members of your organisation make no use of BO registers of other EU jurisdictions or do so for some of these jurisdictions but not all, what is (are) the reason(s) for this? Select all that apply.
- a. **(Unawareness)** We are not aware of where to find or how to access the BO register(s).
 - b. **(Register not in place)** There is no BO register in this (these) country(ies).
 - c. **(Register not operational)** A BO register exists in this (these) country(ies) but has not yet been fully populated or is not yet fully operational.
 - d. **(No access)** My organisation does not have access to the register(s).
 - e. **(Prohibitive fees)** There are prohibitive fees to access the register(s).
 - f. **(Low usability)** BO register(s) is (are) hard to use (cumbersome searching engines, language barriers, etc.)
 - g. **(Missing data)** Members of my organisation cannot find the legal entities they need in the BO register(s) or they can find the legal entities they need but data on the beneficial owners of these entities is (at least partially) missing.
 - h. **(Low data quality)** Information is unreliable: not regularly updated, inadequate or inaccurate.
 - i. **Other.** Specify_____.
41. Could you please comment on the challenges you flagged for the different countries in the previous question? *[Open ended]*
42. What alternative sources of beneficial ownership information of corporate and other legal entities incorporated in other EU jurisdictions or third countries does your organisation make use of, if any, and why (e.g., commercial providers such as Orbis, cross-border requests of information to counterpart authorities, etc.)? *[Open ended]*
43. Has the establishment of BO registers in other EU jurisdictions improved your organisation's capacity to perform its AML obligations? If so, how? If not, why not? Please elaborate on the differences between using BO data from EU jurisdictions vs third countries, jurisdictions with BO registers vs jurisdictions without, jurisdictions with public BO registers vs jurisdictions without, if any such differences exist. *[Open ended]*
44. Do you have any recommendations on how to improve the cross-border use of BO registers?

Follow-up contact

45. Would you be available for a follow-up interview?
- a. yes
 - b. no

[If 45 = a, move to Question 46]

[If 45 = b, end of survey]

46. Could you please provide your contact details (name and e-mail address)? *[Open ended]*

Annex III: Questionnaire for survey with obliged entities

Information on the respondent / organisation

1. Country: *[Drop-down list]*
2. Professional association/background
 - a. banking profession
 - b. non-banking financial institutions
 - c. lawyer / legal profession
 - d. accounting
 - e. other obliged entity (please specify)

3. Name of organisation: *[Open-ended]*

4. Function / position within organisation

[Please note that information provided under question 4 is solely for our internal use and will not be used in any published materials]

Use of beneficial ownership registers

5. To your knowledge, does your country have a central beneficial ownership (BO) register for corporate and other legal entities?
 - a. yes, established and operational BO register is in place
 - b. yes, a BO register was established but is not yet fully operational or has not yet been fully populated
 - c. no, there is no central BO register in place in my country and obliged entities of my sector use different sources to retrieve and use BO information
 - d. I don't know

[If 5 = d end of survey]

[If 5 = a or b, move to question 8]

[If 5 = c, move to question 6]

6. What are the alternative sources obliged entities of your sector use to retrieve the BO data they need (e.g., industry-specific registers, regional registers, commercial providers like Orbis, etc.)?
7. What are the challenges (if any) obliged entities of your sector face in using these alternatives sources to retrieve BO data?
8. In your professional experience, how regularly do obliged entities in your sector use your country's BO register in exercising their AML responsibilities?
 - a. very often
 - b. often
 - c. rarely

d. never

[If 8 = a, or b, move to question 11]

[If 8 = c, move to question 9]

9. Please explain the low use of BO registers by obliged entities in your sector. *[Open ended]*

[Move to question 12]

10. To the extent you are aware, please explain why obliged entities in your sector do not use your country's BO register

[Move to question 41]

11. To the extent that you are aware, what is the main purpose for using your country's BO register for obliged entities in your sector? *[Open ended]*

Access to national BO registers

12. How does access to the data of your country's BO register work? Is there a special mechanism in place to grant access to this data to obliged entities of your sector (e.g., specific software, an API, special access credentials to the BO register, request to the registry authority, etc.)? *[Open ended]*

13. Do obliged entities in your sector have immediate access to BO data held in your country's BO register or is access granted through a process that requires any amount of time? Please elaborate on how long it takes for obliged entities in your sector to access any given data point, from the time one identifies the need for this data to when one has actual access to it, clarifying if the first access is different from subsequent attempts in terms of speed of access. *[Open ended]*

14. In your opinion, is the process you described above *timely*? In other words, to what extent are obliged entities in your sector able to access the data they need in time to use them for the purposes of this access?

- a. yes, fully
- b. to some extent
- c. no

[If 14 = a, move to question 16]

[If 14 = b, or c, move to question 15]

15. Please explain what prevents obliged entities in your sector from having timely access to the data of your country's BO register. *[Open ended]*

[Move to question 17]

16. What makes access to the data in your country's BO register for obliged entities in your sector agile?

17. Do you have any recommendations on how to improve the access of obliged entities in your sector to your country's BO register data or to make the process faster? *[Open ended]*
18. Do members of your professional body have to pay a fee to access data from your country's BO register?
 - a. yes
 - b. no

[If 18 = a, move to question 19]

[If 18 = b, move to question 21]

19. Please provide more details on the cost and how the payment process works (e.g., do you pay for a BO extract or to download the whole dataset at once?) *[Open ended]*
20. In your opinion, does the payment of a fee constitute an access barrier for members of your professional body to use the data held in the register?

Availability and quality of information held by national BO registers

21. Considering corporate and other legal entities exclusively, does your country's BO register cover all entities relevant to the work of obliged entities in your sector when exercising their AML responsibilities?
 - a. yes
 - b. no

[If 21 = a, move to question 24]

[If 21 = b, move to question 22]

22. Please provide details on which relevant entities are not covered. Is (are) there any type(s) of legal entity(ies) of relevance to obliged entities in your sector that are not covered by the register or are there any issues with the geographical location of incorporation of entities that restrict the availability of the data? *[Open-ended]*
23. To the extent you are able to say, do the legal provisions in your country allow for such missing data or, on the contrary, does your country's legislation mandate the availability of BO information for these entities and yet this obligation has not been implemented? *[Open ended]*
24. What type(s) of information on corporate and other legal entities is(are) available in your country's BO register?
 - a. names of (ultimate) beneficial owners
 - b. addresses of (ultimate) beneficial owners
 - c. date of birth of (ultimate) beneficial owners
 - d. nationality of (ultimate) beneficial owners
 - e. residency jurisdiction of (ultimate) beneficial owners
 - f. other ownership of (ultimate) beneficial owners/connected legal entities
 - g. nature of interest held
 - h. extent of interest held
 - i. information on full ownership chain
 - j. historical data (e.g. previous beneficial owners)

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- k. other (specify)
- 25. Is (are) there any type(s) of information on beneficial owners of entities covered by your country's BO register that would be relevant to obliged entities in your sector and is (are) not made available to you?
 - a. Yes
 - b. No

[If 25 = a, move to question 26]

[If 25 = b, move to question 28]

- 26. Please specify which type(s) of information on beneficial owners that would be relevant to the work of obliged entities in your sector but which are not made available. *[Open ended]*
- 27. To the extent you are able to say, do the legal provisions of your country allow for such missing data or, on the contrary, does your country's legislation mandate the availability of BO information for these entities and yet this obligation has not been implemented? *[Open ended]*
- 28. Do obliged entities in your sector generally trust the quality of the information held by your country's BO register?
 - a. yes, fully
 - b. to some extent
 - c. not at all

[If 28 = b or c, move to question 29]

[If 28 = a, move to question 30]

- 29. Please explain the low level of trust in the quality of information held in your country's BO register, considering the overall *adequacy* and *accuracy* of this data in your response.
- 30. Is the data held in your country's BO register *current* (i.e. obliged entities of your sector seldom or never find outdated information in the register)?
 - 1. yes
 - 2. no

[If 30 = a, move to question 32]

[If 30 = b, move to question 31]

- 31. Please explain the issues regarding data being out of date that obliged entities in your sector face and clarify whether this constitutes an infringement to the legal provisions of your country.
- 32. If obliged entities in your sector identify discrepancies between information found on the BO register and information found through their own research, are they mandated to report such discrepancies?
 - a. Yes
 - b. No
 - c. I don't know

[If 32 = a, move to question 34]

[If 32 = b, move to 33]

33. Are obliged entities in your sector able to report discrepancies between information found on the BO register and information found through their own research, at their own volition?
- Yes, reporting channels are available for entities wishing to report discrepancies
 - No, there is no option to report discrepancies or missing information of the BO register

[If 32 = a, move to question 34]

[If 32 = b, move to 36]

34. Please describe the process of submitting reports or change requests (to whom the report should be addressed, through which procedure) and whether follow-up/correction is adequate (to the extent that you are able to say). *[Open ended]*
35. Do you have any recommendations on how to improve the process of submitting reports or change requests?
36. Do you have any recommendations on how to improve the availability of BO data in your country's BO register and/or the quality of this information? *[Open ended]*

Usability of national BO registers

37. Are there any functionality traits of your country's BO register that pose challenges for obliged entities in your sector to retrieve and/or use data (e.g., lack of access to the full dataset, inability to search with approximate terms/requirement to search by exact spelling of legal entities' names, inability to download datasets, etc.) ?
- yes
 - no

[If 37 = a, move to question 38]

[If 37 = b, move to question 39]

38. Please elaborate on the functionalities of your country's BO register or their absence that pose problems for obliged entities in your sector to retrieve and use the data held in the register.
39. What are the functionalities of your country's BO register that work well and increase the efficiency of the work of the obliged entities in your sector (e.g., interconnection with other databases)?
40. Do you have any recommendations on how to improve the usability of your country's BO register? *[Open ended]*

Use of cross-border BO registers

41. In your professional experience, how regularly do obliged entities in your sector use the BO registers of other EU jurisdictions in exercising their AML responsibilities? (I/II countries A-I)

	Very often	Often	Rarely	Never	I don't know	My country / not applicable
Austria						
Belgium						
Bulgaria						
Croatia						
Republic of Cyprus						
Czech Republic						
Denmark						
Estonia						
Finland						
France						
Germany						
Greece						
Hungary						
Ireland						
Italy						

42. In your professional experience, how regularly do obliged entities in your sector use the BO registers of other EU jurisdictions in exercising their AML responsibilities? (II/II countries L-Z)

	Very often	Often	Rarely	Never	I don't know	My country / not applicable
Latvia						
Lithuania						
Luxembourg						
Malta						
Netherlands						
Poland						
Portugal						
Romania						
Slovakia						
Slovenia						
Spain						
Sweden						

43. For any countries selected as 'often' or 'very often' in the previous question: To the extent that you are aware, what is the main purpose for using other countries' BO registers for obliged entities in your sector? Does it differ from the purposes of using your country's BO register?

44. For any countries selected as 'rarely' or 'never', please explain the low use of these BO registers by obliged entities in your sector
45. What types of challenges (if any) do obliged entities in your sector face when **accessing** BO registers in other EU jurisdictions (e.g. restrictions for foreign nationals)? *[open ended] [To the extent that you are able, please indicate whether any challenges listed apply to specific jurisdictions or generally.]*
46. What types of challenges (if any) do obliged entities in your sector face concerning the **availability and quality** of information when accessing BO registers in other EU jurisdictions? (e.g. differences in BO definitions or covered entities) *[open ended] [To the extent that you are able, please indicate whether any challenges listed apply to specific jurisdictions or generally.]*
47. What are the main challenges with regards to the **usability** of BO registers in other EU jurisdictions obliged entities of your sector face when using/attempting to use these registers? (e.g., language barriers, restrictive search functions, etc.) *[open ended] [To the extent that you are able, please indicate whether any challenges listed apply to specific jurisdictions or generally.]*
48. Are there any other types of challenges to the use of data held in BO registers in other EU jurisdictions obliged entities in your sector face that are not covered in the previous questions?
49. Do you have any recommendations on how to improve cross-border use of BO registers? *[open ended]*

Follow-up contact

50. Would you be available for a follow-up interview?
 - a. yes
 - b. no

[If 50 = a, move to question 51]

[If 50 = b, end of survey]

51. Could you please provide your contact details (name and e-mail address)

Annex IV: Breakdown of survey responses from competent authorities


Count of responses per type of competent authority per country.*

* Only valid submissions have been included, i.e. those that were received from targeted organisations.

Member State	FIU	LEA	TA	AML Supervisor	Other	Total # submissions
Austria	4	2	4	3	Asset Recovery Organisation	14
Belgium	1					1
Bulgaria	1					1
Denmark	3			1		4
Finland	1					1
Greece	1					1
Ireland		1	1	2		4
Luxembourg	1					1
Netherlands		1				1
Slovakia	1	1				2
Sweden		1				1
Total # of submissions	13	6	5	6	1	31
Total # organisations	8 FIUs	5 LEAs	2 TA	3 AML supervisors	1 asset recovery org.	19 orgs.

Annex V: Breakdown of survey responses from obliged entities

Count of responses per profession per country.

 Country with no (fully operational) beneficial ownership register in place

Country	Accounting	Banking	Legal	Total
Austria			1	1
Belgium			1	1
Denmark		1	1	2
Finland		1		1
France		1		1
Germany			1	1
Greece		1	1	2
Ireland	1		1	2
Italy		1		1
Latvia		1		1
Lithuania	1			1
Malta	1			1
Netherlands	2		1	3
Portugal		2		2
Spain		1		1
Total	5	9	7	21

Annex VI: Questionnaire for interviews with media representatives


Authors held semi-structured interviews with the following questions:

1. How often have you used the beneficial register so far?
2. What is your experience with your national beneficial register? Are the data accessible to you and to public at large? Please name both positive and negative experiences, give examples.
3. Do you trust the information in the registers? Why?
4. If you have an experience with beneficial ownership registers from other countries, which ones do you find well set-up and which don't you find very useful? Why?

Annex VII: List of companies searched in publicly accessible beneficial ownership registers

Research conducted with Slovak ID/passport and Portuguese electronic ID.

Companies with incorrectly-assigned beneficial owners or who failed to declare beneficial ownership are listed in **bold**. The companies in *italics* are those that we found in registers but for various reasons could not access.

 Country with no (fully operational) beneficial register in place or with a private beneficial ownership register

Country	Company 1	Company 2	Company 3	Average time to access the documents (in minutes)
Austria	IKEA Möbelvertrieb	STANDARD Verlagsgesellschaft	"Die Presse" Verlags-Gesellschaft	5
Belgium	<i>Lidl Belgium</i>	<i>DPG Media Services</i>	<i>Mediahuis</i>	Data not accessible
Bulgaria	Lidl Bulgaria	Trud Media	Standart	1
Croatia	Lidl Hrvatska	HANZA MEDIA	4 media EPH	5
Czech Republic	Lidl Holding	TV Nova	Mafra	1
Cyprus	Lidl Holding	Dialogos Media Group	Phileleftheros Media Group	19 days
Denmark	Lidl Danmark	INFOMEDIA	BERLINGSKE MEDIA	1
Estonia	Lidl Eesti	Postimees Grupp	Delfi	5
Finland	n/a	n/a	n/a	n/a
France	LIDL	SOCIETE EDITRICE DU MONDE	SOCIETE DU FIGARO	1
Germany	Lidl Stiftung & Co	Axel Springer All Media	Bertelsman SE & Co	8 days
Greece	n/a	n/a	n/a	n/a

Hungary	Lidl Magyarország	Mediaworks Hungary	XXI. Szazad Media	5
Ireland	IKEA Ireland	Irish Times Trust	Independent News & Media	5
Italy	n/a	n/a	n/a	n/a
Latvia	Lidl Latvija	Izdevniecība Dienas Mediji	Lauku Avize	1
Lithuania ³⁶	n/a	n/a	n/a	n/a
Luxembourg	Lidl Belgium Gmbh & Co	Mediahuis Luxembourg	Edita	1
Malta	Lidl Malta	One productions	Media.Link Communication s Company	5
Netherlands	<i>Inter IKEA Systems</i>	Telegraaf Media Group	Capital Media	5
Poland	Lidl Polska	Polska Press	ZPR Media	2
Portugal	<i>Lidl & Cia.</i>	Grupo Media Capital	Global Media Group	1
Romania	Lidl Discount	Intact Media Advisors	RCS & RDS	One day*
Slovakia	Lidl Slovenska republika	Markiza Slovakia	Petit Press	1
Slovenia	Lidl Slovenija	Delo	DZS	1
Spain	n/a	n/a	n/a	n/a
Sweden	Lidl Sverige	Bonnier	Schibsted Sverige	5

*This time may be much shorter for regular users and for Romanian speakers; our experience included calls to the registry hotline.

³⁶ Lithuania opened its public beneficial ownership register after the company search for this paper was undertaken. No retail or media companies were therefore included in the analysis for this country.

Annex VIII: Beneficial ownership extract from BORIS



EUROPEAN
-JUSTICE

Beneficial Ownership Registers Interconnection System

Date and time of the order 19/08/2022 10:48:51 CEST

Entity profile

Name of legal entity or arrangement:
Registration number:
Legal form category:
Legal form:
Registration address:
Beneficial ownership register:

Data on the beneficial owner(s):

Surname of the beneficial owner: **Person 1**
First name of the beneficial owner:
Birth date:
Country of residence:
Nationality:
Personal ID number:
Registrable date:
Date of last update:

Beneficial interest held

Nature of the beneficial interest held:
Ownership type:
Extent of the beneficial interest held:

Entity profile and beneficial owner data were removed in compliance with the GDPR.

Contact:

csabotproject@transparency.org

NEBOT Paper 6

Linked Beneficial Ownership Data?
Challenges and Opportunities

Network of Experts on Beneficial Ownership Transparency, NEBOT



Linked Beneficial Ownership data? Challenges and opportunities

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Reviewers: Louise Russell-Prywata

European Commission, Directorate-General for Financial Stability, Financial Services and Capital Markets Union. Fazekas, M. & Poltoratskaia, V. Linked Beneficial Ownership data? Challenges and opportunities: Network of Experts on Beneficial Ownership Transparency Policy Paper 6, Publications Office of the European Union, 2023.

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Abstract

One of the most widely-accepted policy goals of beneficial ownership registers is to help tackle money laundering and financial crime. In order to further this goal, this paper first identifies types of data needed to track dark money and assesses how these can be combined with beneficial ownership information. Second, it offers practical examples where data-linking has been done, offering insights into both its benefits and technical challenges. Third, reflecting on the lessons from case studies, we also provide technical recommendations on how data-linking can be done better, and how it can be made easier. The research is based on a combination of literature review and

primary data analysis of selected case studies.

Part I. Policy goals

Corruption involving illicit financial flows and money laundering can affect democratic institutions and actors, as well as generally undermine the integrity of the political system. When political institutions are vulnerable to capture, fundamental principles of good governance and political accountability can be compromised. Therefore, fighting corruption and illicit financial flows is not only a goal in itself, but is also desirable for its larger impact on democratic mechanisms.

The creation of publicly available beneficial ownership (BO) registers is an essential step for fighting corruption, tracing dark money flowing into EU political systems and hence often threats to democracy and good government. To facilitate the adoption of BO registers by national governments, in 2015 the [fourth EU anti-money laundering directive](#) (AMLD) was launched. It gave EU member states a two-year time frame to transpose the Directive into national legislation. This Directive was largely built on recommendations of the Financial Action Task Force (“FATF”) and it introduced new approaches to risk assessment and data protection standards, as well as precise definitions of politically exposed persons and beneficial ownership. For example, the already specified risk-based approach

in the third EU anti-money laundering Directive was further enhanced by limiting exemptions for lower risk entity types. Additionally, each legal entity would be individually assessed through the use of specific risk variables, establishing a system of evidence-based control over money laundering and terrorist finance.

BO registers can provide a wide variety of possibilities for tracing illicit financial flows, as well as increase the effectiveness of investigations. For instance, having direct and open access to BO registers can enable [proactive investigations](#) by government agencies. Typically, prior to BO data publication, investigators needed to file complex and lengthy data requests, while publicly-available registers enable them to proceed without additional bureaucratic procedures and avoid the need to have pre-established evidence in order to access the data. Moreover, open registers resolve potential legal and technical obstacles to data-sharing between government departments. When it comes to the private sector, publicly-available BO registers can help companies to better assess the risks of their business relationships such as using a certain supplier or buying a particular company. BO registers offer an independent and trusted data source to conduct know-your-client risk assessments. Additionally, all

companies have the same access to BO data at a low to minimal cost, lowering the costs of doing due diligence considerably, benefiting smaller companies in particular which have fewer resources for such checks.

Improving risk assessments with the help of open BO registers is also helpful for risk prevention. They allow policy makers to implement the necessary mitigation measures and improve the regulatory environment. By revealing the potential risk factors in advance, it is possible to save time and efforts on anti-corruption interventions and prevent wrongdoing in the first place. Moreover, public BO registers provide access to civil society and journalists to conduct their own independent investigations and therefore also assist in improving government agencies' investigations.

However, the data in BO registers needs to be complemented by other datasets to realise the full potential of the above benefits. BO data by itself cannot provide much valuable information - it merely establishes the links between entities (individuals, companies, etc.). Only when BO data is linked to other datasets containing information on potentially corrupt transactions (e.g. government contracts) or the results of corrupt deals (e.g. real estate) can corruption risks be better assessed. Therefore, the goal of this paper is to provide insights to potential benefits and challenges from linking BO

registers to other datasets (i.e. asset declaration, public procurement, PEP data, etc.), and the possibilities that data-linking opens up for government agencies, NGOs and civil society.

Currently, there are very few BO registers in open access and in standardised format which can be used by the general public or civil society and academics. Therefore, one of the most common substitutes is comprehensive company ownership data provided by private sector data aggregators such as Bureau van Dijk (BvD). Such companies typically provide access to their datasets for a fee, often very expensive, especially when the user needs to gain access to the full database rather than individual records. BvD offers one of the most comprehensive ownership datasets covering around 400 million companies all over the world, including the information on their ownership and various financial indicators. Unlike BO registers, companies like BvD use the information provided by official company registries, therefore the data is validated differently than in BO registers and the quality of data depends on the country-specific regulations. Thus, while company ownership registry data can be used as a good substitute for BO data, the information is limited by the countries that it covers, as well as the quality of data in these countries.

In the following sections, we present the types of data which can be linked to BO

data, as well as potential challenges associated with data-linking. Then we outline three in-depth case studies presenting the actual practices of data-linking with procurement data, real estate data and business register data. We

conclude by offering technical recommendations to support actors in their attempts to use open data for preventing corruption and fraudulent behaviour.

Part II. Types of linked data and linking challenges

First, the value of BO data is greatly enhanced if it is directly linked to other company information. Ideally BO data is published as part of already-available company information such as registry attributes (date of incorporation, location of headquarters, etc.), financial data (turnover, number of employees, etc.), and management information (names of chief officers).

Second, measurement of corruption, money laundering and terrorist finance risks typically requires transactional data which describe the exchanges during which money is moved to the benefit of malevolent actors. For example, BO data linked to government contracts allows for tracking sources of corrupt income for a company (supplier) and hence the BOs behind it. Public procurement data enables tracking if the legal entity (supplier) has signs of fraudulent or corrupt behaviour, such as benefitting from tailored tendering terms, e.g. short time periods for submission such that it cripples competition, or a generally low level of competition (e.g. a single bid submitted on a competitive market). Moreover, if BO data is linked not only to procurement data but also to data on

political office holders (see below), it is possible to trace personal ties between buyers or suppliers, hence revealing conflicts of interest.

Third, data on assets such as real estate holdings can be used to further enhance the analytical value of BO data. Where the real ownership of an asset class, say real estate in a particular city, is of interest, BO data offers the crucial link to individuals ultimately owning properties. The value of such data-linking is revealed when certain individuals or groups of individuals are targeted by policy, e.g. by sanctions or taxes. A particular high-value case of such data-linking is when BO data is linked with politicians' and bureaucrats' asset declarations. Asset declaration data is in itself a great tool to trace corruption as it reveals conflicts of interest and points at unjustified assets. Linking such data to BO data can help verify the content of asset declarations submitted by politicians and can also reveal links between individuals, for example business associates of politicians, indicating conflicts of interest.

Fourth, data on the individuals themselves such as official political positions the person holds has the potential for greatly enhancing the usefulness of BO data. For

example, data on politically exposed persons can support the tracing of dark money and corrupt money flows. Presence of politically-exposed persons (PEPs) in the chain of companies' ownership is considered to be a high risk in itself, requiring further investigation. By linking PEP data to BO registers, it is possible to

identify such people in the ownership structure. In most cases, PEPs will try to avoid public scrutiny and would rather create a long chain of companies through which it is difficult to identify the full list of owners and beneficiaries. Therefore, matching the two datasets can help to easier establish the network structure.

Challenges of linking data

In all these cases, linked data can help to reveal corruption risks related to a company or group of companies. However, data-linking can pose lots of technical challenges. Differences in units of analysis, time coverage and data accuracy can influence the results. However, most of these issues have potential solutions and require multiple steps of documenting and analysing datasets prior to matching.

The first step is to map all the datasets, listing the full scope of variables and the unit of observation for each. This is a necessary step to resolve two potential issues: duplicated variables (or interconnected ones) and multilevel observations. For example, the most common issue with matching BO registers to other datasets can be that one dataset has individual-level information (e.g. politically-exposed persons), whereas the other has company-level information. An important step here is to identify whether there are any variables in both types of datasets that can serve as unique

identifiers and help in matching. For instance, if the individual-level dataset has a variable on the company owned or related to the individual, the rows can be collapsed and aggregated to the company level. Alternatively, if there is a possibility to match individual-level information to company IDs, the dataset previously containing information on the organisational level can be complemented with information on individuals owning the company and thereafter matched to the individual-level data.

The need for unique identifiers is another issue to solve. The need for IDs which are unique and not duplicated in at least one of the datasets is a necessary requirement to avoid thousands of duplicates after merging. In case of multiple repeated IDs in the datasets, each ID will be filled with repeated information from the same ID coming from a different dataset; therefore, if there are three identical IDs in one dataset and two in the other, the final dataset will have six rows with the

same IDs and repeated information.

Having at least one master dataset with unique identifiers will solve this problem by matching many to one, and therefore no de-duplication will be needed. There are a few ways to solve this issue and get at least one master dataset for matching. The first solution is to collapse the rows and get aggregated information per each unique ID. If collapsing affects numeric variables, average or median values can be taken. When it comes to categorical values, the analytical solution is more complicated and requires the development of methodology for such cases. The most obvious solution is to leave the most frequent category. Alternatively, the ratio of categories can be calculated (in cases of binary outcomes).

Overlapping variables can cause another issue for dataset size and future analysis (as inclusion of correlated indicators might

inflate the significance of predictors and the model in general). Therefore, each dataset should be thoughtfully mapped before linking, as well as analysed with descriptive statistics tools prior to any further matching steps. For instance, in cases when there are two variables with similar meanings yet different operationalisation or coding mechanisms, the one of higher quality should be left. Checking for quality requires both quantitative and qualitative assessment, i.e. what is the percentage of missing values, what is the variation in the values, as well as how this variable was recorded and verified. The threshold for “good enough” quality is another analytical decision to make, as there are no universal standards that can be applicable to all kinds of datasets. Depending on how valuable or accessible certain information is, the threshold might significantly differ.

Part III. Case studies

The third part of this paper provides case studies showing the value of data-linking and how linked datasets are indispensable for tracking down and stopping the flow of dark money into politics. By providing examples of datasets complementary to

BO registers, such as real estate data, this section will demonstrate particular schemes that can be revealed through working with linked data as well as how data-linking and data use is best done in practice.

Case No. 1: Politically-connected firms and public procurement data: Case of Bulgaria

Case summary

Institutional and governance challenges are a key constraint reducing Bulgaria's economic potential and private sector productivity. Bulgaria continues to lag behind most EU countries on governance indicators. The gap with the rest of the EU is most pronounced along institutions critical for economic growth such as the rule of law, control of corruption, and government effectiveness. One critical institutional area where governance weaknesses and state capture by private interests are evident is public procurement. Linking public procurement data to BO data to reveal politically-connected firms can help to detect potential signs of corruption and conflicts of interest in multiple ways. While the presence of political connections is not necessarily proof of corruption, by using data from public procurement and BO

registers it is possible to verify whether PEPs were using their personal connections for private benefit.

Goals and datasets involved

For public procurement data, we use two sources for the analysis. First, all tenders and contracts were collected from the previous national e-procurement portal, [AOP](#). Second, we also collected all publications from the new national e-procurement portal, [EOP](#). We collected the data by using automated web-scrapers which are adapted to the specificities of the source websites and data repositories.

For BO information, we used data provided by [Bureau Van Dijk Orbis](#), offering company-level information with extensive data on the corporate ownership structure. For collecting data on politically-exposed persons, the list was provided by

the Center for the Study of Democracy, complemented with information from the Panama and Pandora Papers as well as the Magnitsky Act.

Data-linking activities and challenges

The first step prior to analysis of any dataset is data cleaning, especially when it comes to variables which are needed for the matching. For instance, buyer names can be spelled in various ways even within the same dataset, and therefore all redundant characters should be removed as well as the letter case aligned. Next, the missing rate for the variables should be checked as well as how the missing data points are stored (e.g. whether they stored as “99” or “9999” or “NA”), as this can further influence the outcome of the analysis. Ensuring the correct calculations for numeric variables is also important (e.g. confirming the unit of measurement and rounding).

Next, one of the main challenges related to data merging was linking the names from the politically-connected persons list to the BvD shareholder names with corresponding IDs. Getting IDs was important for further analysis and revealing the network of ties between companies and shareholders. We tried to re-construct the algorithm used by BvD for the transliteration of Cyrillic names in the Latin alphabet, and after a number of tests were able to secure an adequate result. However, there were too many duplicated

names (e.g. "Georgi Ivanov Georgiev" could refer to 86 different persons in the Orbis data with different IDs). We tried several methods to find a reliable way of merging the data, but the available PEP data did not allow for an unambiguous merge, and therefore some of the companies had to be dropped. The next step was to match bidder and buyer names from the procurement dataset to the company data from Orbis and get BvDIDs. After the transliteration from Cyrillic to Latin and removing all redundant characters, the matching rate of these datasets was around 85%.

Finally, the PEP data was merged with the public procurement data. The number of unique PEP-connected firms in the public Procurement data was 197 (both matched from the buyer and bidder side) out of the 4566, which leads to around 36 500 contracts if only matched on BvDIDs (so time invariant, which is the baseline).

Uses of linked data: investigations, policy analysis

In order to check if there is any significant relationship between politically-connected firms and corruption risks in public procurement, first corruption risks in public procurement were calculated. Following academic literature as well as World Bank publications, we define corruption in public procurement as the allocation and performance of public contracts by distorting principles of open and fair procurement in order to benefit

some connected actors to the detriment of all others. The resulting composite score, called the Corruption Risk Indicator (CRI), which can be considered an objective proxy measuring institutionalised corruption in public procurement, is a risk indicator that identifies situations where corruption tends to happen more often. The CRI allows for consistent comparisons across time, sectors, regions, and organisations, and can be further expanded and build upon using additional corruption proxies. For ease of interpretation, the CRI is calculated in the following way:

Each individual risk indicator is recoded as low (0) or high (1) risk with sometimes an in-between medium (0.5) category added.

The CRI is the arithmetic average of these defined individual risk indicators. It is calculated for each contract.

As a result, the CRI falls between 0 and 1, with 1 representing the highest observed corruption risk and 0 the lowest.

After matching data on politically-connected companies to public procurement data, we created a set of binary variables taking a value of “1” in cases where there is a politically-connected shareholder present and “0” where there are none in both the bidding and buying organisations.

Table 1: Regression results for politically-connected companies (PC) and Corruption Risk Indicator (cri)

	Regression Results		
	<i>Dependent variable:</i>		
	(1)	cri (2)	(3)
PC company, time invariant	0.013*** (0.001)		
PC buyer company, time invariant		0.008*** (0.001)	0.008*** (0.001)
PC bidder company, time invariant		0.029*** (0.003)	0.030*** (0.003)
PC buyer and bidder (interaction), time invariant			-0.003 (0.007)
Constant	0.267 (0.286)	0.266 (0.286)	0.266 (0.286)
Observations	199,085	199,085	199,085
Log Likelihood	37,134.130	37,165.500	37,165.640
Akaike Inf. Crit.	-73,562.260	-73,623.000	-73,621.280

Note:

*p<0.1; **p<0.05; ***p<0.01

Included controls not shown are: Buyer location, Buyer type, Supl. location, Contract type, Year FE, Market FE, Contract value deciles

The results of the analysis (Table 1) show that there is indeed a significant positive relationship between politically-connected companies and corruption risks, controlling for buyer and contract type, location, and fixed effects for year and market. Both politically-connected buyers and bidders increase the potential corruption risks in public procurement.

Lessons learned

Through matching public procurement data to the list of politically-connected companies, it was possible to establish the positive relationship between politically-connected organisations and corruption risks in the tendering process. Such results

would not be possible if these two datasets were analysed separately. The list of politically-exposed persons does not provide valuable information in itself for identifying and preventing corruption. Politically-connected organisations can simply be defined as such in cases when a person who was an active businessman decided to go into politics, or the other way around. The more important question is whether such a person is willing to use their personal ties and connections for private gain. The analysis conducted on the Bulgarian case shows that this assumption has reasonable grounds. The presence of politically-connected companies in tendering procedures

increased the corruption risks by lowering competition, setting unrealistic decision and advertisement periods, or simply by increasing the buyer's dependence on the same supplier.

However, merging this type of data from different sources is a challenging task from a technical point of view. This is particularly relevant for datasets with different alphabets (Cyrillic vs. Latin) as

well as in the absence of unified IDs across sources. For such complex cases, there is first a need for an algorithm which can transliterate text from different sources in the same style, which will help to reduce the time spent on matching. Second, there might be information loss to some extent due to the absence of IDs by which organisations can be matched across datasets.

Case No. 2: Beneficial ownership of German real estate

Case summary

With corrupt money from Russia and other places infiltrating financial markets and democratic societies in mind, the G7 communiqué of June 2022 reconfirmed the commitment to BO transparency and its importance for fighting corruption and safeguarding national security and democracy. This adds another until now somewhat-neglected goal to BO transparency, i.e. identifying assets bought with corrupt money, and boosted the debate around global wealth registers. Because real estate makes up more than half of all assets in any developed country, connecting BO information to real estate ownership would be the first and biggest step towards achieving these goals. With this discussion in mind, we tried to combine administrative data on real estate ownership with Orbis and the BO register to identify the BOs behind companies owning German real estate.

Country background

As in many other countries, the question of “who owns German cities” is high on the German agenda both as part of the fight against money-laundering and tracing Russian assets as well as in the context of the policy debate around exploding housing prices and gentrification. A series of studies from the UK to Dubai, France, Norway and finally Germany are currently trying to tackle this question. They face different issues of data availability.

1. While data on legal owners is publicly available as open data in the UK, France and Norway, real estate ownership information is not publicly available in Dubai and Germany. In Germany, real estate ownership is recorded at local registers and exchanged with the sixteen cadastres at the level of and under the jurisdiction of the federal states. The German study used freedom of

information requests to obtain data, which were successful in some places and rejected in others. The study in Dubai profited from a leak.

2. While the real estate data in France contains a unique identifier (company ID) for legal owners, the German data does not systematically provide such information and poses challenges related to partially outdated and incorrectly or differently spelled names.

3. While BO data is available as open data in the UK and France, the German BO register provides public access on a case-by-case basis and at a cost of 1.96 EUR per extract. Additionally, because the German BO register was set up in parallel to the company register with poorly-monitored exemptions from the duty to register, less than 10% of companies were registered by 2020. Despite a major reform in 2021, this number was still at around 50% in mid-2022.

Data-linking activities and challenges

The data obtained from the freedom of information requests, i.e. the name of companies owning real estate in Germany, was linked to Orbis using several algorithms to clean up different spellings of the same name and spelling mistakes prevalent in the data (i.e. separating company name and type, correcting for standard company types and matching based on alphabetically-sorted name-

letters; for more details, see [Miethe, Trautvetter 2022](#)). While the Orbis data is very comprehensive for German companies, this matching only reached a 69.73% coverage due to the limitations of the source data from the registers and the limitations of the matching algorithms (a manual match for a subset of the data including historic company names increased the matching to nearly 100%). 91% of the companies matched (and most likely about the same number in the original sample) were German companies. Orbis provides information both on all available shareholders as well as global ultimate owners defined as individuals or companies that directly or indirectly own more than 50% of shares. Again, Orbis coverage for shareholders of German companies is very comprehensive, thanks to the German company register providing public information on all shareholders for most company types. In contrast, Orbis does not have information from the German BO register. Through an iterative process, we managed to identify natural persons behind all shares of the companies owning real estate in 79.87% of cases. For 4.4% of all cases, the ownership chains ended in an anonymous company in a secrecy jurisdiction. For a selection of these cases (39 out of 1 297 companies), we obtained information from the German BO register (or BO registers from other countries where applicable) manually. For 23% (9 cases), there was no entry in a BO register available, mainly due to the gaps

in the German register. For another 23% (9 cases), the BO register contained additional information on shareholders. For the remaining 54%, the BO register only contained information on the person controlling the company, usually the German manager. This meant that – due to data quality issues and the definitions used for BOs – the majority of real estate ownership structures that could be identified as suspicious based on the structure visible in company registers and Orbis appeared unsuspicious in the BO register.

Uses of linked data

The analysis shows that linking data from the (German) real estate register to company ownership and BO data can serve two major policy goals. It can help to identify the majority (by value) of assets with unclear and/or suspicious ownership for further analysis by law enforcement. And it can – to some degree – help to answer the question of “who owns the city” by providing information on the degree of concentration of ownership and to identify major owners. A recent example from Berlin helps to illustrate this: Journalists identified four Berlin-registered companies owning Berlin real estate and in turn being owned by three companies from the BVI. While at the time of reporting none of the four companies were registered in the BO register, by July 2022 (following the second deadline to register), only one was registered. While

the data analysis cannot identify the BOs of those companies, it can a) identify how many plots are owned by those BVI companies directly or indirectly throughout Germany, and b) for the first time provide an answer as to how often and where such anonymous structures are actually used. The results are consistent with the findings from other countries and encouraging: Only a small share of real estate and a very small share of real estate owners use anonymous corporate structures to hide their ownership, with a strong but not exclusive focus on big cities. While this makes targeted analysis by law enforcement possible, it does not mean that this analysis is expendable, because even a tiny share of national real estate means many billions of Euros of corrupt money hidden from scrutiny.

Lessons learned

Improving the analysis of real estate ownership and the identification of German assets with unclear and/or suspicious ownership would require four major improvements to data availability and data linkage:

1. Make real estate ownership information available for research by clarifying the legal basis for accessing this data.
2. Create a unique identifier for companies owning real estate in the real estate register (i.e. a company ID and/or the BO register ID) as promised in the coalition

agreement of the current German government.

3. Make BO data available for bulk analysis.

4. To obtain information on the value of the assets or the share of apartments

owned in a certain city by any of the owners, additional information, i.e. on the purchase price and the number of apartments per cadastral plot, would need to be collected.

Case No. 3: EBOCS (European Business Ownership and Control Structures) project

Case summary

EBOCS (European Business Ownership and Control Structures) is an example of a linked BO and Business Register which resulted in a project covering multiple countries and visualising ownership structures. The project was established by an international consortium led by the [European Business Registry Association](#) and consisting of a number of partners coming from the business registry world. It provides simplified and unified access to Beneficial Owner Register data and Business Register data on business ownership and control structures for financial analysis and investigative purposes, thus increasing the level of transparency of legal entities.

Linking BO data to business register data helps to reveal connections and ties between companies and individuals on a national as well as on a cross-border level, and helps actors like Financial Intelligence Units, Law Enforcement Authorities and

others to identify (ultimate) owners of European legal entities for anti-money laundering and anti-terrorist financing purposes. This aims to support the disruption of international crime networks through better detection and prevention of financial, economic and other related crimes.

Goals and datasets involved

EBOCS provides real-time information on 22 ML companies and 50 ML officers and owners coming from seven Business Registers (Estonia, Italy, Spain, Ireland, Latvia, Romania and United Kingdom) and three Beneficial Ownership Registers (Latvia, Ireland and Spain). The national registers, Business as well as Beneficial Owners, provide official information. A central visualisation tool was developed to allow end users, usually counter-crime agencies, to intelligently access the EBOCS information services.

Data-linking activities and challenges

The Beneficial Ownership Register is clearly a very important source of information, pointing out the ultimate business owner; however, the whole picture can be broadened quite significantly by adding the information from the Business Register, highlighting every single appointment and ownership (even small shares) of a specific individual. This can be done not only at a national level, which would already be an outstanding achievement, but even at a cross-border level.

One of the main challenges related to data merging was linking individuals on a cross-border level. On a national level, individual IDs help to identify specific businesspersons with certainty, revealing the network of ties with companies. But individual IDs have national relevance only; as soon as we cross the border, we require human assistance to identify and match businessmen. A European unique “person” identifier, which at the moment does not exist (every country has its own national individual identifier), would be a significant step forward in the process of matching individuals in different jurisdictions.

Moreover, EBOCS’s services architecture was designed to easily integrate and connect, with a long-term view, many other sources of information, such as the

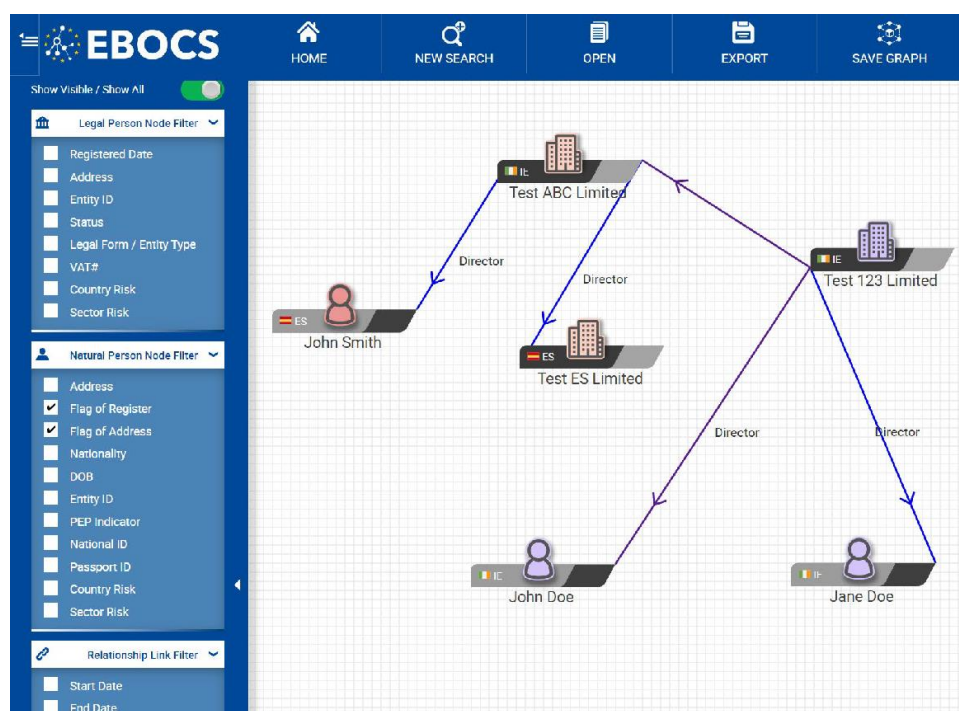
enterprise’s bank accounts database, or the land and property register, to make the whole analysis even more powerful.

Uses of linked data: investigations, policy analysis

The EBOCS platform provides the user with a *Visualisation Tool*, an online graphical tool that aggregates ownership and control structure information from primary data sources. The information is retrieved in real time from the official national data repositories and is presented to the end user in a graphical representation. It provides users with a simplified representation of how natural and legal entities are linked to each other at both a national and cross-border level.

The typical investigation starts with a question like: “What companies does Mr. John Smith have connection with?”. The search would start in a specific jurisdiction, where the user would identify the companies of which John Smith is the ultimate beneficial owner. Then, thanks to the business register information, the analysis will be enhanced with all John Smith’s appointments and ownerships.

At this stage we will have a graphical representation that indicates Mr. Smith is (for example) a beneficial owner of Company A and Company B, board member of Company C, general director of Company D, and owner of 10% of Company E.



The next step will be to search Mr. John Smith in a different jurisdiction. Once identified, the original graph will be expanded with ties (ultimate ownership, appointments, simple ownership) to companies based in the new jurisdiction. The same search will be run again in every relevant jurisdiction.

The final graph will reveal any significant relationship between companies and Mr. Smith: which companies Mr. Smith owns, partially or completely, which companies are under his control (being a board member) and which companies might be under his control (through second-level ownership ties).

The counter-crime agencies will hold a comprehensive and Europe-wide view of the business connection and properties of

the individual under investigation, and the overall picture could be enhanced also by adding individual land properties, for example by connecting national land registries data, etc.

Lessons learned

The number of sources of business and economic information has increased dramatically over the last few years, but these data sources do not talk to each other, forcing the end user to ask for many different access permissions, download a significant amount of data, standardise them and eventually draw manual connections in order to get a full and comprehensive picture. The whole process gets even more complicated as local economies are turning into global

economies which are increasingly interconnected on a cross-border level.

It is clearly important to have access to trustable information (possibly certified), but it has become even more important to be able to use tools and services that gather information from those sources, create a network of ties and linkages

automatically, highlight connections and dependencies, and make it easy to examine and investigate. Reliable data provision is no longer enough, especially when investigating for anti-money laundering and anti-terrorist financing purposes; we need to assign the proper value to every piece of information and make it easier to interpret linked data.

Part IV. Technical recommendations

In order to make the data-linking process easier, a few technical steps have to be taken by the users. First, one should identify the potential data sources that can be linked to the BO data. After identifying potential data sources, the most promising datasets have to be mapped in detail. This detailed mapping should consider the following metadata features:

Scope: What percentage of the relevant population is covered in the dataset. For example, what is the share of the total public procurement spending in a country which is reported in the tendering and contracts dataset? Scope also encompasses the time period covered by the data, including considerations such as whether the dataset is regularly updated.

Depth: Data depth measures the amount of information available on each observation. This requires listing all the relevant variables available in the dataset and cross-checking this list with the desirable variables for corruption measurement purposes.

Accuracy: The accuracy of data captures the completeness and truthfulness of data compared to the represented actor

behaviour. The most basic check of data accuracy is the prevalence of missing values. Moreover, it is also easy to look for apparent data errors such as typos or nonsensical information (a company name typed up instead of a contract value in a public procurement announcement).

Accessibility: Data accessibility implies that the data is machine-readable, easily downloadable and processible. If data access requires complicated and error-prone web-scraping, this may represent considerable barriers to data use for measurement purposes.

Interoperability: Mapping includes assessing how different datasets can be linked in a meaningful way that allows for combining information. For example, if asset declarations data cannot be connected to specific public organisations – i.e. people reporting their assets cannot be connected to the institutions they are affiliated with – then we cannot connect asset declarations to contracting risks of those public organisations. Furthermore, connecting people to organisations on its own is often not enough; information on the time of affiliation is also important. When we know the period of office for the official declaring his/her assets and the

corresponding awarded contracts, we can begin to unpack whether certain procurement processes were corrupted for private gain.

One should differentiate between the steps that a user can take in order to ensure the data accessibility and accuracy and structural problems which can only be overcome by data providers (state agencies, private companies, etc.). There are three main data-related issues noticed by researchers when accessing data:

Absence of identifiers which can be used cross-nationally. Usually the company IDs are country-specific, which makes it very difficult to match a company from country A to the company in country B. Using company names becomes the only possible solution for such a problem, which also requires efforts on the users' side to clean and control for spelling.

Absence of centralised data registers. Some countries do not administer a unified centralised data register, having local registers instead. Due to the country's administrative division (e.g. federal state) this cannot be overcome by introducing centralised registers, but the datasets do have to be standardised (with the same variable names, data coverage, identifiers, etc.).

Restricted or paid access to the datasets. There are many reasons why private companies or state agencies do not provide free access to data, including data

protection policies. Yet when it comes to using the data for corruption prevention goals, a certain exception for civil society actors or academics and journalists should be made.

Next, data-linking can be performed. In order to do so, a few criteria should be applied to the datasets:

The unit of observation should be established for all datasets and aligned to the same level. For example, there are a few datasets on state subsidies and grants provided to certain companies. Some of the datasets will contain information on companies, and therefore the level of observation is company. Others provide information on subsidies and grants, and therefore the unit of observation is the subsidy or grant call. In some cases it is quite challenging to merge datasets of different levels of observation, as in the absence of unique IDs, the row will be multiplied many times, ending up with identical observations. The IDs of the two merging datasets should be unique, so that in the merging process it will be clear which row corresponds to which ID.

At least one of the datasets should serve as a “master” dataset and contain unique IDs to which other data can be matched. Otherwise, one might end up with multiplied IDs in the main dataset, which should be avoided for further linking. For example, if there is company-level data with an address as a unit of analysis. The

only ID by which it is possible to merge this dataset to the main one is company ID, but they are multiplied because the same company might have multiple addresses.

The final list of variables should be of a high quality without repetitive and incomplete columns. For instance, in cases

when there are two variables with similar meanings yet different operationalisation or coding mechanisms, the one of higher quality should be left. Checking for quality requires both quantitative and qualitative assessment, i.e. what is the percentage of missing values and what is the variation in the values, as well as how this variable was recorded and verified.

Conclusions

As demonstrated in the case studies, linked data can significantly boost the possibility for investigating and tracing illicit financial flows. This can be done through using various datasets, including beneficial ownership data, public procurement, real estate registers, company registers and others. Data-linking helps to identify inconsistencies across databases, as well as reveal otherwise hidden connections between companies or individuals.

However, there are many challenges along the way to getting a good match between data and being able to extract as much information as possible from the linked datasets. The absence of unique identifiers, especially when it comes to working with multiple countries, imposes significant limitations that cannot be

overcome simply or easily by advancing the technical skills of the people working with data. Different units of analysis require additional efforts to align the datasets and can frequently result in information loss due to the higher level of observations. Finally, the variables themselves can limit comprehensive analysis due to the low quality of observations, missing values, data errors and other issues.

Putting additional efforts into developing and monitoring the implementation of data standards in governmental agencies as well as making data open to the general public and NGOs and allowing them to use it for independent investigations would significantly boost dark money tracing and increase the efficiency of monitoring.

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