

Why public registers of company ownership are crucial to curtail illicit financial flows

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Public Registers of Beneficial Ownership: Essential or
Overhyped?

16 October 2019



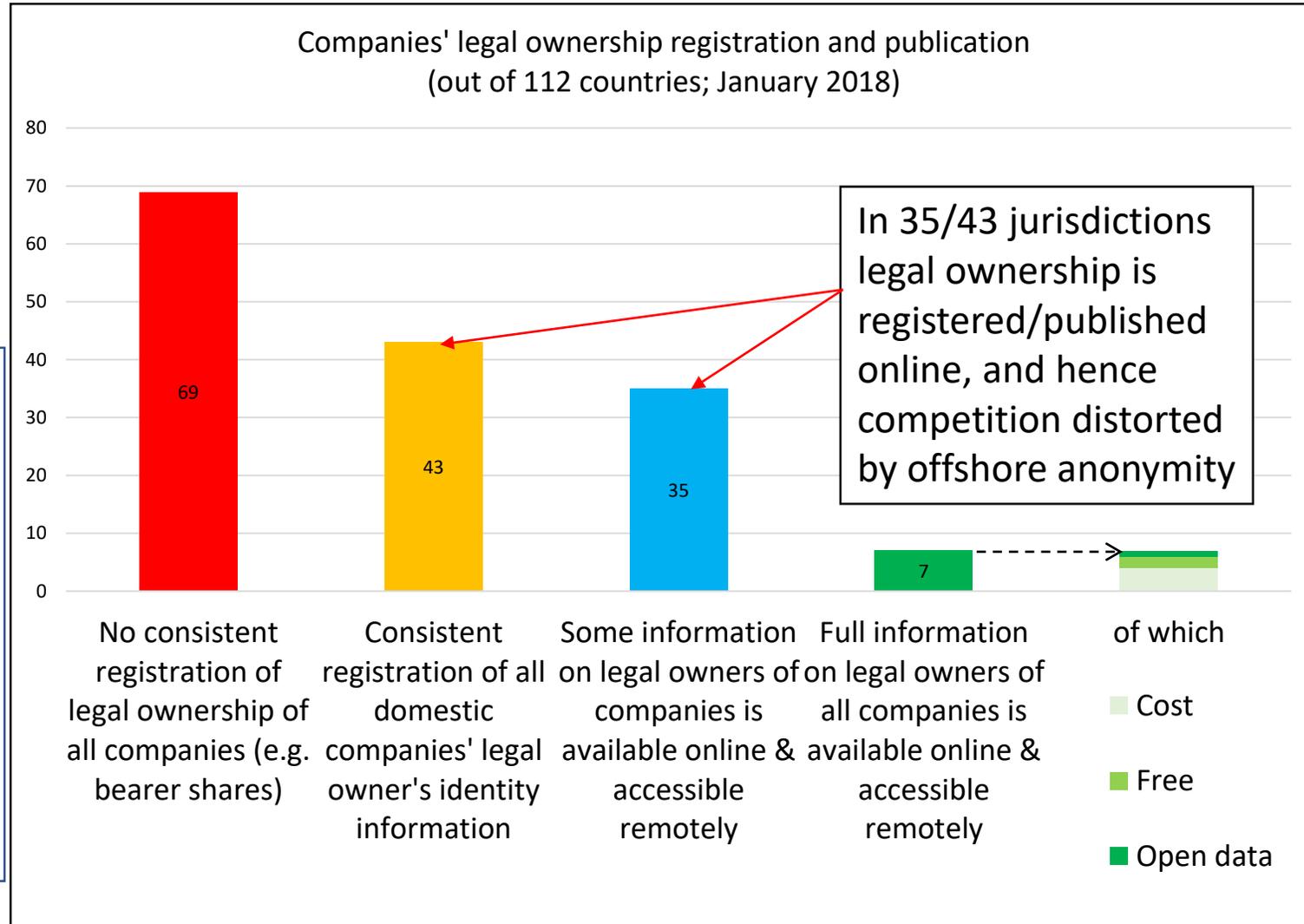
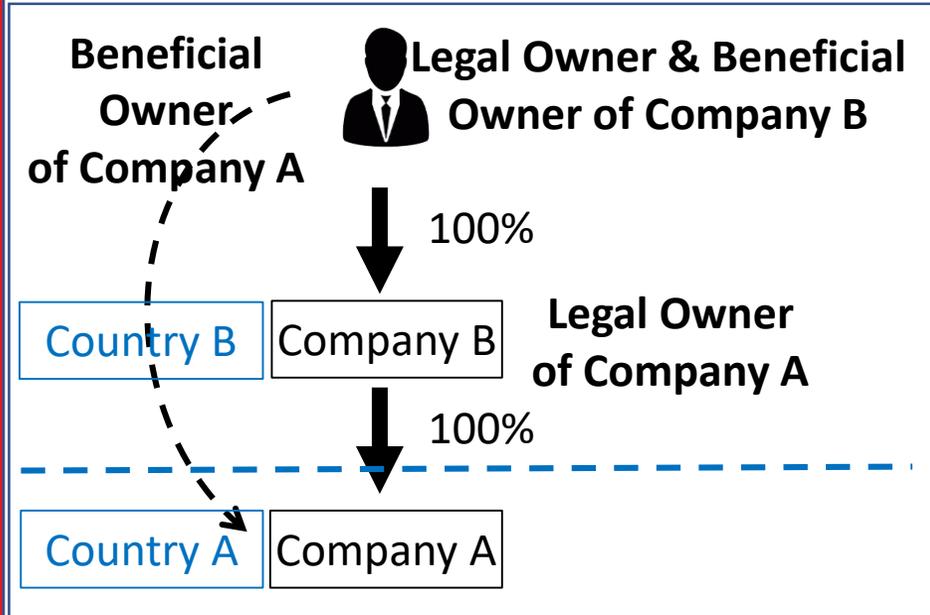
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This project has received funding from the European Union's Horizon 2020 research and innovation programme under grant agreement No 727145.

1. Protecting fair market competition: ending the bias in favour of secretive offshore ownership (e.g. public procurement)

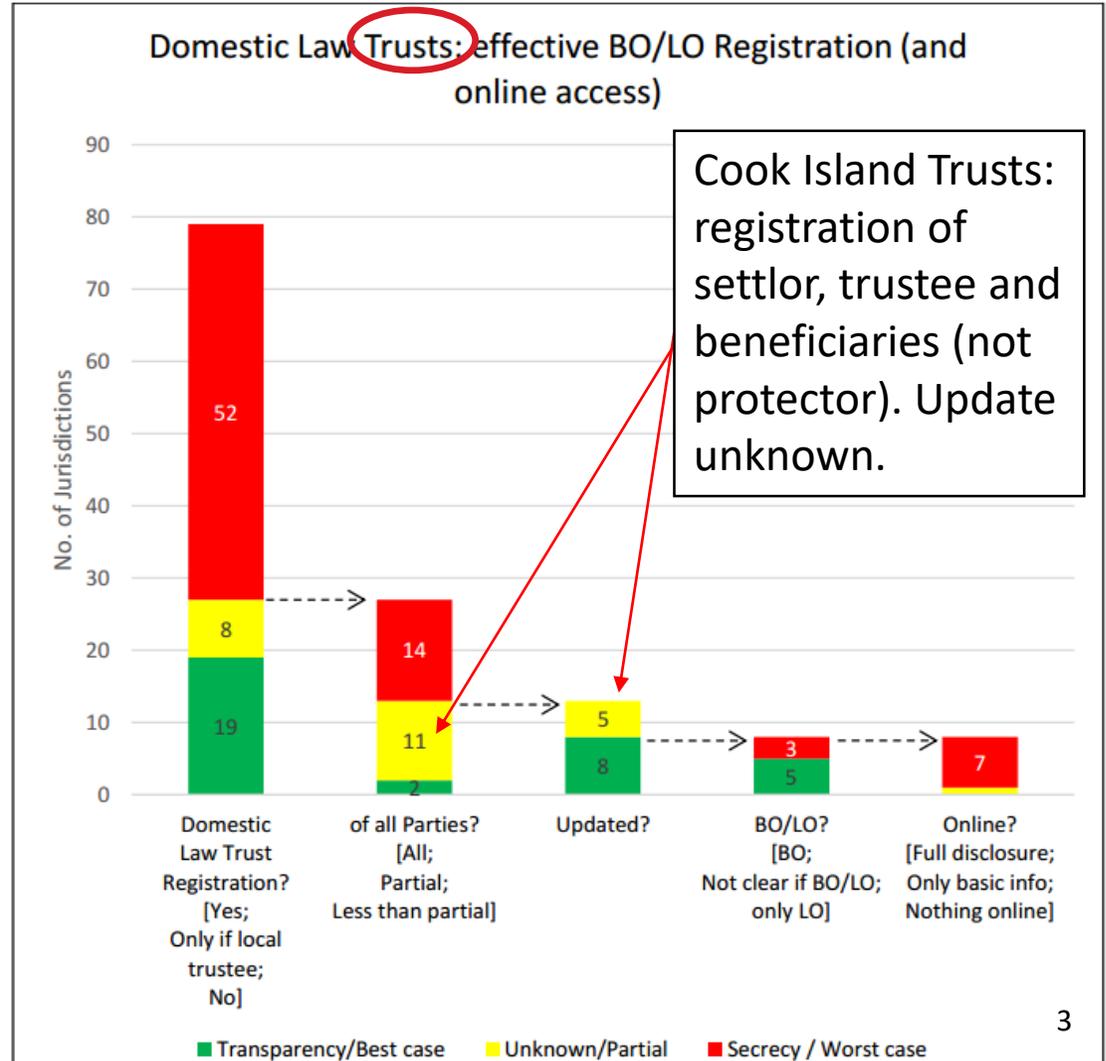
For most ordinary, domestic businesses, legal owners (LO) & beneficial owners (BO) are the same



Source: Adapted from Knobel/Harari/Meinzer 2018: 5.

Source: Financial Secrecy Database, as of January 2018; own analysis: www.financialsecrecyindex.com

2. Enabling speedy responses by law enforcement



Source: Adapted from Knobel/Harari/Meinzer 2018.

3. Enhancing integrity and credibility of ownership data by enabling verification, preventing corruption



“Premium” UBO nominee services despite FATF rules

Widespread tax offences and other crimes aided by lawyers, CSPs, bankers – hidden behind veil of secrecy

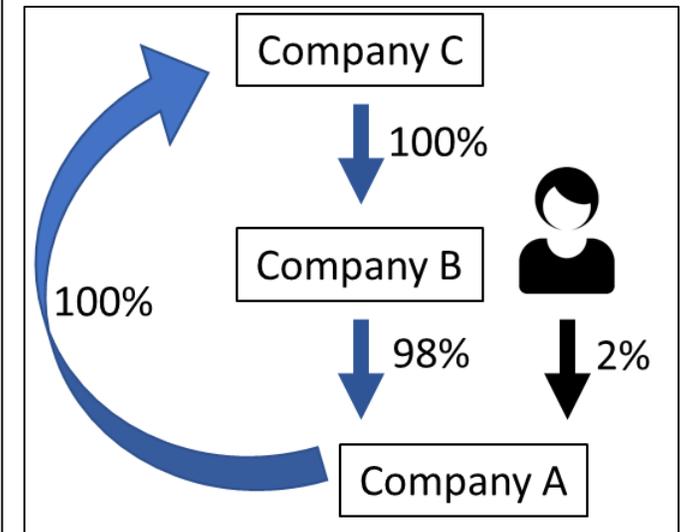
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Today, any reputable bank will only open an account for offshore companies if the ultimate owner is named. The bank is then required to run a background check to make sure it knows who it's doing business with.

Premium services

According to the Panama Papers, Mossack Fonseca repeatedly offered its customers the possibility of avoiding these background checks. For a five-digit sum, the law firm offered to have a person pose as the true company owner. One of these premium sham directors appears to have been a man named Edmund W., who happens to be ex-father-in-law of Ramon Fonseca, one of the law firm's owners. W's job was to

Circular ownership detected in 487 UK companies through public & open registers on LOs & BOs



Panama Papers Helps Recover More Than \$1.2 Billion Around The World

Source: <https://www.icij.org/investigations/panama-papers/panama-papers-helps-recover-more-than-1-2-billion-around-the-world/>; <https://panamapapers.sueddeutsche.de/articles/5718f882a1bb8d3c3495bcc7/>; 15.10.2019.

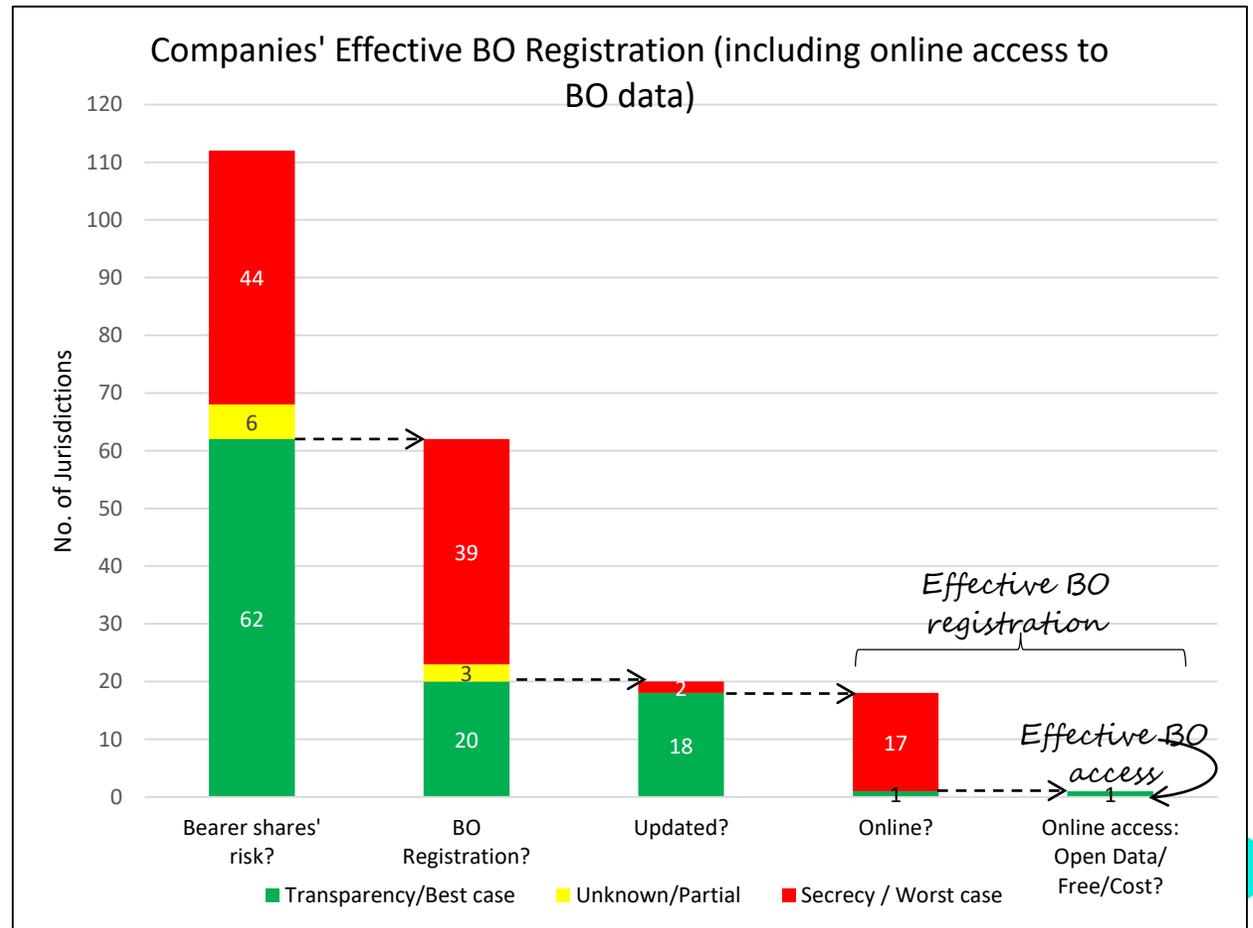
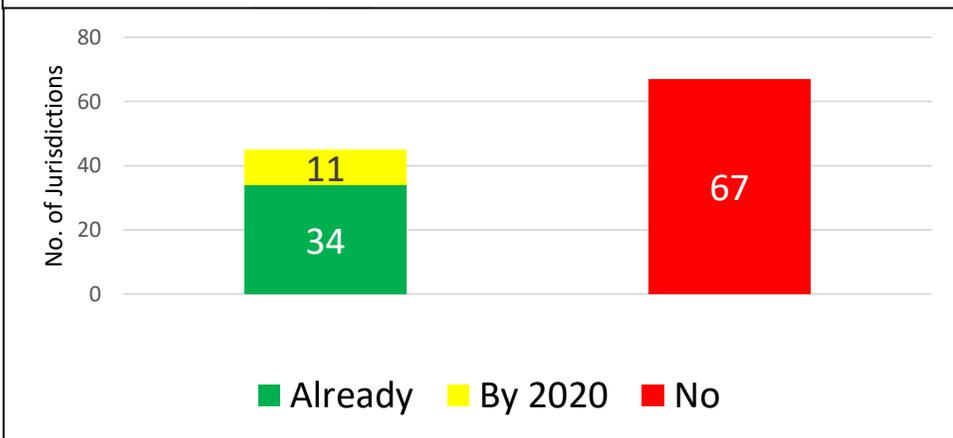
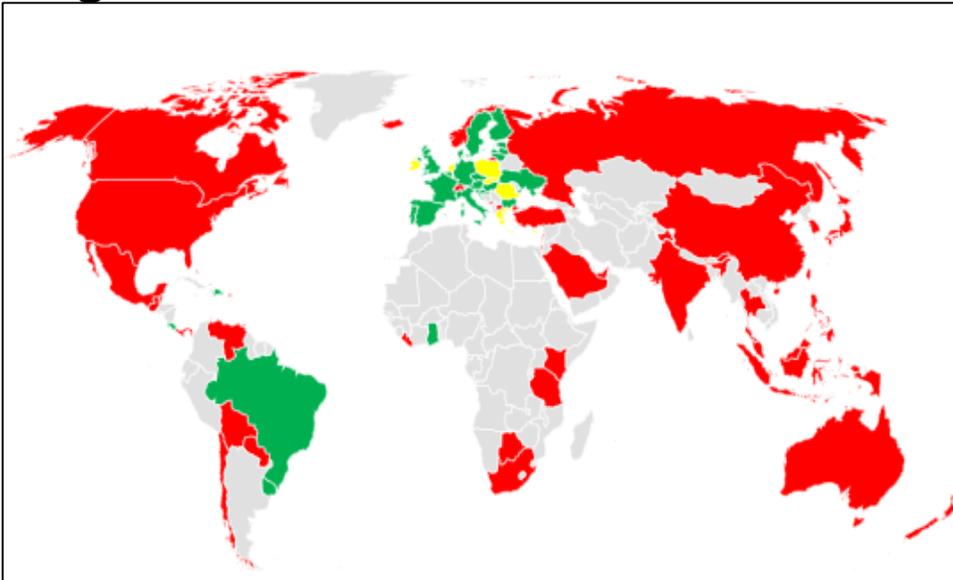
Source: <https://www.taxjustice.net/2019/09/06/more-beneficial-ownership-loopholes-to-plug-circular-ownership-control-with-little-ownership-and-companies-as-parties-to-the-trust/>; 24.9.2019.

→ Accelerating trend towards public BO registers



As of 2017, beneficial ownership registration increased...

...but little 'update' or public online access.
By end of 2020: + 28 EU members, + EITI (watch out for update in Financial Secrecy Index 2020)



Source: Knobel, Andres, Moran Harari, and Markus Meinzer, *The State of Play of Beneficial Ownership Registration: A Visual Overview*, 2018
<https://www.taxjustice.net/wp-content/uploads/2018/06/TJN2018-BeneficialOwnershipRegistration-StateOfPlay-FSI.pdf>

Thank you!

More Information:

<http://www.financialsecrecyindex.com>

<https://www.corporatetaxhavenindex.org/>

<http://www.taxjustice.net>

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