



Beneficial Ownership

Taking the Extra Step
to Data Accuracy

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1. Introduction

Anonymous legal entities are one of the most widely used methods to launder the proceeds of crime and corruption.¹ To address the problem, the Financial Action Task Force (FATF) recommends that countries create databases of legal entity owners to house information on the individuals who effectively control a legal structure, whether through ownership interest or running the day-to-day operations (i.e., the beneficial owners).² These beneficial ownership registries are to be accessible to law enforcement and financial crime investigators at banks and other institutions to assist their efforts to fight financial crime.

Yet progress on this front remains slow. According to a 2022 FATF report, only 52% of assessed jurisdictions have adopted adequate laws and regulatory structures to identify beneficial owners, and only 9% have effectively implemented such legislation.³ One of the biggest challenges in the effective implementation of beneficial ownership registries is ensuring the accuracy of the information they contain. According to FATF, information in these registries is often inaccurate because it is not adequately verified, tested or monitored.⁴ If the information is inaccurate, it is not useful to law enforcement or anyone else.

Throughout 2023, ACAMS collaborated with its global members across the public and private sectors and chapters to identify ways to enhance the accuracy of beneficial ownership registries, aiming to thwart misuse by criminals and corrupt entities. Through numerous roundtable discussions, individual meetings and independent research, we have identified the ways jurisdictions are working to ensure the accuracy of beneficial ownership information today and proposed several potential enhancements to make registries more accurate.

¹ FATF (2019), Best Practices on Beneficial Ownership for Legal Persons, FATF, Paris, www.fatf-gafi.org/publications/documents/beneficial-ownership-legal-persons.html.

² See FATF (2012-2023), International Standards on Combating Money Laundering and the Financing of Terrorism & Proliferation, FATF, Paris, France, www.fatf-gafi.org/recommendations.html, Recommendation 24.

³ FATF (2022), Report on the State of Effectiveness and Compliance with the FATF Standards, FATF, Paris, www.fatf-gafi.org/publications/Fatfgeneral/Effectiveness-compliance-standards.html.

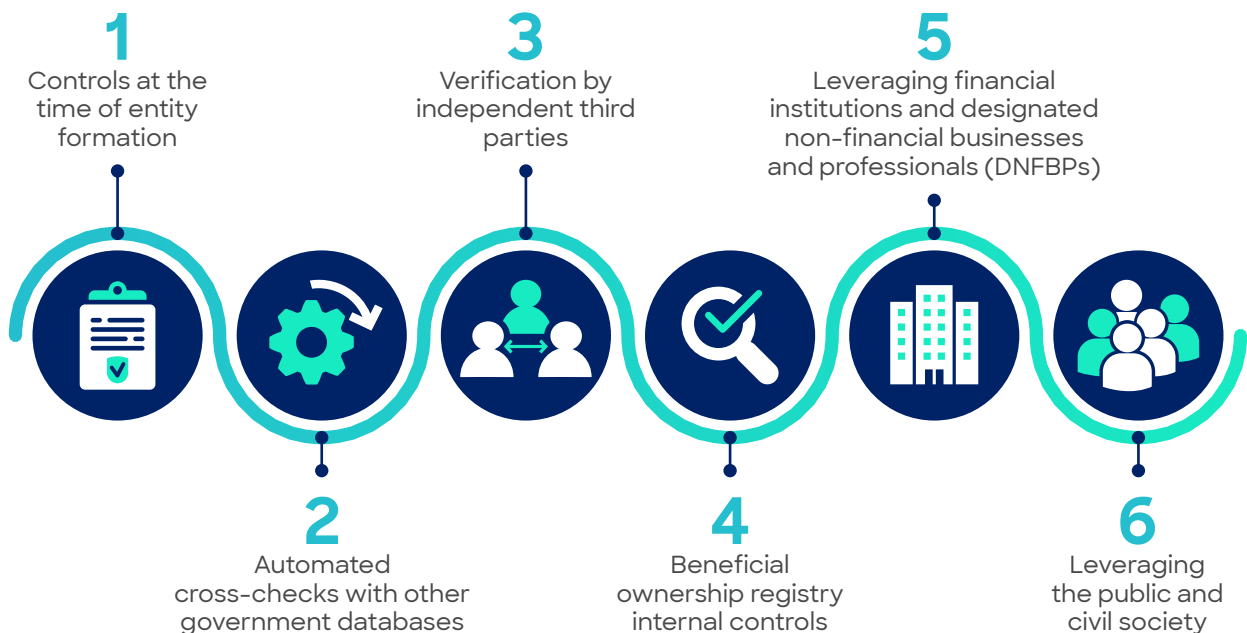
⁴ FATF Best Practices on Beneficial Ownership for Legal Persons.

2. Key Observations (Summary)

There is no one “right” approach to ensure that a registry has accurate beneficial ownership information. Therefore, the purpose of this paper is not to recommend jurisdictions take any specific action. Rather, our goal is to lay out a menu of options for policymakers and government officials to consider based on their own unique circumstances and regardless of where they are on their beneficial ownership journey.

Our findings are laid out in two sections. First, we describe **six tactical ways that different jurisdictions verify beneficial ownership information**. Second, we identify **three structural enhancements that jurisdictions could make to their beneficial ownership regimes** that could better ensure accurate information.

2.1. Six Tactical Ways Jurisdictions are Verifying Beneficial Ownership Information





1. **Controls at the time of entity formation:**

From a beneficial ownership verification perspective, the more controls there are at the time of entity formation, the easier it is to ensure information in the registry is accurate later in the process. These controls may involve measures such as requiring complete and accurate beneficial ownership information submission for entity formation. Additionally, third parties with anti-money laundering (AML) obligations can be engaged to collect and verify such information during the formation and registration process.



2. **Automated cross-checks with other government databases:**

Several countries use automated cross-checks with other government databases to verify the accuracy of beneficial ownership information. Due to the cross-checks being automated, they can be easily applied to all beneficial owners in the registry. Automated cross-checks also provide the users of the registry with a base level of confidence in the accuracy of the information.



3. **Verification by independent third parties:**

Some jurisdictions require that certain independent third parties, such as attorneys or notaries, verify beneficial ownership before it can be submitted to a registry. While this approach imposes a cost on the entities that must hire an independent third party, it saves government resources and provides greater confidence to the users of the registry that the information is accurate. Jurisdictions can also require the independent third party to go beyond simple identity verification and ensure that the individuals identified are actually the people that control the entity. To minimize the cost and burden on businesses, some jurisdictions have taken a risk-based approach for when independent third-party verification is required.



4. **Beneficial ownership registry internal controls:**

Authorities responsible for beneficial ownership registries should also consider establishing a risk-based set of internal controls to identify inaccurate or suspicious beneficial ownership submissions. In some jurisdictions, these controls include enhanced review of higher-risk entities and algorithms to identify suspicious entries that are then escalated for human review.



5. **Leveraging financial institutions and designated non-financial businesses and professionals (DNFBPs):**

To enhance beneficial ownership registry accuracy, some jurisdictions require reporting discrepancies between institutions' customer due diligence data and registry information. Financial institutions and DNFBPs express mixed views on this, as most reported discrepancies are benign, seldom leading to detecting suspicious activity. They would like to be able to rely on registry data for due diligence, and reallocate resources involved in redundant information collection. Certain jurisdictions now allow this for lower-risk entities, benefiting businesses and financial institutions by focusing resources on higher-risk entities for better risk mitigation.



6. **Leveraging the public and civil society:**

One big question that all jurisdictions must face is whether to make their beneficial ownership registries broadly accessible to the public. Academic research and anecdotal reports suggest that making beneficial ownership information public has a deterrent effect on the abuse of legal entities by criminals who are wary about the questions that could be raised about the entity and its beneficial owners based on the public record. However, some jurisdictions have found that the positive impact on crime does not outweigh the negative impact to the beneficial owners' right to privacy. This includes the European Union, where in November 2022 the European Court of Justice struck down a requirement that beneficial ownership registries be public. To mitigate the impact on privacy, some jurisdictions have limited the amount of information that is publicly available, while others have provided a forum where beneficial owner's can seek to have their information removed from public view where legitimate privacy concerns exist.

2.2. Three Structural Enhancements to Ensure More Accurate Beneficial Ownership Information



1. **Greater accountability for authorities responsible for beneficial ownership registries:**

While most jurisdictions designate an authority to gather beneficial ownership data, they often lack clarity about accountability for information accuracy in registries. Registries perceive their role as aggregators rather than guarantors of data accuracy. This lack of accountability is believed to contribute to registry inaccuracy. Jurisdictions can enhance accountability by establishing supervision for registry authorities, evaluating registry accuracy within national AML risk assessments and fostering public-private partnerships for ongoing communication between authorities and users.



2. **More resources devoted to beneficial ownership registries:**

In many cases, even where the authority in charge of the registry wants to ensure its accuracy, they do not have the resources to do so. Some of the people we spoke with thought this was due to a general lack of political will, which suggests the need for greater education about the importance of beneficial ownership transparency at the political level and possibly greater use by FATF of its authorities to incentivize governments to act. The question of who should bear the cost of maintaining an accurate beneficial ownership registry is one that many jurisdictions struggle with. In most jurisdictions, entity registration and registry access fees do not come close to covering these costs. Jurisdictions could consider a variable fee approach where higher-risk entities and high-volume users of the registry are charged higher fees.



3. **More enforcement for intentionally inaccurate or incomplete information:**

While many jurisdictions have the legal authority to bring enforcement actions, in practice very few are brought forward. Penalties, often relatively low fines, fail to deter criminals and discourage law enforcement investment. To counter this, jurisdictions could consider enhancing penalties for intentional misinformation in beneficial ownership submissions, leading to longer criminal sentences for entity abusers. Some jurisdictions enable public challenges to ownership data accuracy, shifting the onus to entities to prove their claims. Non-financial measures like mandatory dissolution or banning individuals from entity involvement have also been employed to compel compliance and deter misconduct.

3. Six Tactical Ways Jurisdictions are Verifying Beneficial Ownership Information



FATF Recommendation 24 says that competent authorities should have access to beneficial ownership information that is “adequate, accurate, and up to date.”⁵ The FATF defines accurate information as that which has been confirmed by “verifying the identity and status of the beneficial owners using reliable, independently sourced/obtained documents, data or information.”⁶ There is no one-size-fits-all approach to verification. It often involves a combination of checks and processes that may vary based on the specific level of risk.⁷ As described further below, these verification checks and processes can occur at multiple points throughout an entity’s lifecycle and be conducted by the authority responsible for the registry or other third parties.

⁵ FATF Recommendation 24.

⁶ FATF Recommendation 24, Interpretive Note at ¶ 9.

⁷ Id. at ¶¶ 9, 55 and 60.



1. Controls at the time of entity formation:

The first step in the process where verification of beneficial ownership information can occur is at the time of entity formation. The process of entity formation varies greatly amongst jurisdictions. From a verification perspective, the more controls there are up front at the time of formation, the easier the process is later to ensure information in the registry is accurate.

In some jurisdictions, the system used to register a new company is the same system used to collect beneficial ownership information. In those cases, jurisdictions can build controls into the system to ensure entities have submitted complete and accurate beneficial ownership information. For example, in Latvia, it is not possible to register a new company without entering complete beneficial ownership information. The system will automatically reject applications without the necessary information. Furthermore, each time there is a change in registration, a new board member for example, both the entity and the board must re-confirm or update the beneficial ownership information, or the registration system will not allow the requested change to occur.

In several jurisdictions, the process of entity formation involves parties that are subject to AML requirements that include obtaining full customer due diligence from the entity at the time of formation, including beneficial ownership. In Denmark and Israel, lawyers with AML obligations are often involved in the formation process.⁸ In Guernsey and Jersey, it is trust and company service providers.⁹ These parties often collect documentation to verify the identity and status of the beneficial owners. In each case, they are incentivized to collect complete and accurate beneficial ownership information at the time of formation or risk their own ability to continue to do business.



2. Automated Cross-Checks with Other Government Databases:

Some countries have implemented automated cross-checks with other government databases to verify the accuracy of beneficial ownership information. For example, beneficial ownership information may be cross-checked against databases related to tax administration, civil registration, passport information, social services, business registries, land registries, electoral information and others. Armenia, Austria, Denmark, Ireland, Kenya, Latvia and Nigeria all use some form of automated cross-checks to verify beneficial ownership information.¹⁰

There are several benefits to using automated cross-checks. Due to the cross-checks being automated, they can be easily applied to all beneficial owners in the registry. They enable the authority responsible for the registry to prevent clearly inaccurate or fraudulent information from getting into the registry in the first place. Preventing inaccurate information up front can be easier and less resource intensive than trying to later identify and remove inaccurate information. It also allows the authority responsible for the registry to use its resources that would otherwise be dedicated to identifying these clear inaccuracies on higher-risk entities and suspicious cases. Automated cross-checks also provide the users of the registry with a base level of confidence in the accuracy of the information in the database.

⁸ FATF Best Practices on Beneficial Ownership for Legal Persons at 32, 34.

⁹ Id. at 32, 35.

¹⁰ See Asian Development Bank (2022), *Beneficial Ownership Transparency in Asia and the Pacific*, www.adb.org/publications/beneficial-ownership-transparency-asia-pacific; Central Bank of Ireland – Beneficial

Ownership Register FAQ, www.centralbank.ie/regulation/anti-money-laundering-and-counteracting-the-financing-of-terrorism/beneficial-ownership-register/about-the-register-and-faqs; FATF Best Practices on Beneficial Ownership for Legal persons at 48, 50, 83; – October 2019 83, 48, 50; and Open Ownership, FATF Guidance on Beneficial Ownership, Response to the public consultation on the updated guidance on Recommendation 24 – December 2022, https://openownershipprod-1b54.kxcdn.com/media/documents/oo-consultation_response-FATF-guidance-r24-2022-12.pdf.

On the other hand, there can be technical barriers that make implementing automated cross-checks challenging, if not virtually impossible, for some jurisdictions. First, using automated cross-checks necessarily requires that jurisdictions collect beneficial ownership information electronically. Some jurisdictions collect beneficial ownership information in paper format, in spreadsheets, or through emails and scanned PDFs. To take advantage of automated checks, the information collected this way would need to be subsequently transferred into an electronic database where checks could be performed. Second, government databases are often not connected or interoperable. Even if information exists elsewhere that could be used to verify beneficial ownership information, if the systems do not connect a jurisdiction will not be able to take advantage of automated cross-checks.



3. Verification by Independent Third Parties:

In some jurisdictions, certain independent third parties are required to verify beneficial ownership information before it can be submitted to a registry. For example, in Slovakia, beneficial ownership information submitted to the Register of Public Sector Partners must be verified in advance by an “authorized person.”¹¹ An “authorized person” includes professionals such as attorneys, notaries, banks, or tax advisers who have a registered place of business in Slovakia and have no connection to the entity.¹² The authorized person submits the application to the registry on behalf of the entity and is required to complete a verification form that demonstrates how they have identified and verified the beneficial owners and includes a description of the ownership and management structure of the firm.¹³ The authorized person is also responsible for submitting any changes to the registration and must re-authenticate the beneficial owner(s) annually.¹⁴

What sets Slovakia’s approach further apart is that they make the authorized person jointly liable with the entity and the beneficial owners for the accuracy of the information.¹⁵ Therefore, the authorized person is jointly responsible for any fines levied against the entity for misreporting unless they can prove that they acted with “professional diligence.”¹⁶

The United Kingdom (U.K.) requires non-U.K. entities that own land and/or property in the United Kingdom to register and submit beneficial ownership information to its Register of Overseas Entities.¹⁷ Beneficial ownership information submitted to the Register of Overseas Entities must be verified by a “relevant person” under the United Kingdom’s Money Laundering Regulations.¹⁸ Along with the registration, the relevant person is required to submit a statement of verification that confirms the relevant person has verified the beneficial owner(s) in accordance with the requirements of the regulations.¹⁹ Overseas entities cannot undertake relevant activity in the United Kingdom until this has occurred.²⁰ For example, if an overseas entity wants to buy or sell a property in the United Kingdom, it must be in the Register of Overseas Entities with verified beneficial owners to do so.

¹¹⁻¹⁶ World Bank (2020) “Enhancing Government Effectiveness and Transparency: The Fight Against Corruption”, World Bank, Washington, DC.

¹⁷ Companies House (2023), Companies House business plan 2023 to 2024, www.gov.uk/government/publications/companies-house-business-plan-2023-to-2024/companies-house-business-plan-2023-to-2024.

¹⁸⁻²⁰ The Register of Overseas Entities (Verification and Provision of Information), www.legislation.gov.uk/uksi/2022/725/made.

While this approach imposes a cost on the entities who must hire the independent third party, it creates strong incentives for the third party to ensure the accuracy of the information, saves government resources, and provides greater confidence to the users of the registry that the information is accurate. It also allows the government to go beyond identity verification by asking the third party to review the status of the beneficial owners and the entity's structure to determine whether they make sense. To minimize the costs and burden on businesses under this approach, as well as the resource burden on beneficial ownership registry personnel that must review the information, jurisdictions could consider a risk-based approach where third-party verification is only required for certain higher-risk beneficial owners or entities.



4. Beneficial Ownership Registry Internal Controls:

In addition to automated cross-checks and verification by independent third parties, authorities responsible for beneficial ownership registries should also consider establishing a set of risk-based internal controls to identify inaccurate and/or suspicious activity. In Latvia, for example, the authority in charge of the beneficial ownership registry regularly performs its own risk assessment, which is not made available to the public. Based on the risk assessment, it created and now updates a set of risk-based internal controls. Higher-risk entities, such as entities with beneficial owners from higher-risk countries or beneficial owners involved with many entities will receive additional checks. They have designed algorithms that look for potentially suspicious entries and escalate those for human review. After an initial review by the registry, suspicious activity is referred to Latvia's Financial Intelligence Unit for further investigation.



5. Leveraging Financial Institutions and DNFBSs:

The FATF recommends that jurisdictions allow financial institutions and DNFBSs to have access to beneficial ownership registries to help implement customer due diligence requirements, manage money laundering and terrorist financing risks, and implement AML controls based on those risks, including suspicious transaction reporting and sanctions implementation requirements.²¹ To help ensure the accuracy of the beneficial ownership registries, some jurisdictions require financial institutions and DNFBSs with access to the registry to identify and report discrepancies between the information the institutions have collected as part of their customer due diligence and the information in the registry. Some jurisdictions require institutions to investigate and attempt to reconcile the differences before reporting, others just require a report to the authority administering the registry.

We asked each of our roundtables whether they thought discrepancy reporting was an effective use of their AML resources and received mixed responses. Across the board, the people we spoke to said that in their experience, most discrepancies they identified were innocuous – a good faith misunderstanding of the requirements, a difference in timing between when the information was reported to the financial institution and when it was submitted to the registry, or just an innocent mistake. Very few discrepancies identified led to the identification of suspicious activity. Financial institution and DNFBS views on whether discrepancy reporting was “worth it” depended largely on the overall accuracy of the registry. In cases where they viewed the registry as largely accurate and there were relatively few discrepancies identified, they largely believed discrepancy reporting was a worthwhile exercise. On the other hand, where they viewed the registries as relatively inaccurate and there were a larger number of discrepancies identified (most of which were innocuous), they viewed discrepancy reporting as not worthwhile because it required significant resources that they believed could be put to more effective use in other parts of their AML program.

²¹ FATF (2023), *Guidance on Beneficial Ownership for Legal Persons*, FATF, Paris, <http://www.fatf-gafi.org/publications/FATFRecommendations/guidance-beneficial-ownership-legal-persons.html> at ¶ 6.

Given this industry feedback, it would be worthwhile for jurisdictions and financial institutions/DNFBPs to consider developing a set of metrics to evaluate the effectiveness of discrepancy reporting. These metrics could include: the number of discrepancies reported; the amount of time spent resolving and/or reporting the discrepancy; discrepancies that resulted in reporting suspicious transactions/activity; discrepancies that resulted in some risk mitigation measure (i.e., change in risk rating, conducting additional due diligence, enhanced monitoring, account restriction, existing a relationship, etc.); and discrepancies that resulted in follow-up from law enforcement or other government agencies. An important part in the development of these metrics would be feedback from the beneficial ownership registry, the jurisdiction's Financial Intelligence Unit, and/or law enforcement on discrepancy reports submitted by financial institutions and DNFBPs so that they can know and track which reports the government found to be of interest. With these metrics, jurisdictions and institutions could evaluate discrepancy reporting in terms of opportunity cost. In other words, whether the time spent identifying and reporting discrepancies is effective or whether that time would be better spent on other aspects of the institution's AML program.

Most of the financial institutions and DNFBPs that we spoke with hope to get to a point where beneficial ownership registries are sufficiently accurate so that they could rely on the information in the registry to meet their customer due diligence requirements and would not need to independently collect the same information. That way, they could take the resources devoted to the collection of beneficial ownership information today (which many institutions say are significant) and reallocate them within their AML program to more effective use.

While it may take some time to get to the point where institutions are able to fully rely on the information in beneficial ownership registries, the Netherlands and Latvia have recently implemented a risk-based approach to reliance that could be an intermediate step in that direction. In both countries, financial institutions and DNFBPs are permitted to rely on the information in the registry for certain lower-risk entities.

For example, in the Netherlands, institutions can rely on information in the registry for "low" and "neutral" risk entities where the client confirms that the information in the registry is accurate.²² Examples of low or neutral risk entities include simple corporate structures with a maximum of two layers between the client and the beneficial owner(s), clients with one or two shareholders, structures with only Dutch entities, and clients with no high risk activity or other high risk indicators.²³ For higher-risk entities, financial institutions and DNFBPs will still be required to verify the beneficial owners based on information from a "reliable source."²⁴ Examples of higher-risk entities include entities in high risk industries, foreign entities and beneficial owners resident in high risk geographies, the involvement of bearer shares or nominee shareholders, and multi-layer client structures that could obscure ownership.²⁵

The risk-based approach to reliance taken by the Netherlands and Latvia has several benefits. For the lower risk entities, which are most legal entities in both countries, they no longer have to go through the burdensome and unnecessary process of providing the same beneficial ownership information multiple times to the national registry and the financial institutions and DNFBPs where they have relationships. Instead, the beneficial ownership registry functions as a true utility for all interested parties. For financial institutions and DNFBPs, they can focus more of their resources on the higher-risk entities which should lead to more effective risk identification and mitigation.

²²⁻²⁵ Nederlandse Vereniging van Banken (2023), Client Impact reduced through NVB Risk-based Industry Baselines, www.nvb.nl/english/client-impact-reduced-through-nvb-risk-based-industry-baselines/.



6. Leveraging the Public and Civil Society:

One of the big questions that all jurisdictions must face is whether to make their beneficial ownership registries broadly accessible to the public. The FATF does not require that beneficial ownership information be public. However, it has said that public access to beneficial ownership information can enable civil society, other organizations, and individuals to cross-check information which can help to ensure the accuracy of the information and help identify potential misuse of legal persons in cases of tax evasion, fraud, corruption, and other criminal activity.²⁶

For example, in 2016, the international non-governmental organization Global Witness analyzed the United Kingdom's public Companies House registry looking for mistakes and signs of suspicious activity.²⁷ Among other things, their analysis found 7,848 companies that shared a beneficial owner, officer, or registered postcode with a company suspected of having been involved in money laundering, 345 companies that had a beneficial owner who was disqualified to be a director and more than 9,000 companies that were controlled by beneficial owners who controlled over 100 companies.²⁸

In 2023, the United Nations University published a study on the impact of beneficial ownership transparency on offshore investment in property in the United Kingdom.²⁹ The study found that new purchases of property in the United Kingdom by companies based in tax havens fell substantially following the announcement in 2022 that a publicly available Register of Overseas Entities would be established, and continued to decline after it was established.³⁰ The study compared the results in the United Kingdom to similar initiatives in other countries where beneficial ownership information was not made public. The study found that the United Kingdom's public registry had a much greater deterrent effect.³¹ Additionally, the study suggested that companies considering purchasing property may have been wary about the public record of ownership and the potential questions that could be raised about the beneficial owners and the source of the money used to purchase the property.³²

While it may be hard to quantify, most of the people we spoke with believed that public beneficial ownership registries have a deterrent effect on the abuse of the legal entities by criminals. The question, however, is whether this deterrent effect outweighs any potential negative impact on the beneficial owner's privacy rights. Views on this question vary dramatically. Different people and countries have different views and cultural norms when it comes to privacy and what information should be available to the public.

²⁶ FATF Guidance on Beneficial Ownership for Legal Persons at ¶ 109.

²⁷⁻²⁸ Global Witness (2016), *The Companies We Keep*, www.globalwitness.org/en/campaigns/corruption-and-money-laundering/anonymous-company-owners/companies-we-keep/#chapter-0/section-0.

²⁹⁻³² United Nations University-Wider (2023), *The end of Londongrad? The impact of beneficial ownership transparency on offshore investment in UK Property*, www.wider.unu.edu/publication/end-londongrad-impact-beneficial-ownership-transparency-offshore-investment-uk-property.

In November 2022, the European Court of Justice struck down a provision in the 5th EU Anti-Money Laundering Directive that required beneficial ownership registries in Europe be publicly accessible.³³ The Court found that the stated goal of making beneficial ownership registries public to prevent money laundering and terrorist financing did not outweigh the “serious interference” in beneficial owners’ fundamental right to privacy.³⁴ The court seemed to imply that if access had been limited to those with a “legitimate interest,” which it said would include the press and civil society, rather than being open to everyone, it might have come to a different conclusion.³⁵ In response to the ruling, some countries immediately took their registries offline. Others, like Latvia, have kept their registries unchanged and open to the public. Based on discussions with a representative from Latvia, we understand this decision was based on Latvia’s view that their justification for the intrusion on privacy was greater than just preventing money laundering and terrorist financing. It also included a broader goal of giving businesses transparency into who they are dealing with, which they said was not considered by the court, and that taken together, Latvian officials believe those interests do outweigh the beneficial owners’ privacy rights.

For jurisdictions wanting to grant public access to their beneficial ownership registries, there are steps some jurisdictions have taken to attempt to mitigate privacy concerns. One approach is to only make a subset of beneficial ownership information available to the public. France, for example, only makes public the beneficial owner’s name, month and year of birth, nationality, and the nature and extent of their interest in the entity.³⁶ The United Kingdom does something similar where they withhold from public access certain sensitive information, such as the beneficial owner’s date of birth and residential address.³⁷ Instead, providing the public with the beneficial owner’s month and year of birth and the registered address for the entity.³⁸

A second approach is to allow beneficial owners with privacy concerns to apply to have their information removed from the public view. Both the United Kingdom and Latvia have taken this approach. Interestingly, it seems that in both countries this process has not been widely used. In 2020, the World Bank found that out of the millions of registered beneficial owners in the United Kingdom, only around 300 had applied to have their information removed from the registry and only 30 of those had been granted.³⁹ Based on discussions with a representative from Latvia, we understand that very few beneficial owners in Latvia have applied to keep their information from the public. If the experiences in the United Kingdom and Latvia are more broadly representative, the lack of applications by beneficial owners to remove their information from the public registries would seem to indicate that most beneficial owners do not view making at least some beneficial ownership information public to be a significant intrusion on their privacy.

³³⁻³⁵ Court of Justice of the European Union (2022), Judgment of the Court in Joined Cases C-37/20, Luxembourg Business Registers and C-601/20, Sovim, <https://curia.europa.eu/juris/documents.jsf?num=C-37/20>.

³⁶ Transparency International and Anti-Corruption Data Collective (2023), Behind a Wall: Investigating company and real estate ownership in France, <https://images.transparencycdn.org/images/2023-Report-Behind-a-Wall-English.pdf>.

³⁷⁻³⁹ World Bank (2020) “Enhancing Government Effectiveness and Transparency: The Fight Against Corruption”, World Bank, Washington, DC, <https://thedocs.worldbank.org/en/doc/734641611672284678-0090022021/original/BeneficialOwnershipTransparency.pdf> at 261.

4. Three Structural Enhancements to Ensure More Accurate Information



Across our discussions, we asked members and participants for ideas on how they would improve the accuracy of information in beneficial ownership registries. Three structural enhancements came up repeatedly regardless of where we were in the world: (1) greater accountability by the authorities responsible for registries; (2) more resources devoted to beneficial ownership registries; and (3) more enforcement for intentionally inaccurate and incomplete submissions to the registry.



1. Greater Accountability for Authorities Responsible for Registries:

While most jurisdictions have identified an authority responsible for collecting beneficial ownership information, many have not made clear that this authority or some other authority is ultimately responsible for ensuring the accuracy of the information in the registry. As one roundtable participant put it, these authorities see themselves as an aggregator of information and not necessarily responsible for the veracity of the information. Many of the people we spoke with believe this lack of accountability is a key driver for the lack of accuracy in many beneficial ownership registries today.

In one roundtable, participants drew an analogy to the collection of beneficial ownership information at financial institutions. By and large, beneficial ownership information collected by financial institutions would meet the FATF standard of “adequate, accurate, and up to date.” Participants in our roundtable believe that this is because the law makes financial institutions clearly accountable for collecting and verifying the information. Therefore, financial institutions must put processes in place to ensure a certain standard of accuracy, and financial institutions have supervisors that regularly review the records to make sure the institutions are meeting this standard. Participants suggested that if the same framework were applied to beneficial ownership registries, it would greatly improve their accuracy. First, jurisdictions could clearly identify in the law or regulations, which authority is responsible for ensuring the accuracy of the beneficial ownership information in the registry. Second, that authority would be responsible for putting risk-based processes in place to verify the information and ensure a certain standard of accuracy. Third, jurisdictions could identify another authority to be responsible for oversight of the authority in charge of the registry to ensure that it is meeting its obligations under the law and information in the registry is sufficiently “adequate, accurate, and up to date.”

In addition to this structural change, members and participants we spoke with identified several other ways to improve accountability around the accuracy of beneficial ownership information. In conducting our research, we found it very difficult to find any data related to the accuracy of beneficial ownership registries. To the extent there was publicly available data, the analysis was typically conducted by civil society or some other outside organization, not the government or the authority responsible for the registry. If jurisdictions are self-assessing the accuracy of their registries, they are generally not making those findings public. Many of the people we spoke with believe that if jurisdictions were required to self-assess the accuracy of the information in their beneficial ownership registry and regularly publish the results, it would drive greater accountability for the authority responsible for the registry and ultimately lead to more accurate information. This would be particularly true if these results fed into the jurisdiction’s national money laundering and terrorist financing risk assessments. A high level of inaccuracy in the registry should be considered a key vulnerability for the jurisdiction and impact the overall rating on the effectiveness of the AML regime.

Another lesson learned from our roundtables is that there does not seem to be a lot of regular dialogue between the relevant constituents about beneficial ownership registries. Feedback from authorities in charge of registries, government officials, central bankers, financial institutions, and civil society that participated in the roundtables was that the exchange of ideas was very valuable and that they wish it occurred more regularly. Based on this, we think jurisdictions should consider establishing a public-private partnership related to beneficial ownership registries.

Each jurisdiction could determine the specifics, but even something as simple as regular meetings between the people maintaining the registry and those using the registry to share feedback could be very valuable.



2. More Resources Devoted to Beneficial Ownership Registries:

A second common theme that came up in our discussions was that even in cases where the authority in charge of the registry wants to ensure its accuracy, many do not have the resources to do so. Some of the people we spoke with thought that this was due to a general lack of political will. One roundtable participant alluded to the observation that only countries nearing the FATF grey list have secured the resources required to establish a more accurate and effective beneficial ownership registry. This implies that governments tend to allocate necessary funds only when confronted with significant consequences. Others echoed this sentiment saying that they did not see a strong desire from governments to properly fund beneficial ownership registries. This suggests there may still be a need for greater education at the political level about the importance of beneficial ownership transparency and possibly a need for FATF to consider how it might make greater use of its authorities to incentivize governments to act.

The question of who should bear the costs of maintaining an accurate beneficial ownership registry is one that many jurisdictions struggle with. Most jurisdictions charge entity formation and/or registration fees, but these fees typically do not come close to covering the costs of maintaining an accurate registry. While raising these fees may seem like an obvious answer, many jurisdictions are hesitant to do so for fear that imposing additional costs and friction on entities could hurt economic growth and drive some businesses out of the country to places with lower costs and fewer controls. A middle ground could be a risk-based approach to fees, where higher-risk entities are charged higher fees for registration and maintenance to reflect the true costs associated with the entity being allowed to do business in the country.

Other jurisdictions charge fees to the users of the registry. But in most cases these fees are nominal as jurisdictions do not want to unfairly restrict access based on the ability to pay. Therefore, these fees also do not come close to covering the costs of maintaining an accurate registry. A middle ground here might be different fee structures for different users. Power users of the registry might be willing to pay more if they were allowed to rely on the information and the registry gave them access to useful features like bulk data uploads and automatic updates through application programming interfaces (APIs).

Yet another challenge is that many jurisdictions seem to underestimate the resources needed to ensure an accurate registry. Take the United Kingdom, for example. They are in the process of attempting to reform their beneficial ownership registry. A bill currently before parliament would require verification of all new and existing beneficial owners in the registry.⁴⁰ To implement the reforms in the legislation, the authority responsible for the registry estimates that it could need up to 241 additional employees to staff its operational and intelligence teams.⁴¹

⁴⁰⁻⁴¹ Companies House business plan 2023 to 2024.

There are no easy answers here and, ultimately, the approaches to fund beneficial ownership registries will likely vary by jurisdiction based on their own circumstances. That said, some of the verification methods identified throughout this paper have the effect of shifting some of the costs associated with maintaining the registry away from the government and may help with some of the funding challenges. These include: requiring verification to be performed by an independent third-party before information can be submitted to registry; requiring financial institutions and DNFBPs to identify and report discrepancies between the information they have in their records and the information in the registry; and making beneficial ownership registries public where civil society, other organizations, and/or individuals may choose to analyze the data in the registry bearing the cost for any work they do to identify potentially inaccurate or suspicious information.



3. More Enforcement for Intentionally Inaccurate and Incomplete Submissions:

Just like it is difficult to find data on the accuracy of beneficial ownership registries, it is equally difficult to find information on enforcement actions taken against individuals and entities that have intentionally submitted incomplete or inaccurate beneficial ownership information. While many jurisdictions have the legal authority to bring enforcement actions, in practice it seems that very few are brought. When enforcement actions do occur, the penalties are typically relatively low fines. A joint study by FATF and the Egmont Group⁴² found that the lack of effective, proportionate, and dissuasive sanctions is one of the most common challenges faced by jurisdictions implementing beneficial ownership registries.⁴³

Infrequent and relatively low financial sanctions against those that intentionally submit incomplete or inaccurate information to beneficial ownership registries can have several negative effects. For criminals, these weak penalties are seen as an acceptable cost of doing business that has virtually no deterrent effect. Equally bad, it could disincentivize law enforcement and investigators from pursuing these cases. We asked some members of law enforcement whether they would be likely to pursue criminal cases against individuals and entities that intentionally submitted incomplete or inaccurate information to a beneficial ownership registry. Many said they would not. In their view, they could not justify devoting their limited resources to an investigation that, at best, might lead to a relatively low fine and a slap on the wrist from the court.

One potential way to deter criminals and incentivize law enforcement to pursue these cases could be through sentencing enhancements. For example, for certain crimes in certain jurisdictions, courts can impose a longer sentence when there is some aggravating factor (i.e., the offense was committed while using a weapon). The same principle could be applied to crimes that involve the abuse of legal entities. For example, jurisdictions could change their laws and/or sentencing criteria to make the use of an entity that intentionally submitted inaccurate or incomplete information to a beneficial ownership registry while committing some other offense an aggravating factor that leads to a longer prison sentence. If the enhancement is significant, it should have a deterrent effect on criminals and incentivize law enforcement to pursue the beneficial ownership aspects of investigations.

⁴² The Egmont Group is an organization that facilitates cooperation and intelligence sharing amongst national Financial Intelligence Units.

⁴³ FATF Best Practices on Beneficial Ownership for Legal Persons at 15.

Some jurisdictions have come up with creative ways to punish relatively minor infractions while limiting the investigative burden on the beneficial ownership registry, the Financial Intelligence Unit, and/or law enforcement. In Austria, for example, they have used automated sanctions.⁴⁴ If beneficial ownership information is not submitted or updated within the prescribed deadline, authorities automatically send a reminder letter with a deadline when an initial fine will be issued.⁴⁵ If the company still fails to comply, the fine is imposed and another letter is sent with another deadline and a higher automatic penalty for failure to comply.⁴⁶ FATF found that Austria's automated sanctions system contributed to a very high overall reporting rate.⁴⁷

In Slovakia, anyone can submit a claim questioning the veracity of beneficial ownership information.⁴⁸ If the court finds that the claim raises a reasonable doubt about the information, it holds a hearing to verify the data.⁴⁹ At the hearing, the entity is required to submit evidence that the beneficial ownership information is correct.⁵⁰ If they fail to do so, the entity could be fined, removed from the registry, and/or have contracts with the government cancelled.⁵¹

Some jurisdictions use non-financial sanctions to drive compliance and deter potential bad actors. Among other things, this includes compulsory dissolution or liquidation of entities that fail to submit beneficial ownership information, blocking the shareholder voting rights for beneficial owners that have not submitted their information, and banning individuals from forming entities in the future or serving as officers and directors in other companies.

The way to achieve more enforcement in cases for intentionally submitting inaccurate or incomplete information to beneficial ownership registries is intertwined with the two other structural enhancements discussed above. Most jurisdictions today need greater resources devoted to these investigations. Most jurisdictions would also benefit from greater accountability related to enforcement, both in terms of clearly identifying which authority is responsible and by publishing data on the results so that government and the public can better hold those responsible accountable.

⁴⁴ Id. at 66.

⁴⁵⁻⁴⁷ Id. ⁴⁸⁻⁵¹ World Bank Enhancing Government Effectiveness and Transparency at 260.

5. Conclusion

Ensuring the accuracy of information is one of the biggest challenges that jurisdictions face in their effective implementation of beneficial ownership registries. While there is no one-size-fits-all solution, this paper has highlighted an array of options, both tactical and structural, that jurisdictions are using to meet the FATF requirement to have “adequate, accurate, and up to date” beneficial ownership information. We hope that this paper will serve as a useful resource for all jurisdictions to learn from the experience of others, regardless of where they are on their beneficial ownership journey.

In the fight against financial crime, limiting the abuse of legal entities is amongst the most significant things that we can do as a global AML community to make an impact. At ACAMS, we stand ready to share what we have learned and work with governments, policymakers, regulators, financial intelligence units, law enforcement, financial institutions, DNFBDs, and civil society to help achieve this goal.

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6. Additional Resources

ACAMS has a number of additional related resources including webinars on beneficial ownership laws and regulations –

[Clear Insights on the Corporate Transparency Act;](#)

[The UK Economic Crime and Corporate Transparency Bill: What Does it Mean for Compliance Officers,](#)

a 2022 webinar series on Global Transparency Loopholes –

[Shell Games: Looking at the Loopholes that Allow Kleptocrats, Criminals, and Moneymen to Profit;](#)

[Malaysian Shuffle: Following the Illicit Money Flows and Shell Companies that Robbed 1MDB;](#)

[From Russia with Crime: How Criminals Harness Equity Markets to Move Illicit Monies Abroad;](#)

[Open Sources: Scrutinizing the Setup of Limited Companies,](#)

and a 2023 webinar series on Corporate Transparency and Beneficial Ownership –

[Trust Issues: How Illicit Actors Exploit Fiduciary Arrangements;](#)

[Global Trends in the Misuse of Legal Entities for Illegal Activities.](#)

7. About ACAMS

ACAMS is a leading international membership organization dedicated to providing opportunities for anti-financial crime (AFC) education, best practices, and peer-to-peer networking to AFC professionals globally. With over 100,000 members across 180 jurisdictions, ACAMS is committed to the mission of ending financial crime through the provision of anti-money laundering/counterterrorism-financing and sanctions knowledge-sharing, thought leadership, risk-mitigation services, ESG initiatives, and platforms for public-private dialogue.

The association's CAMS certification is the gold-standard qualification for AFC professionals, while the CGSS certification is its premier specialist qualification for sanctions professionals. ACAMS' 60+ Chapters globally further amplify the association's mission through training and networking initiatives.

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