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Providing an Overview of Beneficial Ownership and Emerging Patterns from an International Perspective

Submitted by: World Bank



**Capacity Building Workshop on Exposing the
Unseen Hands: Tackling Concealment of
Beneficial Ownership
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Capacity Building Workshop on Exposing the Unseen Hands: Tackling Concealment of Beneficial Ownership

- **Session 1: Providing an overview of beneficial ownership & emerging patterns from an international perspective**

Ms. Alexandra Habershon
Senior Governance Specialist
The World Bank

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Beneficial ownership transparency: emerging international practices

I. Key questions in implementing Beneficial Ownership Information disclosure requirements

II. The Growing Case for Beneficial Ownership Transparency

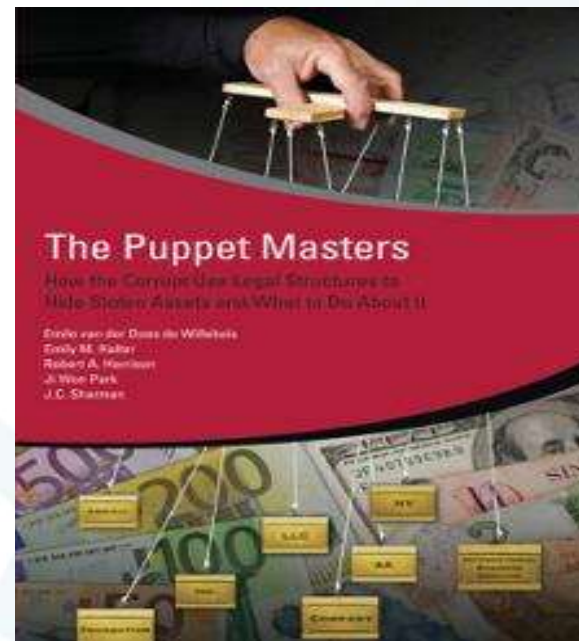
III. Making it work: Different approaches to addressing the compliance and verification challenge

IV. World Bank support to the disclosure and use of Beneficial Ownership Information

V. Concluding recommendations

Why the Global focus on beneficial ownership information?

- *“Nearly all cases of grand corruption have one thing in common. They rely on corporate vehicles- legal structures such as companies, foundations and trusts - to conceal ownership and control of tainted assets.”*



Key questions in implementing Beneficial Ownership Information disclosure requirements

- Should Beneficial Ownership Information be public?
- Should the data collection be centralized?
- Who should administer the data?

It depends on who you ask.

- Tax authorities
- AML investigators
- Financial sector oversight authorities
- Corporate registry administrators
- Private sector actors (financiers and firms)
- Anticorruption authorities and policymakers
- Civil society think-tanks, activists and journalists

Because there are multiple uses of BOI...

- Recover stolen assets and/or lost tax revenues
- Investigate and prosecute offenders
- Deter money laundering
- Prevent conflicts of interest in public procurement
- Promote transparency in supply chains and joint ventures
- Promote integrity and accountability in public administration
- *Stop the corrupt and criminal from plundering public funds*

Key questions in implementing Beneficial Ownership Information disclosure requirements

- Should Beneficial Ownership Information be public?
- Should the data collection be centralized?
- Who should administer the data?

The answer to these questions will be different in different jurisdictions and should be driven by the more challenging questions:

- *What are the corruption risks and BO vulnerabilities? (Is it in extractives? Procurement? Real estate holdings? Local companies? Foreign companies?)*
- *What approach will best ensure that the information disclosed is accurate and up to date?*

There is a growing consensus that transparency is not only helpful but necessary to address different types of BO risk, as well as compliance challenges.

THE GROWING CASE FOR BENEFICIAL OWNERSHIP TRANSPARENCY

Why the global focus on beneficial ownership transparency?

- Offshore assets are growing (licit and illicit) with vast consequences for developing economies
- State plunder and corruption in campaign finance are aided by opaque company structures
- Growing inequality is exacerbated by the scale and ease of illicit financial flows (- *Tax justice network*)

International policy responses and emerging consensus around the need for transparency

- Global Norm for Beneficial Ownership Transparency (-OGP, UK- *Open Ownership*)
- Requirement 2.5 of the EITI Standard (2016)
- G20 ACWG High Level Principles on Beneficial Ownership Transparency (2014)

Associated risks that also need to be addressed

- Speed and ease of company formation (shelf companies/ shell companies/ ghost companies) - *Open Corporates*
- Need for global standards (data and policy) and uniformity of *commitment* to enforcement – though the approach to implementing Beneficial Ownership Transparency may differ across economies

The ultimate goal of BO Transparency is to end the abuse of anonymous company structures that help the criminal and the corrupt hide their illicit wealth or steal from the public purse through the use of shell companies

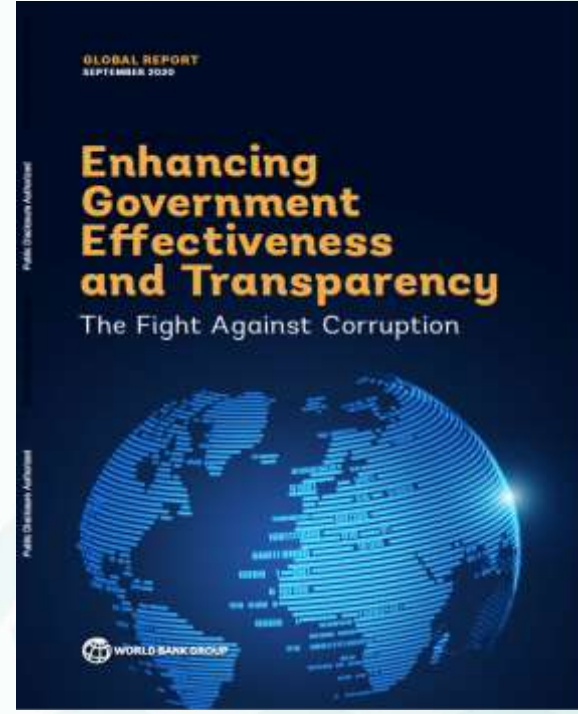
Making it work: Different approaches to addressing the compliance and verification challenges

Phased approach to implementation - Nigeria

- Started with sectoral approach (EITI)
- Transitioning to national public registry through the Corporate Affairs Commission (CAC)
- Civil society engagement in policy reform to support mainstreaming (OGP)
- Link to public procurement reform and e-GP system a possible next step

Verifying the true owners of companies doing business with the State- Slovakia

- Firms must register as 'Partner of the Public Sector' to do business with the State
- "Authorized persons" are required to verify the identity of beneficial owners (and suffer penalties with firms)
- Public can query the veracity of a disclosure
- Over 70 investigations have been conducted since the register was launched



PART II : Key Instruments for Fighting Corruption
Chapter. 9 Beneficial Ownership Transparency



World Bank support to the disclosure and use of Beneficial ownership information

Support to governments in implementing BO registries as part of Development Policy Operations under Covid-19 Emergency financing; drafting of UBO laws; BOT implementation as part of OGP grants; and support to use and disclosure of beneficial ownership information in IDA countries.

Technical assistance and guidance to support the inclusion of Beneficial Ownership information in income and asset declaration systems.

Research. Diagnostic work to assess typologies of misuse of anonymous corporate structures and the role of professional intermediaries.

Global policy dialogue. Engagement in global fora and standard setting bodies to advance policy dialogue and adoption of best practices (FATF, G20ACWG, UNCAC CoSP).

Delivered by the World Bank Financial Integrity/StAR, Tax, and Governance teams

World Bank procurement. The World Bank publishes beneficial ownership information on beneficial owners of firms awarded large contracts.

Concluding recommendations

- Should Beneficial Ownership Information be public?
- Should the data collection be centralized?
- Who should administer the data?
- How to ensure compliance and verification?

No single model is considered best practice A recent FATF report on Best Practices emphasizes that a multi-pronged approach to beneficial ownership information disclosure and access has proven more effective in preventing the misuse of legal persons than any single approach

The impact of beneficial ownership transparency reforms will rely on the accuracy and reliability of the information, and on its use by law enforcement, procurement agencies, tax authorities, and civil society

More work needs to be done around data standards, data literacy, and the capacity of institutions to administer registers



Thank you
Comments, suggestions and questions
welcome

