

The Open Ownership Principles



Version 1.0



Overview

The Open Ownership Principles (OO Principles) set the gold standard for effective beneficial ownership (BO) disclosure. The OO Principles are intended to support governments implementing BO reforms and guide international institutions, civil society, and private sector actors in understanding and advocating for effective reforms.

There are nine principles in total, and together they provide a framework for implementing comprehensive transparent company ownership that generates actionable and usable data. Effective disclosure needs high quality, reliable data to maximise usability and minimise loopholes.

The OO Principles are based on Open Ownership (OO)'s work with almost 40 countries establishing good practices for open data and based on the findings from practitioners and academic research. The OO Principles focus on the technical characteristics of effective disclosure regimes rather than on the external political, social, economic, and cultural factors that are known to influence implementation and impact.

As the policy area of beneficial ownership transparency (BOT) continues to evolve, OO will continue to refine and update the OO Principles to ensure they remain a high but achievable standard that delivers impact.

The OO Principles are currently open for consultation with stakeholders. We will publish a set of framing questions for consultation in January 2021, and welcome responses both in writing and in person for those attending our round table discussion. You can [register interest in participating in the consultation](#) through our online form.¹

Further information and guidance on how to implement the OO Principles is available at:

www.openownership.org/principles

The Principles

- Beneficial ownership should be clearly and robustly defined in law, with low thresholds used to determine when ownership and control is disclosed
- Data should comprehensively cover all relevant types of legal entities and natural persons
- Beneficial ownership disclosures should collect sufficient detail to allow users to understand and use the data
- Data should be collated in a central register
- Data should be accessible to the public
- Data should be structured and interoperable
- Measures should be taken to verify the data
- Data should be kept up to date and historical records maintained
- Adequate sanctions and enforcement should exist for non compliance

¹ Use the hyperlink, or copy this URL: <https://share.hsforms.com/1x4uWadUaTo2DI3wDkLOu7w3upv4>



Principle

Beneficial ownership should be clearly and robustly defined in law, with low thresholds used to determine when ownership and control is disclosed

In accordance with the Open Ownership (OO) Principle:

- Robust and clear definitions of beneficial ownership (BO) should state that a beneficial owner should be a natural person. Definitions should cover all relevant forms of ownership and control, specifying that ownership and control can be held both directly and indirectly.
- There should be a single, unified definition in law in primary legislation, with additional secondary legislation referring to this definition.
- The definition should comprise a broad catch-all definition of what constitutes BO, and couple this with a non-exhaustive list of example ways in which BO can be held.
- Thresholds should be set low so that all relevant people with BO and control interests are included in disclosures. A risk based approach should be considered to set lower thresholds for particular sectors, industries, or people. Particular consideration should be given to thresholds that apply to ownership by politically exposed persons (PEPs), with a clear definition used to determine what constitutes a PEP.
- Absolute values, rather than ranges, should be used to define a beneficial owner's ownership or control.

Clearly defining beneficial ownership and ensuring it covers all relevant forms of ownership and control makes the disclosure regime less vulnerable to exploitation by those seeking to abuse the system.

Using low thresholds to determine ownership or control reduces the risk that someone with relevant ownership or control remains hidden. While extremely low thresholds may become too labour or cost intensive without providing useful insight into significant ownership or control, using thresholds that are too high can create a potential loophole that can be exploited.

Particular consideration should be given to the thresholds that apply to PEPs with ownership or control interests. Lower thresholds may be warranted for PEPs to be disclosed as beneficial owners based on the increased corruption risk associated with them.

Rather than ranges, collecting absolute values when disclosing the percentage of ownership or control assists users in understanding how ownership or control is held. This is particularly important when ownership or control is held indirectly. Where possible, definitions should be harmonised regionally and internationally, or similar minimum standards should be adopted.

Read more

- [Beneficial Ownership in Law: Definitions & Thresholds](#)



Principle

Data should comprehensively cover all relevant types of legal entities and natural persons

In accordance with the OO Principle:

- All relevant legal entities and arrangements, and all relevant natural persons (i.e. people), should be included in disclosures.
- Any exemptions from the disclosure requirements should be clearly defined and justified, and reassessed on an ongoing basis. Information on the basis for exemption should be collected, or the ownership of such entities should be collected elsewhere with comparable levels of quality and access (e.g. for publicly listed companies (PLCs)).
- A shielding regime allowing certain natural persons at serious risk (e.g. domestic abuse or kidnapping) to restrict the disclosure of certain information should be in place, and should be proportionate and justified.
- Particular attention should be given to the disclosure requirements relating to specific categories of companies, including state owned enterprises (SOEs) and PLCs listed on exchanges with insufficient disclosure requirements.

Comprehensive coverage of different entity types is important because if certain types of legal entities and arrangements are not covered, potential loopholes form that can be exploited for illegitimate purposes. Similarly, the disclosure requirements should cover all categories of natural persons (for example, domestic and foreign citizens who meet the definition of beneficial owner) to avoid creating a loophole that could be exploited in order to avoid disclosing ownership.

Disclosure regimes should take the inclusion of all types of entities and categories of people as a starting point, and subsequently assess which entities and people can be excluded, for instance on the basis of risk, and make these assessments and justifications public.

Read more

- [Implementation Guide: Legal](#)



Principle

Beneficial ownership disclosures should collect sufficient detail to allow users to understand and use the data

In accordance with the OO Principle:

- Key information should be included about the beneficial owner, the disclosing company, and the means through which ownership or control is held.
- Clear identifiers should be used for people and companies.
- PEPs should be clearly identifiable within the data.
- Where BO is held indirectly through multiple legal entities, sufficient information should be published to understand full ownership chains.

Collecting and publishing key fields of data about the beneficial owner and the disclosing company enables users to accurately interpret the data and determine which individuals and companies the disclosure refers to. Collecting and publishing the means through which ownership or control is held further adds to the utility of the data by enabling users to understand how beneficial ownership is operating. This information can be important when investigating suspected cases of money laundering or corruption.

Having clear identifiers (such as registration numbers for companies and taxpayer numbers for people) makes it possible to match disclosures about the same people or companies and distinguish different people with the same name or similar details. Being able to match and disambiguate is important; for instance, when entities emulate the names of respectable companies in order to obfuscate ownership in due diligence processes. Users of the data should be provided with enough information to allow them to do this, and match the information with other datasets.

To strengthen the utility of beneficial ownership transparency as an anti-corruption tool, PEPs should be clearly identified, as they hold positions or have relationships that can be abused for the purposes of laundering illicit funds, corruption or bribery, and therefore have higher risks associated with them.

Where ownership or control is held indirectly through multiple entities, full visibility of ownership chains is important for joining up beneficial ownership data from different sources. Linking data transnationally is essential to realising its full potential to expose networks of illicit financial flows and support robust and efficient due diligence in the global economy.

Read more

- [Example Forms for Collecting Beneficial Ownership Data](#)



Principle

Data should be collated in a central register

In accordance with the OO Principle:

- BO disclosures should be collated and held within a central register.

Having a centralised beneficial ownership register means that people and authorities can access information on the beneficial ownership of companies through one central location in a standardised format. This is a prerequisite for effective use of beneficial ownership data by all user groups, as it removes some of the practical and cost barriers to accessing and analysing beneficial ownership information.

Maintaining a central register of beneficial ownership is one of three complementary approaches identified by the global Financial Action Task Force (FATF) as best practice. Analysis of FATF country evaluations clearly demonstrates the importance of central registers for reducing money laundering risk: countries maintaining a central register – as opposed to relying on other decentralised approaches where companies and other institutions hold beneficial ownership data – perform better against FATF's requirement to ensure timely access to adequate, accurate, and up to date information on the beneficial ownership of companies.



Principle

Data should be accessible to the public

In accordance with the OO Principle:

- The public should have access to BO data.
- Data should be accessible and usable without barriers such as payment, identification, registration requirements, collection of data about users of the register, or restrictive licensing, and searchable by both company and beneficial owner.
- Published information should be sufficient for users to understand and use the data to achieve policy goals, whilst respecting relevant privacy laws.
- Where information about certain classes of persons (e.g. minors) is exempt from publication, the exemption should be clearly defined and justified.
- Where a disclosure system permits exemptions from publication on a case-by-case basis (for example, to mitigate personal safety risk), the grounds for exemption should be clearly defined, proportionate, and fairly applied.
- Where data has been exempted from publication, the publicly available data should note that BO information is held by authorities but has been exempt from publication.

Having a public beneficial ownership register means that law enforcement, businesses, journalists, and citizens from around the world can easily access information on the beneficial ownership of companies, subject to relevant privacy laws. Having widespread third party use of data can drive up data quality, and increasing the user base beyond authorities will increase impact. For instance, publicly available beneficial ownership data can reduce the cost and complexity of due diligence and risk management for the private sector, thereby leveling the playing field and increasing competitiveness. Evidence shows that data in a public register is used much more widely when it is available without use of barriers such as registration, payment, or identification. This can be particularly important for enabling international users to access the data, for example when tracing transnational links between companies.

Disclosure and publication of beneficial ownership information has legitimate public interest purposes, and can be compliant with data protection and privacy legislation. This can be seen by the current beneficial ownership systems in operation globally, as well as the analysis of the rationale and risks of publishing data about people who are beneficial owners. In practice, this means that the fields of data that are collected and published, (including identifiers) should be developed in the context of local legislation, while maximising availability of information that supports effective data use.

Read more

- [The case for public beneficial ownership registers](#)
- [Data Protection and Privacy in Beneficial Ownership Disclosure](#)



Principle

Data should be structured and interoperable

In accordance with the OO Principle:

- BO data should be available as structured data, with each declaration conforming to a specified data model or template.
- Data should be available digitally, including in a machine-readable format.
- Data should be available in bulk as well as on a per record basis.

The utility of beneficial ownership data is enhanced when the data is available in a structured format. This allows the data to be easily analysed and linked with other datasets, enhancing the data's utility to expose transnational networks of illicit financial flows and support effective and timely due diligence. When beneficial ownership data is structured and interoperable it is also easier to verify, as a greater range of verification mechanisms can be used. The Beneficial Ownership Data Standard (BODS) is a template for publishing structured data about beneficial ownership in a format (JSON) that can be read and understood by computer systems around the world.

When data is machine readable and available in bulk, multiple disclosures can be analysed together. This allows users such as Financial Intelligence Units, banks, and journalists to apply data science and machine learning techniques to identify suspicious patterns of ownership or beneficial owners that appear on other datasets of interest (for example, sanctions lists). Where the private sector and civil society have access to beneficial ownership data in bulk, evidence shows that innovations can drive development of new due diligence products and identification of potential corruption cases.

Read more

- [The Beneficial Ownership Data Standard](#)



Principle

Measures should be taken to verify the data

In accordance with the OO Principle:

- When data is submitted, measures should be taken to verify the:
 - beneficial owner;
 - entity;
 - ownership or control relationship between the beneficial owner and the entity;
 - person making the disclosure.
- This should be done by one or more of the following methods:
 - ensuring values conform to known and expected patterns;
 - cross-checking information against existing authoritative systems and other government registers;
 - checking supporting evidence against original documents.
- After data has been submitted, it should be checked to identify potential errors, inconsistencies, and outdated entries, using a risk based approach where appropriate, requiring updates to the data where necessary.
- Mechanisms should be in place to raise red flags, both by requiring entities dealing with BO data to report discrepancies and by setting up systems to detect suspicious patterns.
- Ownership types that are difficult or impossible to verify (e.g. bearer shares) should be prohibited.

To maximise the impact of beneficial ownership registers, it is important that users and authorities can trust that the data contained in a register broadly reflects the true reality of who owns or controls a particular company. Verification is a combination of checks and processes that help ensure that beneficial ownership data is accurate and complete at a given point in time. Checks can be deployed at different stages in a declaration system with the aim of making data high quality and reliable, to create confidence in a register and to maximise its utility and impact.

Read more

- [Verification of Beneficial Ownership Data](#)



Principle

Data should be kept up to date and historical records maintained

In accordance with the OO Principle:

- Initial registration and subsequent changes to BO should be submitted in a timely manner, with information updated within a short, defined time period after changes occur.
- Data should be confirmed as correct on at least an annual basis.
- All changes in BO should be reported.
- An auditable record of the BO of companies should be created by dating declarations and storing historical records, including for dormant and dissolved companies.

Keeping data up to date is crucial for increasing trust in the accuracy of beneficial ownership data and the effectiveness of disclosure regimes. Requiring the timely submission of changes to ownership data or details of natural or legal persons increases the confidence that the data is current. It also reduces the risk that a legal entity can be misrepresented during a lengthy submission window, thereby improving trust between businesses.

Requiring data to be regularly updated, and for those updates to include all changes that occurred since the last declaration, removes the potential for companies to disguise short term changes in beneficial ownership. This closes a loophole that would enable actors to circumvent disclosure of all persons that have held beneficial ownership of the company.

It is important to keep historical information about companies, as this can help uncover links that are not immediately evident from current information. For example, keeping historical records prevents an entity from obscuring its identity by changing its name, and allows for investigations in complex legal cases. Making available supporting information, such as the date when a beneficial ownership declaration was made, can further help users judge whether they trust the information and provide evidence of “who knew what when” in cases such as investigating whether due diligence was undertaken effectively at a particular point in time.



Principle

Adequate sanctions and enforcement should exist for non compliance

In accordance with the OO Principle:

- Effective, proportionate, dissuasive, and enforceable sanctions should exist for noncompliance with disclosure requirements, including for non-submission, late submission, incomplete submission, or false submission.
- Sanctions that cover the person making the declaration, the beneficial owner, registered officers of the company, and the company making the declaration should be considered.
- Sanctions should include both monetary and non-monetary penalties.
- Relevant agencies should be empowered and resourced to enforce the sanctions that exist for noncompliance.

Having adequate sanctions in place, and enforcing these effectively, helps to drive up compliance with disclosure requirements and increase the quality and utility of the data. Including sanctions against the beneficial owner, registered officers of the company, and the company making the declaration, helps ensure that the deterrent effect of sanctions applies to all the key persons and entities involved in declaration. This helps incentivise compliance from the beneficial owner, registered officers, and broader stakeholders involved in the governance and management of the company.

Sanctions can only act as an effective deterrent if they are fairly and proportionately enforced in practice. To do this, relevant agencies require both the legal mandate and adequate resources to identify suspected non-compliance, investigate appropriately, and issue sanctions. Sanctions should include both monetary and non-monetary penalties, which can cover certain business-related rights such as not being able to incorporate a company or not being paid out dividends from shares.

Read more

- Information on sanctions can be found in [Verification of Beneficial Ownership Data](#)

Open Ownership



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