



Guide to implementing beneficial ownership transparency





Introduction

Beneficial ownership transparency (BOT) – that is, making more information about the individuals who own or control registered legal entities and arrangements available to those who can use it effectively – can help achieve a wide variety of policy goals. These include promoting investment, reducing due diligence costs, improving corporate accountability, and tackling corruption, tax evasion, and other financial crimes. A growing number of jurisdictions, more than 100 worldwide, have now made commitments to BOT.¹

Moving from a commitment to the creation and implementation of an effective public register of companies' beneficial owners requires a number of policy and technological reforms. International best practice on how to manage the implementation process is still emerging, and the lessons gained from one country may not always be as relevant to another context.

The gold standard for effective beneficial ownership (BO) disclosure is set out in the [Open Ownership Principles](#) for effective disclosure (OO Principles). They support governments to implement BOT in ways that maximise the policy impact of reform, and to assist international institutions, civil society, and private sector actors to understand and advocate for effective reforms. The OO Principles provide a framework for implementing comprehensive BOT reforms that generate actionable and usable data across the widest range of policy applications of BO data, as well as assessing and improving existing disclosure regimes. Effective disclosure needs high quality, reliable data to maximise usability for all potential users and to minimise loopholes. This implementation guide explains how to apply the OO Principles in practice; it is designed to help public officials identify and navigate the various legal, political, and technical issues that may arise when creating an impactful and effective public BO register.

Advantages of public beneficial ownership registers

Making BO information on companies available to authorities, businesses, and the public alike can help disrupt the opacity on which criminals rely for perpetrating financial crime. Public BO registers also help authorities to further develop a range of other policy goals, such as:

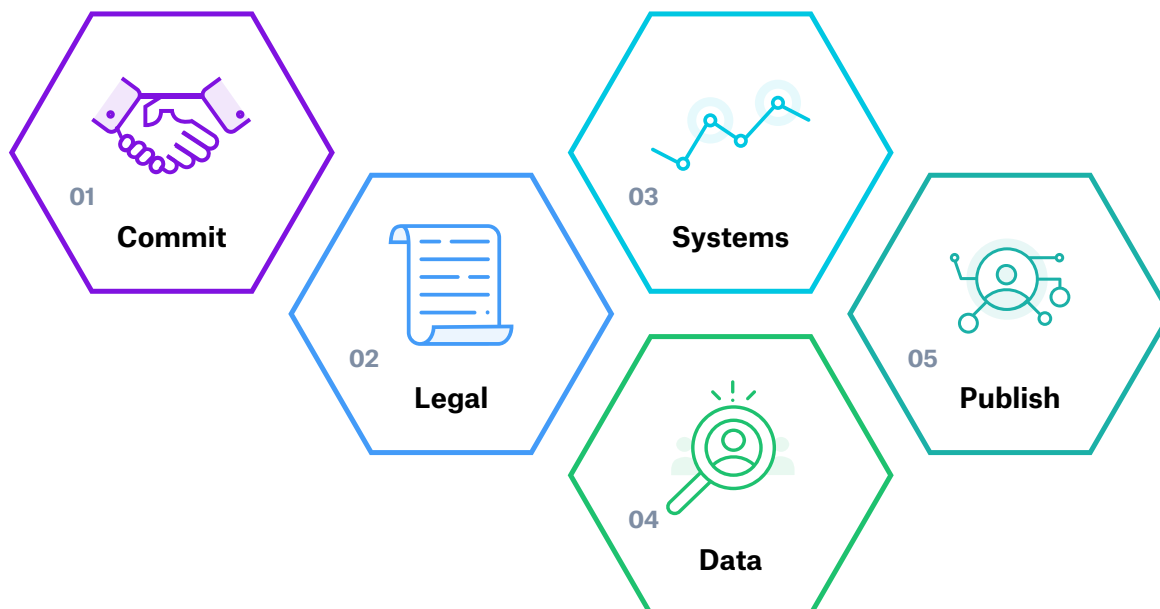
- building trust in the integrity of business transactions and of the financial system by knowing with whom one is conducting business (and reducing associated due diligence costs);
- running effective tax systems by enabling authorities to have access to the full range of individuals' assets and commercial interests;
- improving public procurement and the efficiency of service delivery by reducing possibilities for conflicts of interest or corruption and fostering competition;
- fighting and preventing financial crimes using best practice identified by the Financial Action Task Force (FATF), the European Commission, and other international bodies that advocate for BOT; and
- helping law enforcement investigations identify and recover assets that have been gained through theft or with the proceeds of other crimes.

¹ "Worldwide commitments and action", OO, n.d., <https://www.openownership.org/map/>.



Using this guide to support implementation

Figure 1. Stages of implementation for a BO register



The content in this guide is structured around the five main stages of BOT implementation. As illustrated in [Figure 1](#), this implementation journey follows a pattern similar to other information disclosure initiatives.² For each of these stages, Open Ownership (OO) has distilled the emerging good practices from its experience supporting implementation of BO registers in nearly 40 jurisdictions, as well as extensive desk research and conversations with a broad range of international stakeholders involved in BOT reform.

Throughout the guide, there are links to policy documents, reports, research, and tools that provide greater detail on how to adapt and apply these good practices in different implementation contexts. For additional support on any aspect, implementers are also invited to contact OO via the [helpdesk](#) facility or by email at support@openownership.org.

² To facilitate ease of navigation round the guide, these stages are presented as distinct areas for reform. In reality, as will be highlighted throughout, there will be significant crossover between these various categories, and reform areas need not necessarily be carried out sequentially.



Commit

Implementation begins with making a specific, public commitment to creating a BO register and beginning to draw up initial plans as to how this may be achieved. At this stage, it is important to consider how to: identify which agencies will be involved in and leading implementation; outline programmes for involving stakeholders and data users in policy design; and decide how to sequence reforms and introduce future improvements.

Committing to beneficial ownership transparency

More countries around the world are making commitments to BOT, including through Open Government Partnership (OGP) National Action Plans; meeting the BO requirement in the Extractive Industries Transparency Initiative (EITI) Standard; complying with emergency lending requirements of the International Monetary Fund (IMF); and, in Europe, through the implementation of EU Anti-Money Laundering Directives.

An effective public commitment to BOT should:

- be ambitious, specific, and achievable;
- articulate the policy objectives and the intended benefits for the country;
- be mutually reinforcing with relevant international standards, such as the EITI Standard and the OO Principles;
- build on the current context (for example, if a non-public register already exists, commit to making it publicly available as open data);
- identify the agencies that will be involved in implementation, and name a lead agency;
- be developed in participation with relevant stakeholders, including data users and policy makers.

Operationalising the commitment

Before embarking on the detailed technical and legal reforms to realise the above commitments and create a public register, there are a number of general points to consider. These include:

1. Sequencing the introduction of disclosure requirements

Whilst the ultimate aim of BO legislation should ideally be to achieve the OO Principle of the comprehensive coverage of all relevant legal entities and natural persons, different countries have adopted various approaches to introducing requirements for companies to disclose their BO information. One approach adopted, for instance in Ukraine and the UK, is to introduce requirements on companies operating across the whole economy, simultaneously. The disclosure of BO data of all legal entities in a given jurisdiction has the most utility for the widest range of policy applications. The alternative is to stagger implementation by focusing first on one sector and then expanding disclosure requirements to cover other parts of the economy (an approach used in Armenia and Nigeria, for example). This second option tends to be preferred in contexts where a staggered introduction enables implementers to leverage the political will for pro-transparency reform in an area of economic activity associated with higher corruption risk. Jurisdictions with millions of registered companies may, for example, initially opt to implement a single-sector disclosure regime (e.g. for the extractive industries or firms involved in public procurement) as a pilot programme that will test their systems and business processes prior to an economy-wide rollout.



Resources

When considering how to set the scope of disclosure requirements to meet priority policy goals, it is worth examining the impacts of registers for different sectors of the economy. OO has produced policy briefings on [the benefits of centralised economy-wide public registers](#), as well as specific use cases, such as [the role BO data can play in improving procurement processes](#) and the issues countries need to consider during implementation.

2. Identifying a lead agency to oversee implementation

Creating and publishing BO information according to the OO Principle of a [central register](#) usually involves a number of different government agencies, such as the finance, justice, and interior ministries, along with the registrar of companies, and others. This can lead to competing, overlapping, and conflicting mandates and areas of responsibility, unless carefully managed. To navigate around the challenge of overlapping functions, responsibilities, and inter-agency coordination, it is good practice to assign overall responsibility for coordination and delivery of implementation to a lead institution.³ Selecting the most appropriate institution for this will depend on the particular composition of agencies within a jurisdiction, as well as the specific policy aims countries wish to achieve with BOT reforms. Generally, jurisdictions seek to publish BO data for a mixture of policy goals, but in broad terms, where countries have sought to create BO registers as a means of clamping down on tax evasion, they have placed the register within the remit of tax authorities. Where business transparency and investment promotion is the main aim, a company registry agency or the finance/economy ministry may be more suitable. On the other hand, for countries that are mainly interested in improving anti-money laundering (AML) approaches and tackling corruption risks, then responsibility for BO reform may be assigned to justice or interior ministries, or a Financial Intelligence Unit (FIU). Other considerations that may influence this decision include an assessment of which agency has sufficient digital expertise and knowledge of business process reform, budgets, and/or domestic political influence to oversee a successful reform process. Whichever agency is appointed to lead the reforms, other relevant departments

should be consulted and involved to help ensure that the legal framework responds to the various policy and data needs across different parts of government.

3. Consultation on beneficial ownership reforms

It is not only the legal framework that can benefit from broad consultation; each stage of reforms outlined in this implementation guide should involve as many relevant stakeholders and potential user groups as possible, including government officials, citizens, and businesses. Implemented effectively, streamlined data and information will help government officials, entrepreneurs, civil society, academics, and law enforcement more easily achieve their different goals by responding to their user needs. However, getting key details wrong can increase bureaucracy, limit impact, and increase costs. Consultation with stakeholder groups throughout the implementation process is an important part of any BOT journey. Without these consultations, the system of collection and publication may not work well among impacted people and groups. At the same time, highlighting the wider market efficiency and due diligence advantages of BO reform for all businesses can expand the types of stakeholders that are consulted. As reform takes place, this can also help to create the foundations for well used data that can deliver sustainable impact.

Resources

OO has outlined consultation methodologies and audiences for all steps of this implementation guide in a working paper on [effective consultation processes for BOT](#). This resource outlines a range of comprehensive techniques for consulting at each stage of implementation.

³ Catherine Greene et al., "Catalysing transformative change in beneficial ownership transparency", EITI and OO, August 2020, <https://www.openownership.org/uploads/Opening%20Extractives%20Research%20Report.pdf>.



4. Financing the register

Some disclosure regimes have opted to charge for register access in order to recoup implementation and running costs. A number of studies have highlighted the potential economic value of BO data (see text box). This value is dependent on data reuse, and fees are a barrier to this. Restricting access through the imposition of a paywall reduces the potential benefits by limiting the number of users consulting the data.⁴ It also adds to the technical complexity of implementation (for example, due to the need to create secure payment handling mechanisms).

The economic value of beneficial ownership data in the UK

In the UK, a 2019 Companies House (CH) study estimates the value of UK company data to be an average of GBP 1,100 per reuser, with an estimated total benefit between GBP 1 billion and GBP 3 billion per year⁵ – of which BO data constituted between GBP 40 million and GBP 120 million⁶ – for Companies House Service (CHS) users alone. The study explains that “more than half of the smaller intermediaries that access CH bulk data products have only been accessing these products since they became available free of charge. This suggests that access to free data has stimulated the development of new business opportunities.”⁷

Resources

A broader discussion of the costs of establishing and maintaining BO registers, and the benefits they can bring, is included in the OO policy briefing on [making central BO registers public](#).

⁴ Such shifts have been seen in reverse in the UK, where searches of the Companies House register increased from 6 million in 2014-2015 to 1.3 billion in 2015-2016, following the removal of a paywall on its legal ownership data (prior to the establishment of the UK's People with significant control (PSC) register). See: Nienke Palstra, “10 Lessons From the UL's Public Register of the Real Owners of Companies”, Global Witness Blog, 23 October 2017, <https://www.globalwitness.org/en-gb/blog/10-lessons-uks-public-register-real-owners-companies/>.

⁵ “Valuing the User Benefits of Companies House Data”, Companies House and the Department for Business, Energy and Industrial Strategy, September 2019, 4, https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/833764/valuing-benefits-companies-house-data-policy-summary.pdf.

⁶ Ibid, 16.

⁷ Ibid, 5.



Legal

Creating a public BO register requires a range of legal reforms to define which entities and people will be subject to reporting requirements, as well as to mandate a range of data- and systems-related considerations. Some of the most notable tasks for legislative attention will include, among others:

- creating a legal definition of what constitutes a beneficial owner (see OO Principle of [robust definitions](#));
- deciding on the coverage of disclosures, i.e. which entities should be required to make declarations and how much of their ownership chain will need to be included in their declarations (see OO Principle of [comprehensive coverage](#));
- creating legal sanctions for individuals and firms that fail to meet reporting obligations (see OO Principle of [sanctions and enforcement](#));
- deciding what information will be collected in declaration forms (see [Data](#) section and OO Principle of [sufficient detail](#));
- deciding which information will be published and how this reconciles with privacy and data protection legislation (see [Publish](#) section and OO Principle of [public access](#));
- enabling legal reforms needed for data sharing between government registries for verification purposes (see [Data](#) section and OO Principle of [verification](#)).

Creating a definition of beneficial ownership in law

For those countries without an existing BO register, the first legislative tasks will likely comprise defining in law what constitutes BO; how this interacts with the concept of legal ownership (see [Figure 2](#)); and under what circumstances companies and individuals should have to make BO declarations. As the definition will constitute the foundation of the disclosure regime, it is important to ensure that no significant loopholes exist within it. For countries where a legal definition of BO already exists, meanwhile, the need to revisit legislation offers an ideal opportunity to ensure BO definitions remain in line with current best practice.

Resources

An example definition, and detailed analysis of the strengths and shortcomings of BO definitions implemented across the globe, is available in OO's policy briefing: [Beneficial ownership in law: Definitions and Thresholds](#).

BO should be clearly and [robustly defined](#) in law, with specific thresholds used to determine when ownership and control is disclosed. Specifically:

- definitions of BO should state that a beneficial owner is 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;



- there should be a **broad, catch-all definition** of what constitutes BO, coupled with a non-exhaustive **list of example ways** in which a BO relationship may manifest;
- **thresholds⁸ should be set low** so that all relevant people with BO and control interests are included in declarations, considering a risk-based approach to set lower thresholds for particular sectors, industries, or people;
- **absolute values**, rather than ranges, should be used to define a person's beneficial ownership or control;
- definitions should include a **clear exclusion** of agents, custodians, employees, intermediaries, or nominees acting on behalf of another person qualifying as a beneficial owner.

Common international practice is to include a threshold level of share ownership at which it becomes a legal requirement for a BO relationship to be disclosed (e.g. by stating in law that any individual who ultimately owns more than a 10% share in a given legal entity would qualify as one of its beneficial owners). There has been no clear international consensus over the level at which thresholds should be set, and these levels may depend on what the policy aims of the BOT reforms are. There is a trend over recent years towards lower thresholds. In its 2014 guidance on BOT, the FATF does not recommend a specific threshold level, but mentions a 25% figure in the context of examples to illustrate how thresholds would work.⁹ It is relatively easy to evade disclosure by threshold if a definition does not comprehensively capture ownership and control. For instance, for a 25% threshold, a criminal working with just four allies can easily avoid disclosure requirements. It is therefore important that definitions are robust and capture substantive and less conventional means of exercising ownership and control. Some jurisdictions have also taken guidance from thresholds used in other sectors, for example, public listed companies (PLCs) or requirements under taxation laws (Tanzania harmonised its BO disclosure threshold with the ownership and control threshold in the Income Tax Act). Many jurisdictions have opted for lower thresholds. In 2020/2021, this includes Argentina (1 share or above), Kenya (10%), Nigeria (5%), Paraguay (10%), Senegal (2%), and Seychelles (10%). Trends suggest a threshold in the region of 5%-15% brings thresholds in line with evolving international standards to meet a range of policy goals. Countries can take an approach of setting lower thresholds for classes of individuals or industries that face particular risks, such as the extractive industries.

Deciding which entities should be covered

As a general principle, there should be comprehensive coverage of all relevant legal entities and natural persons in BO declarations (see also Data section). Any exemptions from disclosure requirements should be clearly defined, justified, and reassessed on an ongoing basis. This may occur, for example, where information on the ownership of such entities is collected via other means that benefit from comparable levels of quality and access (e.g. for PLCs). Where publication exemptions do exist, information on the basis for exemption should be collected.

Limited exemptions

For different reasons, some jurisdictions have considered exemptions to the disclosure of BO data for limited categories of firms, such as state owned enterprises (SOEs) and PLCs. Any exemption creates a risk of loopholes. Therefore:

- exemptions should be narrowly interpreted; and
- exemptions should be granted only when the exempt entity is already disclosing its beneficial owners to the government through alternative mechanisms.

For PLCs, risks can be reduced through the following recommendations:

- blanket exemptions from BO disclosure requirements to companies listed on any stock exchange should not be granted, as transparency and disclosure requirements differ widely between stock exchanges;
- PLCs should only be exempted from BO disclosure requirements if adequate and enforced BO disclosure requirements exist for the stock exchange(s) on which the declaring company is listed;
- all companies that are exempt from BO disclosure requirements due to their listed status should have to declare, and periodically confirm, that they are exempt due to their listed status; and
- in published BO data, PLCs should be identifiable as such; sufficient data should be collected to connect them to relevant stock exchange listings.

For SOEs, some jurisdictions have considered exemptions as these firms do not have the same kind of beneficial owners that private companies do. Citizens are technically the ultimate owners of SOEs, but have no direct control over their activities, which is usually vested in individuals that resemble typical management structures seen in the private sector. Given the substantial public resources

⁸ The level of share ownership, voting rights, and/or rights to earnings which an individual may ultimately hold in an entity before triggering obligations to report this interest to authorities.

⁹ "Transparency and Beneficial Ownership", FATF, October 2014, <http://www.fatf-gafi.org/media/fatf/documents/reports/Guidance-transparency-beneficial-ownership.pdf>.



owned or managed by SOEs, gathering information on those with significant influence or control over their activities is still highly advised. Citizens want assurances that SOEs are being well run and for public (not personal) benefit. In addition, private sector companies operating in the same market or environment also need to know the role, scope, and size of state involvement so that they can plan accordingly. Implementing countries will need to decide on what information on SOEs and PLCs will need to be collected and include any potential exemptions within its BO disclosure legislation.

Resources

Best practice for assessing how to grant disclosure exemptions to PLCs without creating loopholes has yet to be consolidated. OO has provided its contribution to the debate by outlining current thinking on when an exemption should be granted and what information should be provided in any exemption declaration.

Beneficial ownership of trusts

The ownership of trusts has implications for the implementation of BOT for legal entities, as trusts can appear in their ownership chains. A growing number of countries are taking the approach of implementing separate disclosure regimes and registers for the BOT of trusts. Where jurisdictions are implementing BOT of legal persons, and when trusts feature in the ownership structure of a legal person, the information on the BO of trusts should, at a minimum, be made available to the public.

The BOT of trusts has become a major policy and regulatory concern for international AML standard-setting bodies. The EU, via the fifth EU Anti-Money Laundering Directive (AMLD5), the FATF, via its Recommendation 10), and the Organisation for Economic Co-operation and Development (OECD), via its Common Reporting Standard, have developed the three main international instruments dealing with BO of trusts. So far, the EU's AMLD5 is the only international regulatory framework that requires the creation of central registers of BO of trusts as the best approach to regulate and prevent misuse. The framework also has fewer loopholes with respect to when to disclose information and what information to disclose. Best practice in the disclosure of the BO of legal entities (as covered in the OO Principles) provides a framework for thinking about how best to implement BOT of trusts,

although there will be some key differences in discussions on certain aspects, such as whether information should be made public.

Resources

OO's policy briefing on the BOT of trusts outlines implementation considerations and emerging best practice in legal and policy reforms on how to deal with trusts when implementing BOT reforms for legal entities as well as BOT of all trusts. An additional background briefing on trusts discusses the history and various types of trusts, roles of trusts parties, the legitimate and illegitimate uses of trusts, and examples of current practice on the treatment of trusts in a variety of countries.

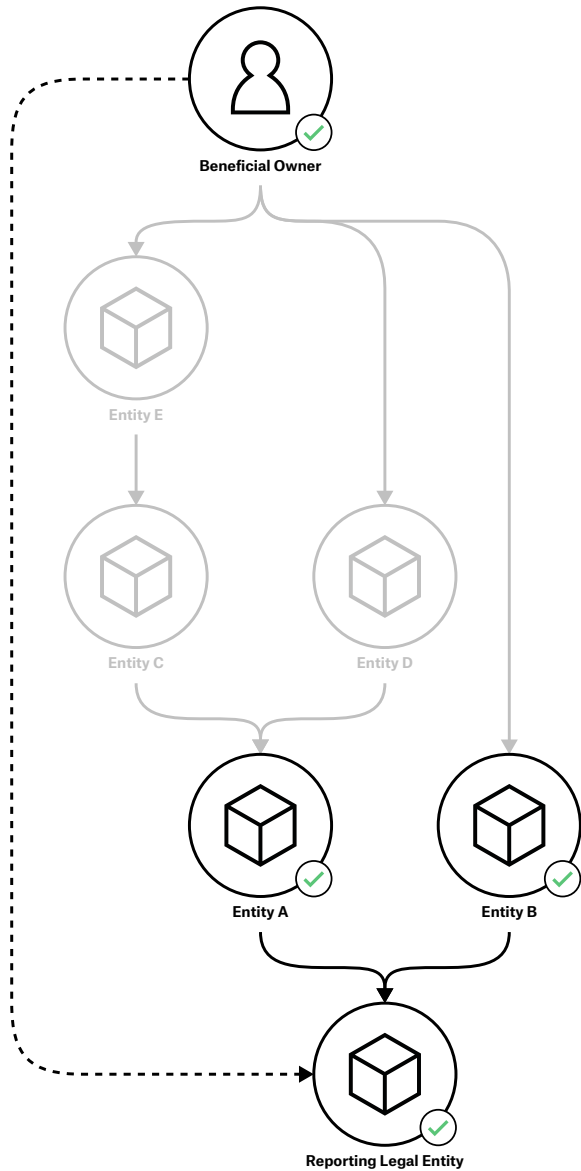
Reporting of intermediary entities

Another issue to consider at the legislative stage is how much information will be required to be disclosed about the intermediary companies and entities through which BO may be exerted. According to the OO Principle, sufficient detail should be collected about the beneficial owner, the disclosing company, and the means through which ownership or control is held. For information on ownership chains, it is common for countries to adopt requirements for declaring part of the chain, as illustrated in Figure 2. An alternative option for those committed to comprehensive disclosure would be a full chain approach, in which companies are required to disclose information on each intermediate company between the reporting entity and (a) each beneficial owner, and (b) each PLC with a stake (of above the threshold level) in the reporting entity.

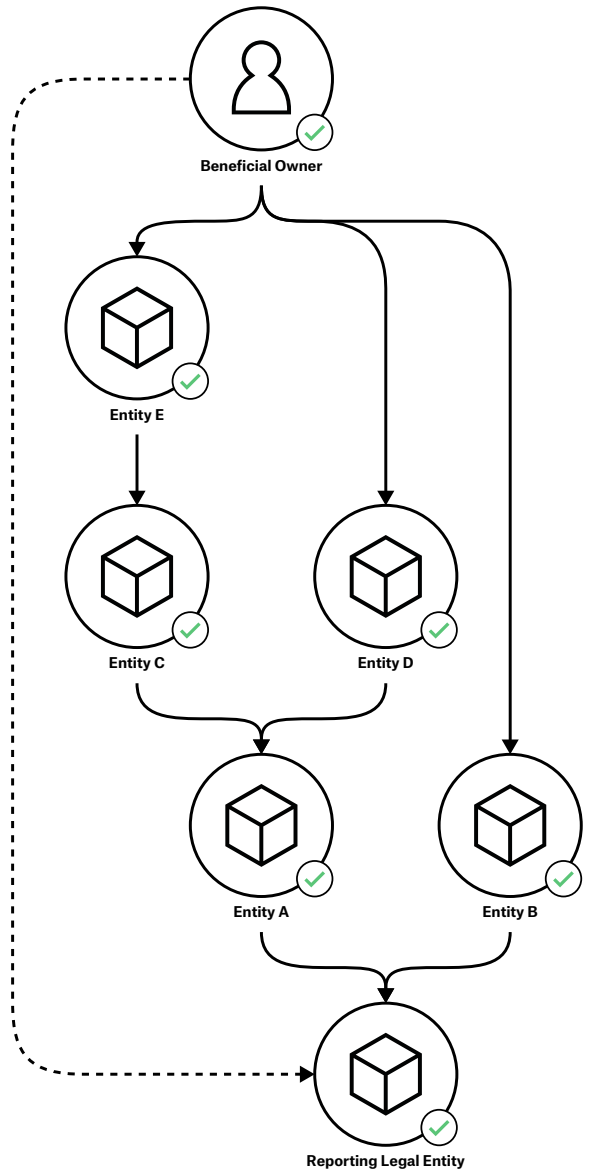


Figure 2. Full versus partial ownership chain reporting

Partial Chain Reporting



Full Chain Reporting



Key Collect data about this Party Collect data about this interest Data about this interest is not collected

The full chain approach provides valuable detail on intermediary entities. Complete pictures of ownership structures can be highly valuable in some applications of BO data, such as in [procurement](#). However, it is suited only to jurisdictions with reasonably advanced technology systems. This is because intermediate companies may be disclosed in multiple declarations, which brings the risk that information submitted by different entities, about the same intermediary, may not precisely tally. Whilst such discrepancies could eventually serve as a means to cross

check and verify data submissions, this would require a sophisticated data verification system that would take some time to develop. For the initial iteration of registers in most countries, it is recommended to concentrate on gathering the higher quality data that would likely emerge from a more limited partial chain reporting requirement. Once the first set of data has been gathered, the declarations can then be evaluated with a view to understanding whether a more comprehensive approach would be useful.



Reconciling privacy concerns with public interest

When drafting laws to enable public access to BO data, OO generally recommends the inclusion of provisions to publish in open data format (see also [Publish](#) section).

To date, BOT has been achieved in many jurisdictions without seriously affecting the safety of the vast majority of individuals. OO's research across a range of jurisdictions with open BO data registers has been unable to identify documented examples of harms that have arisen from publication. To minimise the risk of potential harm, countries should consider making certain personal information (for example, a beneficial owner's personal email, phone number, home address) available to the authorities, but withholding this from the public in a system of layered access. In addition, the introduction of a protection regime would allow narrowly defined publication exemptions for natural persons where publishing personal information poses a serious risk, e.g. of domestic abuse or kidnapping. That said, their information would typically still be collected and made accessible to domestic authorities (see also [Publish](#)).

In order to ensure BO data can be made public in keeping with data protection and privacy legislation, implementers should articulate a clear purpose and legal basis for collecting and processing data when drafting legislation. Preferably, the specified purpose will be broad, based on accountability and the public interest, rather than a more narrowly defined purpose, such as AML. To navigate the provisions in domestic data protection legislation and to further minimise potential harm, governments should adhere to the principle of data minimisation: not collecting and disclosing more data than that necessary to achieve set aims (also see [Publish](#)). At the same time, however, it is important for authorities to collect sufficient information to ensure that BOT can fulfil a government's policy intent. Similarly, when data is published, governments should seek to avoid excessive restrictions on fields for disclosure as these may, for example, make it difficult for registry users to confirm the identity of beneficial owners, or to confidently distinguish between the identities of beneficial owners with similar names or personal details. In the European context, AMLD5 recommends publishing, at a minimum, the beneficial owner's name, country of residence, nationality, month and year of birth, plus the nature of their ownership or control of the reporting company.

Resources

For further discussion on managing potential privacy and security concerns related to BO data publication, see the OO briefings [Data Protection and Privacy in Beneficial Ownership Disclosure](#) and [Making central beneficial ownership registers public](#).

For information on the types of specific fields that may be excluded from publication on security/privacy grounds, please refer to OO's [example declaration form](#).

Sanctions and enforcement

To ensure that accurate and timely information on beneficial owners is provided to authorities, an effective system of [sanctions and enforcement](#) will be needed. This involves ensuring that: 1) adequate sanctions for non-compliance exist in law; 2) agencies have a legal mandate to issue sanctions; and 3) the sanctioning body has sufficient capacity, resources, and will to verify disclosures and sanction non-compliance. Sanctions regimes work most effectively when combined with effective verification mechanisms that identify where incorrect, fraudulent, or incomplete information has been submitted (see [Data](#) section).

Introducing sanctions against the beneficial owner, registered officers of the company, and the company making the declaration helps to ensure that the deterrent effect of sanctions applies to all the key persons and entities involved in the declaration. This is also important for ensuring that data contained in registers follows the OO Principle of being [up to date](#), and that companies report changes to their ownership structure in a timely manner.



Sanctions for non-compliance in the UK

In the UK, there are multiple sanctions against both companies and beneficial owners:¹⁰

- companies can be sanctioned for failure to request information from potential beneficial owners or failure to provide information on its beneficial owners to the central register;
- beneficial owners can be sanctioned for failure to respond to requests for information from companies, or for knowingly or recklessly making a false statement, as well as for failure to notify a company that they are a beneficial owner;
- for all of these offences, both the company and every officer of the company that has failed to comply are considered to have committed the offence, and the penalties are imprisonment for up to 12 months, a fine, or both; and
- CH has the ability to strike off any companies that default on their obligations to report to the register.

Resources

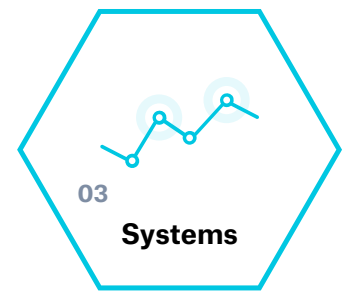
For more on setting and applying sanctions for those failing to provide timely and accurate BO data, see OO's briefings on [BO data in procurement](#) and the [verification of BO data](#).

Selecting the appropriate agency to issue sanctions will depend largely on the political structures and preferences within the implementing country. Some jurisdictions select their state company registry, whilst others refer the matter to the ministry of justice or linked bodies that have an established investigative function. Enforcement remains a challenge for many jurisdictions, but there are numerous successful cases of sanctions being applied against non-compliant firms. Latvia's Enterprise Register, for example, terminated 400 non-resident companies that failed to submit BO information in 2019.¹¹ Dozens of court rulings in Slovakia have also dealt with cases of non-compliance with BO disclosure legislation, leading in some cases to the removal of companies from the state register, making them ineligible to bid for state contracts.¹²

¹⁰ See: "UK Companies Act 2006", legislation.gov.uk, n.d., <https://www.legislation.gov.uk/ukpga/2006/46/section/790R>.

¹¹ Latvia's report to Moneyval assessors, 2020. (Unpublished)

¹² See, for instance: "Zverejňovanie súdnych rozhodnutí a ďalších informácií (InfoSúd)", Ministerstvo Spravodlivosti Slovenskej Republiky, November 2018, <https://obcan.justice.sk/infosud/-/infosud/i-detail/rozhodnutie/3b90ffbc-a519-4e53-9627-329d6708b85d%3A4744e659-e5a2-42b3-a069-06abc5302a19>.



Systems

Creating a legal framework for a BO disclosure regime is only one element of a broader reform process. Facilitating BOT also requires the collection, storage, and sharing of data. This section offers guidance on how to review existing company information systems and develop them to enable the publication of BO registers.

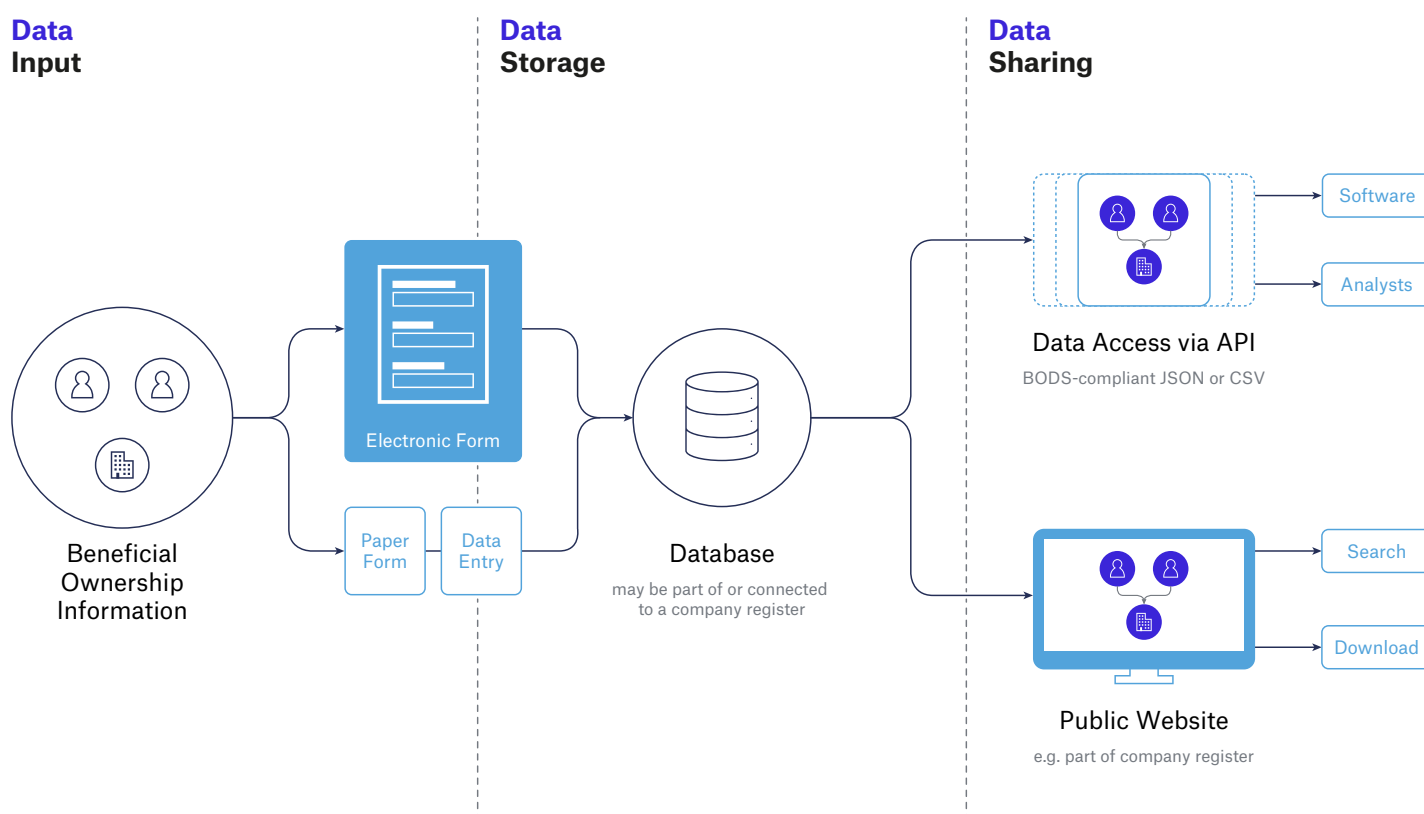
Processes, systems, and platforms

Digital systems and administrative processes need to fit together smoothly to enable BO information to be collected, stored, maintained, exchanged, and published. Some components of systems design will need to be considered as part of legal reforms, but it will also be important to carefully consider how information flows from companies, via the jurisdiction's systems and processes, to the people and agencies that need it. Consideration of the following questions should help to identify the starting point for work in this area, and to prompt thinking on the systems and processes that may eventually be required:

- How is the information about the companies registered in the jurisdiction currently collected and managed?
 - Is information about legal ownership currently kept in the companies register? If so, how will legal ownership information be linked with BO information?
 - Are there other government systems that currently collect and store company details (for example, a government procurement system)?
 - How many companies will be required to submit BO declarations?
 - How will companies submit their information (for example, via an online form, with a paper form, or via an authorised notary)?
 - What department, or official body, will be responsible for the collection, management, and publishing of BO data?
- What manual administrative checks and operations will assist the collection and management of BO information?
 - Does the jurisdiction currently publish company registration information? How will BO information be updated and made publicly available?
 - How will government officials be able to access and make use of BO information (for example, by checking whether there are red flags arising from data on the BO of companies bidding for government contracts)?
 - What will trigger companies to submit their first BO declaration? What will trigger them to update it?



Figure 3. BO information collection, storage and sharing pipeline



Information flow

It is useful to bring colleagues, departments, and agencies together to build a collective picture of how BO information will be handled. Among other things, this will highlight: where systems and processes need to be developed; gaps in knowledge; questions about responsibilities; and resourcing issues. Generating a diagram can be a focal point for collaboration and aid communication as work progresses. The diagrams in this section use Business Process Model and Notation (BPMN).

Most countries have digital central registers of companies that include, for example, information about companies' legal ownership,¹³ directors, founders, and registered addresses. In this case, adding BO information to the existing company register may be the best choice.

¹³ This primer explains how BO differs from legal ownership, which is normally recorded in company registers.



Figure 4. Example of information flow in a well-resourced implementation, using the standard BPMN format

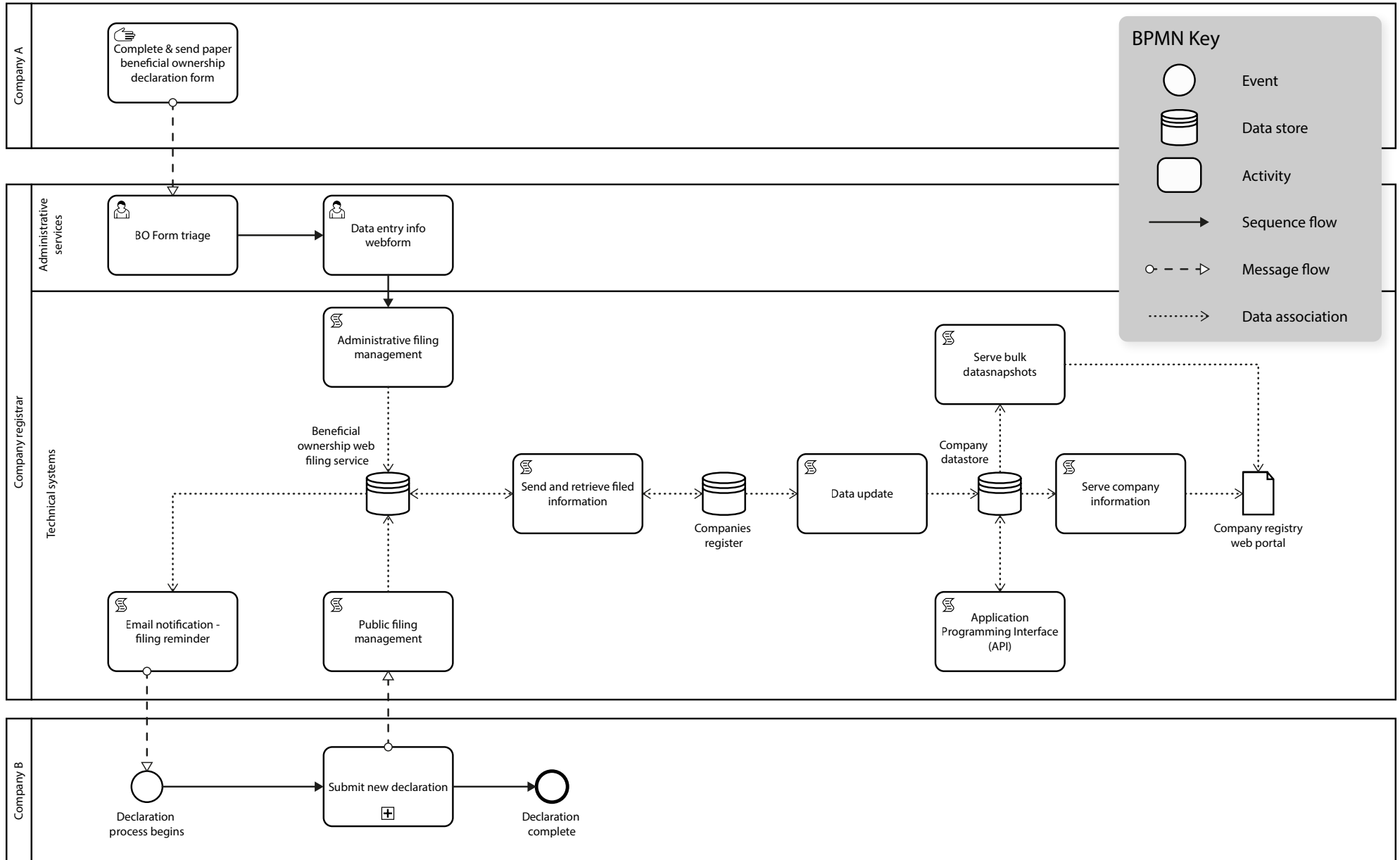




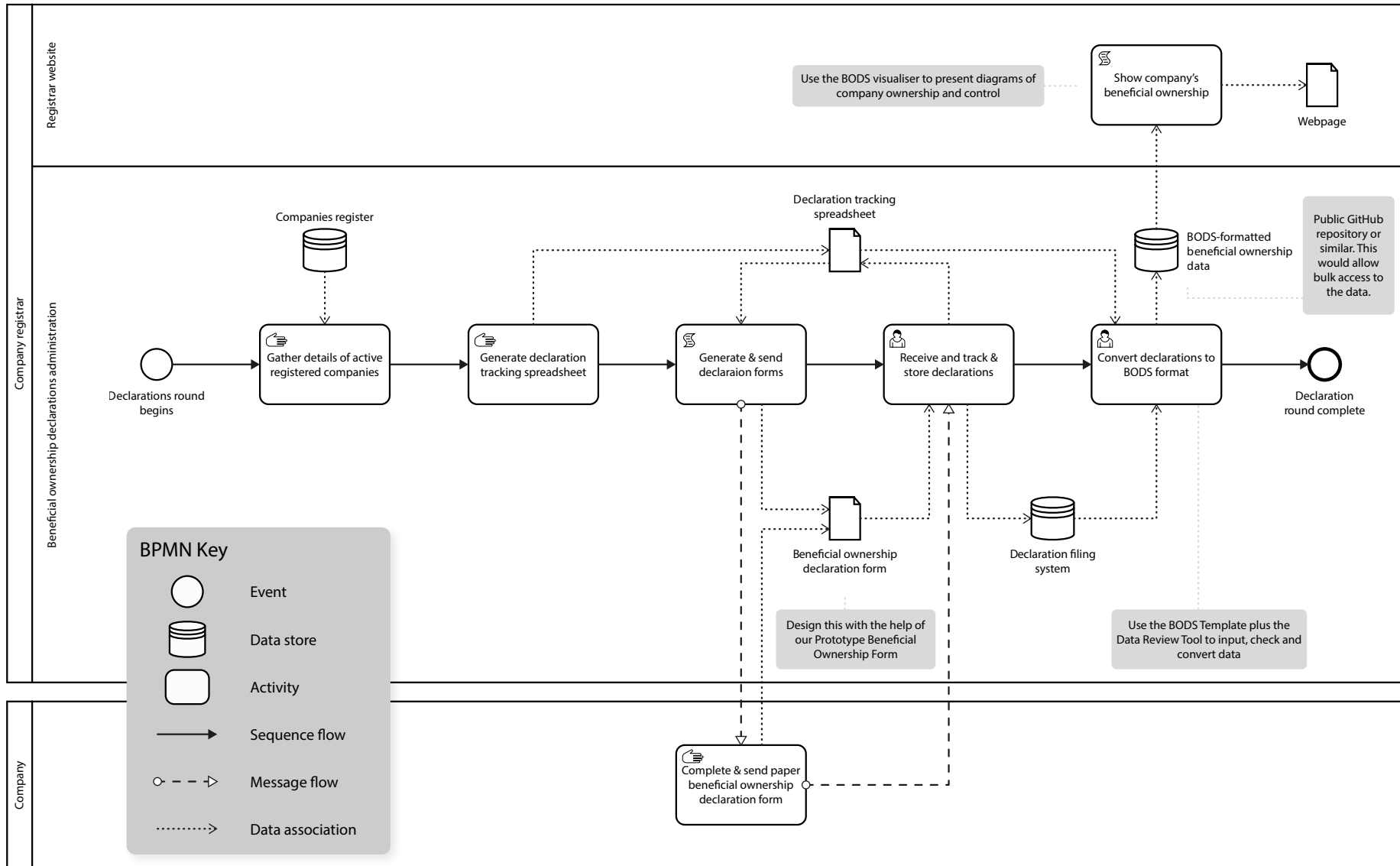
Figure 4 shows how a company register has been extended to capture and store BO information using a new *BO web filing services* module. In this example, the designers of the new system have incorporated the ability for companies to file their BO information online (like company B) or via paper forms (like company A). Some work on mapping out the manual systems necessary for handling paper forms has also been done. The company datastore and related components already serve company information to the company registry portal via an application programming interface (API)¹⁴ and bulk download services, but those would need to be updated to handle the extra BO data.

Where there are limited resources and a limited number of companies needing to declare their beneficial owners, an online declaration system may not be possible or necessary. Here, the company register itself may be paper based. Much of the administration of the gathering and publication of BO data may be managed on paper or with simple computer files and spreadsheets, as illustrated in Figure 5.

¹⁴ An API is a mechanism that allows for interaction between separate software components.



Figure 5. Example of information flow in an implementation with limited resources, using the standard BPMN format



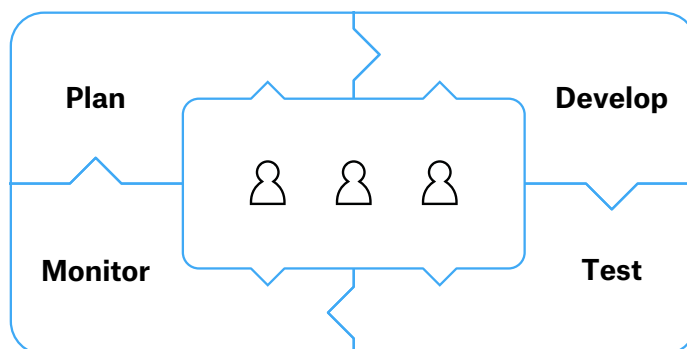


Whatever the scale and complexity of a given country's particular implementation, OO recommends that BO information is ultimately converted into a digital format. OO has developed the [Beneficial Ownership Data Standard \(BODS\)](#) for this purpose. The BODS is a free-to-use, off-the-shelf template that provides a [structured data](#) format, along with guidance for collecting, sharing, and using data on BO. Publishing according to the OO Principle of structured data in BODS makes it easier to collate BO information from multiple jurisdictions (see the [Data](#) section for more on the BODS).

Resources

The [BODS template spreadsheet](#) can assist conversion of BO information in paper forms to a digital format. Used alongside the [data review tool](#), it might be a key tool where resources are limited. Where information is published in BODS format, the [BODS visualiser](#) can be embedded in websites to display company ownership and control structures.

Figure 6. Putting people at the centre of systems development



Resources

See the working paper [Effective consultation processes for beneficial ownership transparency reform](#) for techniques that can be used at this stage of implementation. OO's [Beneficial ownership declaration forms: A guide for regulators and designers](#) offers advice on data collection and building usable forms.

Developing systems

As mentioned in the [Commit](#) section, consultations with key groups, staff, and audiences is crucial when developing a system for BOT. Stakeholders from both inside and outside of government, inputting, managing, or using BO information, will have valuable insights and perspectives. They should be involved early and often during the systems' development.

It is useful to adopt an agile approach to development. Whilst it is appealing to imagine a linear, inception-to-completion process of development where there is a clear end point, this is rarely the reality. It is better to acknowledge that systems will need ongoing improvement and adjustment. Putting people at the centre of this cycle, as illustrated in [Figure 6](#), and securing resources for developing future versions of the systems, will prove advantageous over time. For example, focus groups or user-testing might reveal that people think beneficial owners are simply legal owners. That misunderstanding would lead to the collection of poor quality data. Revealing the problem early on allows definitions and guidance to be provided on BO forms to help people's understanding. Not all problems can be caught the first time around, though, so securing resources for future development is crucial.



Data

In this section, the following will be examined: how to scope out the information collected within declarations; how to implement mechanisms to improve data quality according to the OO Principle of [verification](#); and the importance of standardised, well-[structured data](#). OO has also developed a prototyping tool for a basic system for collecting BO data.

What information to collect

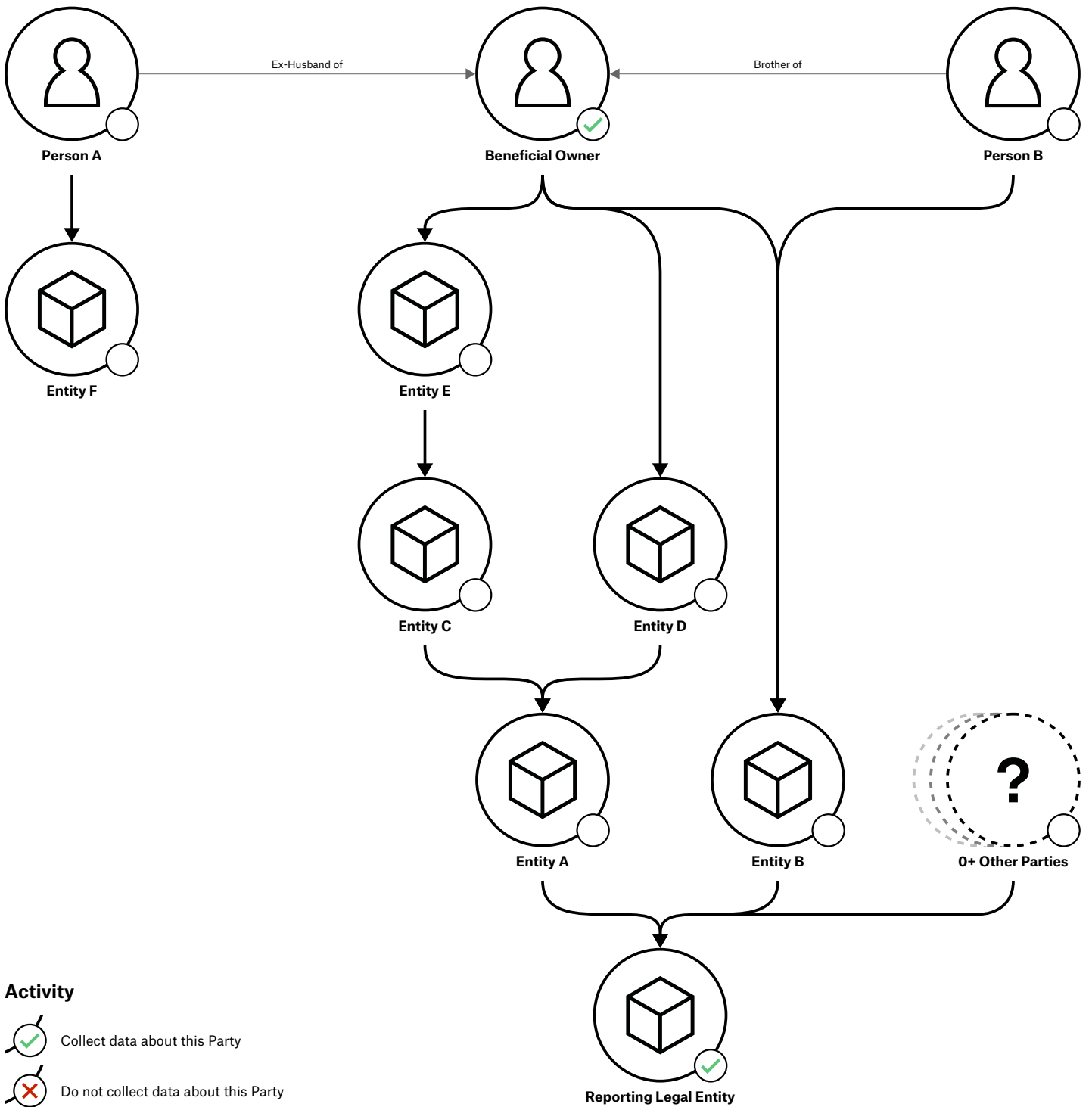
The implementing country's definitions and legislation, discussed in the [Legal](#) section of this guide, will lay the basis for assessing:

- which entities will be required to make BO declarations (ideally according to the OO Principle of [comprehensive coverage](#) of persons and entity types);
- which entities and people will be disclosed in those declarations (SOEs, PLCs, legal owners, trusts, nominees, intermediate companies, etc.);
- which details of those people and entities will be collected in declaration forms; and
- what information about the nature of ownership or control between entities-and-entities and people-and-entities will be collected

Once there is clarity on each of these points, the information disclosed should be assessed to ensure that it will meet the overall policy objectives behind creating a public BO register. By looking at real-life (or hypothetical) examples of ownership and control structures, the effects of proposed regulations can be tested. An activity sheet like the one illustrated in [Figure 7](#) may help ensure there is a shared understanding of the declaration requirements and their implications between the various stakeholders involved in the process.



Figure 7. Example activity sheet for checking shared understanding of what is disclosed in a declaration





It is important to check that enough information is collected about how a company is owned and controlled, even where its declaration is looked at in isolation. [Sufficient detail](#) about intermediate entities (those that sit between beneficial owners and declaring companies when ownership or control is exercised indirectly) should be collected. This means that a declaring company might also feature as an intermediary in other declarations. OO recommends using company identifiers to ensure information disclosed in different companies' declarations can be brought together to aid understanding and analysis. That way, it will be apparent when the same company appears in two different declarations, even if the names do not match (due to misspellings or the use of acronyms).

Similarly, it is worth considering how BO data will be used with other types of information; for example, legal ownership information from an existing company register. This involves checking the needs of data users and considering information flow (see the [Systems](#) section). Any implications for data collection need to be flagged early in the implementation process.

Resources

The [OO Principles](#) provide more detail on the information needed to create an effective declaration system and, in particular, how to ensure [comprehensive coverage](#) and [sufficient detail](#).

Structuring and standardising data

In Ukraine, early publications of BO data contained all the information relating to the beneficial owner and their relationship with a company in a single text field in the company register (unstructured data, as on the left hand side of [Figure 8](#)). Whilst this enabled the public to access the data, the usability and quality – and therefore impact – of BO data can be significantly greater where data is standardised and structured. Separating out information into different fields, as below, makes it easier to verify and analyse.

Figure 8. Unstructured (left) versus structured (right) BO data

Nature of ownership or control

This beneficial owner indirectly herself, or through her children, owns 27% of the declaring legal entity's shares through the following shareholders of the legal entity (1) "Angerujjheit B.V.", registration number in the Netherlands 64739564, registered office: Byterslaan 105, NL-4722GF Amsterdam, Netherlands; (2) "RigaTech Systems Ltd.", registration number in the British Virgin Islands: 396654, registered office: P.O. Box 124, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands

Nature of ownership or control

% Aggregate share ownership	27
% Aggregate control via voting shares	27
Direct share ownership in declaring entity	0
Direct voting control over declaring entity	0

1.1 Intermediate legal owner(s)

Legal owner 1

Name	Angerujjheit B.V.
Registration authority	Commercial register of the Netherlands
Registration number	64739564

Legal owner 2

Name	RigaTech Systems Ltd.
Registration authority	Registry of Corporate Affairs, BVI
Registration number	396654



There are multiple advantages to standardising the way that BO data is collected, stored, and published. In particular, [structured data](#) allows for automated [verification](#) checks on data. For instance, making sure it is in the right format or cross-referencing it with other government databases.

Structuring BO information in a standard format makes it easier to link with other jurisdictions' data to better understand international ownership structures. This can reduce the need for, and resources dedicated to, formal and lengthy mutual legal assistance requests between different jurisdictions' authorities.

Resources

OO has developed a prototype [global BO register](#) that shows how linking data between sources could work. The register enables declarations from several different countries to be joined to create international ownership diagrams, such as [this one](#), which uses data from declarations in Togo and the UK.

For both the standardisation and structuring of BO data, the BODS is a useful reference point and resource. The BODS describes what data should be collected and the format it should be published in. The data schema describes how data about the beneficial owners of a legal entity can be organised. Reviewing this data schema can be a useful input to decisions that are made at the early, legislative stage of implementing BOT reforms.

Resources

Developers may wish to consult OO's guide to the data model, schema, and system requirements for using the [BODS](#). To create BODS data, this [template](#) can be followed.. The [data review tool](#) can be used to check that BODS data is valid, or to convert data in the BODS template into BODS JSON format. BO data can be easily transformed into visual representations of corporate structures through OO's [visualisation tool](#). OO's technical team can provide assistance on how to implement BODS in any jurisdiction.

Collecting beneficial ownership information and creating data

Once a jurisdiction has decided what information will be collected, it will need to consider how companies will submit their declarations. At this stage, the focus should be on making the declaration system clear and user friendly.

Well-designed forms make it as easy as possible for users to provide accurate and unambiguous information. This reduces the number of accidental errors and lowers the compliance burden on reporting entities. Submitting more accurate information becomes easier, and disguising the submission of deliberately false information as mistakes becomes harder.

Broadly, once a declaration form is created, "yes" should be the answer to the following questions:

- Is it clear which people and companies will fall into the scope of the disclosure process?
- Is the form easy to understand and navigate?
- Is it easy for people to supply good quality data for each field?
- Is it easy for companies with very simple BO structures to make their declarations?
- Can the full range of BO structures, declarable by law, be disclosed via the form(s)?
- Can form submissions be linked to data in other official databases, so that companies do not have to submit the same information multiple times?

Testing the form with a representative sample of companies will help to re-draft and improve it. Involving state agencies which are potential users of BO information when reviewing tests of the form is also recommended.

Resources

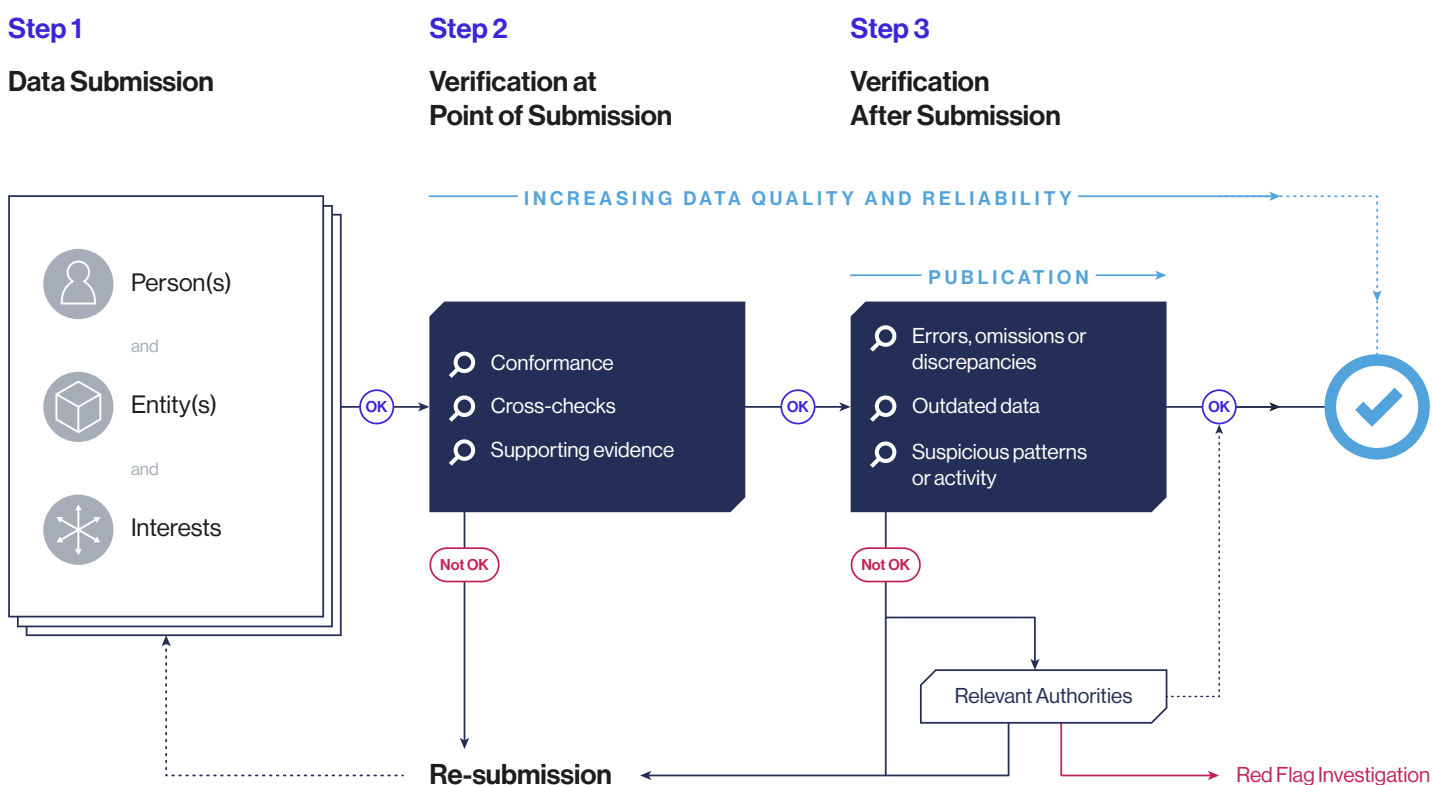
[Beneficial ownership declaration forms: A guide for regulators and designers](#) presents in-depth advice on form development, plus an example BO form.



Verification of beneficial ownership data

Another consideration around BO data is how to verify the information submitted. Verification is the combination of checks and processes to ensure that BO data is of high quality, meaning it is accurate and complete at a given point in time. To maximise the impact of BO registers, users and authorities must be able to trust the data contained in a register. Verification systems help increase confidence that the representation of ownership in a register has a high degree of fidelity to the true and current reality of who owns or controls a particular company.

Figure 9. Designing verification systems



Data verification can take place at the point BO data is submitted and after its publication, and may range from the relatively straightforward (e.g. whether a birthdate field contains a date in a valid format) to the more technically complex (e.g. cross-checking information with other government systems).¹⁵ BO verification systems should, as a minimum, cross check the details of domestically registered firms, such as the company number, with the

other government registries. For non-national BOs, it may be more challenging to verify information (e.g. verifying a passport scan as supporting evidence) due to the legal and technical challenges associated with automatic data sharing between countries and the lack of digitally available information in some registers. Similar challenges may arise for foreign companies (e.g. for procurement-focused disclosure regimes). Whilst not always easy to verify,

¹⁵ The precise nature of checks and the point in the process at which they occur will need to be incorporated into the information flow diagrams, outlined in the Systems section.



foreign company numbers should still be collected and published as they enable a wide range of users, from law enforcement to civil society, to conduct their own additional checks when they suspect wrongdoing.

Additionally, verification by the public is made possible when BO information is published as open data (see [Publish](#) section). Wide public scrutiny drives up the likelihood of identifying inconsistencies or potential wrongdoing and can complement government verification checks. Harnessing this as an effective verification measure would require jurisdictions to create a feedback or reporting mechanism to allow private sector actors, the public, and civil society organisations (CSOs) to report inaccuracies in data published in the BO software. Such a mechanism exists within the UK's register, for example, and enabled over 77,000 suspected discrepancies in BO data to be brought to official attention during 2018 and 2019.¹⁶ Adopting a risk-based approach to investigating the discrepancies reported (for example, by prioritising firms in sectors associated with high corruption risks or those that have been the subject of multiple user error reports) would help limit the amount of resources required for subsequent investigations. OO sees this as a complementary verification measure. Disclosure regimes should not rely on verification through publication alone.

Resources

OO's policy briefing on the [verification of BO data](#) explains the overarching principles that underpin effective systems and procedures that help increase confidence over the accuracy of BO declarations.

¹⁶ The effect of this on data quality within the UK register can only be inferred, as public information on the investigations and actions resulting from the reporting of suspected discrepancies is limited. See: "Annual Report and Accounts 2018/19", Companies House, 18 July 2019, https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/822078/Companies_House_Annual_Report_2019__web_.pdf.



Publish

This section examines how countries can publish BO data in accordance with local privacy and data protection legislation or, in its absence, international standards on data and privacy.

Best practices for data publication

The [Data](#) section looked at how the BODS can help with structuring BO data effectively, in a way that is machine- and human-readable, as well as interoperable with data from other jurisdictions.

International implementation experiences have shown that what constitutes public access to a register may vary and differ from how it is defined in the OO Principle of [public access](#). For example, in one jurisdiction all data could be made freely available without registration, whilst in another it might only be available for a fee levied per individual record access. Though both would technically count as public, the accessibility would be significantly different. The usage and impact of BO data is likely to be highest where it is made available in open data format, i.e. where it is made freely available online as structured data without restrictive licensing. It should be searchable by both beneficial owner and company name, downloadable in bulk, and reusable by the public. This should be without the need for a fee, proprietary software, or registration. Some governments also choose to make BO data available through additional methods. For instance, via an API, which allows direct access to machine-readable data which can then be used as an input for other tools and products.¹⁷ All these measures increase the number of people using the data, increasing its impact and facilitating independent scrutiny. The potential benefits of doing so are outlined in the OO policy briefing [Making central beneficial ownership registers public](#).

Finally, it is important to highlight that historical BO data should also be kept and made available to the public. As outlined in the OO Principle of data being [up to date and auditable](#), keeping historical data prevents an entity from obscuring its identity by changing its name or beneficial owners hiding by reincorporating, and allows for investigations in complex legal cases. Historical and auditable records are critical for law enforcement to verify ownership claims against historical records. Historical changes can be referred to during investigation even where the accuracy of data is in question, and can provide evidence of “who knew what when” to assess, for instance, whether due diligence was undertaken effectively at a particular point in time. With the exception of redactions under a protection regime, BO data should be kept and published for at least the lifetime of a company, and ideally after its dissolution.

Mitigating potential negative effects of public access

BO data has been published in dozens of jurisdictions. Opponents of public registers argue that publishing data presents serious security risks to certain individuals. For instance, some stakeholders in Germany have voiced concerns over identity fraud and kidnapping. Research has shown that whilst company directors are disproportionately at risk of identity fraud, this risk is most serious when information about them has already been published online, such as on social media. OO research across a range of jurisdictions with open BO data registers has been unable to identify documented examples of serious harms that have arisen from their publication to date.

The potential benefits of making BO data need to be weighed against the potential harmful effects of reducing privacy. These will differ per jurisdiction, and each implementer will need to assess what the potential effects are

¹⁷ In Ukraine, YouControl uses BO data from the State Enterprise Registry as a key data source for the innovative commercial due diligence tool it has developed. Sqwyre in the UK, on the other hand, combines bulk data from the UK register along with other data sources to advise firms on how location selection of their business may affect earnings.



through stakeholder consultations. Registers have been mostly implemented in Global North countries so far. It is likely that if BOT reforms are considered in other contexts, these will face their own set of potential harms. For instance, based on OO's experience supporting implementation in Mexico, there are specific concerns about risks to personal safety (e.g. kidnapping) based on Mexico's specific legal and security environment. Similar concerns have also featured in Mexico's debates about the asset disclosures of public officials.

Whatever concerns arise, implementers can take a number of steps to ensure that potential harms are mitigated (also illustrated in [Figure 10](#)):

1) Adhere to the principle of data minimisation

Implementers should follow the principle of data minimisation and only collect data that is adequate (sufficient to fulfil the stated policy aims), relevant (has a rational link to that purpose), and limited to what is necessary (not surplus to that purpose). Disclosure regimes should not collect any unnecessary data – especially not sensitive data (e.g. physical appearance or racial background), which also often needs to meet a higher legal threshold for processing. In practice, this means that governments will need to make careful decisions about what data to collect. For instance, they may decide that collecting business addresses, rather than personal addresses, is sufficient to achieve the policy goals of their register.

2) Adopt a system of layered access

One common way to navigate potential publication issues related to personal data is to implement a system of layered access in which different information is available for access by different audiences. Whilst investigative authorities will have access to beneficial owners' full details – including personal contact information and their full date of birth¹⁸ – the data that is made publicly available would be more limited, but sufficient to facilitate accountability and public oversight (e.g. a service address instead of a residential one). BO data disclosure forms should clearly indicate which fields of data will be accessible only to the competent authorities and will not be made public as this can help ease potential confusion and reduce privacy objections during implementation.

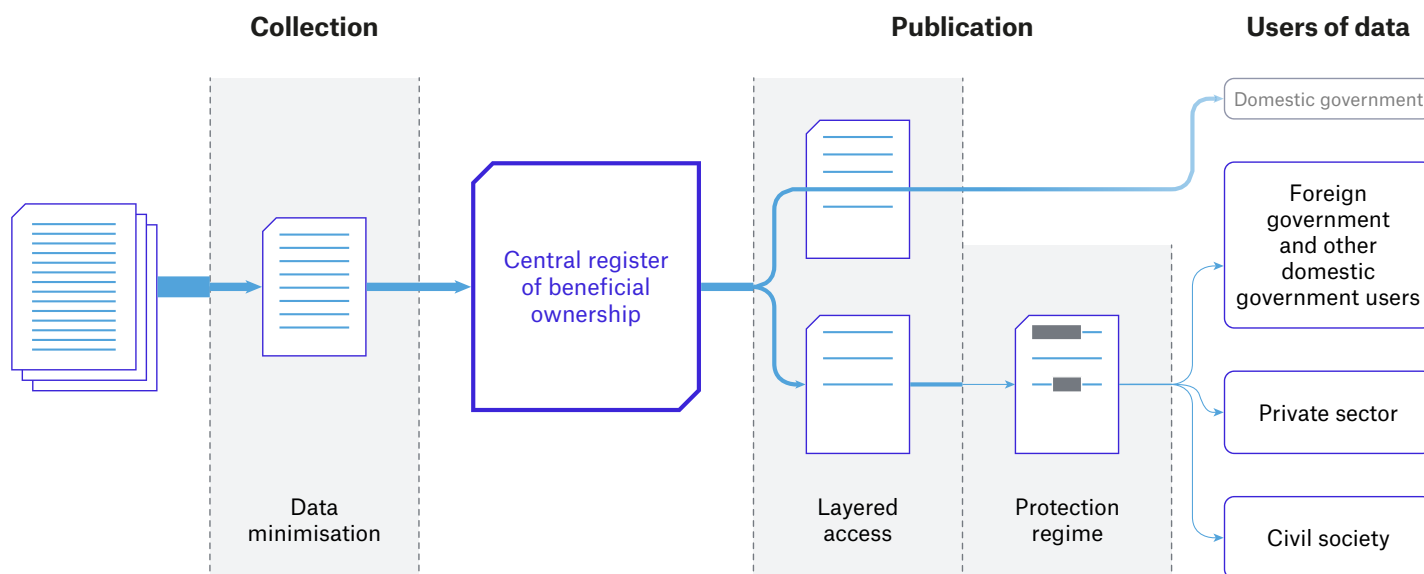
3) Apply a protection regime

Implementers can also mitigate potential negative effects arising from the publication of data by providing for exemptions to publication in circumstances where someone is exposed to disproportionate risks. This is a common feature of many BOT regimes and should focus on mitigating risks emerging from the publication of the data. For instance, a person might be a member of a particular religious community and be the beneficial owner of a company whose activities conflict with the principles of that religion. The protection regime should also include risks emerging from the publication of any of the personal data. For instance, someone who has been stalked and harassed has a legitimate case not to have the combination of name and residential address published. A protection regime should have an application system with the possibility to have certain or all data fields protected before these are published, when substantiated by evidence. These should be reviewed according to a set of narrowly defined conditions, to avoid creating significant loopholes in a disclosure regime.

¹⁸ Tymon Kiepe, "Making central beneficial ownership registers public", OO, May 2021, 17, <https://www.openownership.org/uploads/OO%20Public%20Access%20Briefing.pdf>.



Figure 10. Mitigating potential negative effects in a BO disclosure regime



Resources

For further discussion on the benefits of publishing BO data, and strategies for mitigating any potential negative effects, please see the OO briefings on [Making central beneficial ownership registers public](#) and [Data Protection and Privacy in Beneficial Ownership Disclosure](#). For more on how to balance public interest and privacy concerns in the case of trusts, please see the OO briefing [Beneficial ownership transparency of trusts](#).

For case studies of the emerging impact of public registers, see the OO impact stories [Early impacts of public registers of beneficial ownership: Slovakia and United Kingdom](#).



Future steps for beneficial ownership registers

The content outlined over the previous pages has been intended to offer an understanding of all the issues and areas that will need to be tackled to deliver an effective public register of beneficial owners for a wide range of policy aims. Making the first BO data available to the public will be a major milestone, but publication is, of course, not an end in itself. For the data to have impact in the real world, it must be well used by stakeholders within and outside government. To design effective systems, it is important to understand the different ways in which government departments, businesses, and civil society will want to access and use the BO register to drive policy impact (see, for instance, [Early impacts of public registers of beneficial ownership: Slovakia and United Kingdom](#)). Some people will want to search for a particular record, whilst others will want to analyse many records at once. This means publishing the data in ways that both people and computers can read, understand, and use. Facilitating users to interact with the data and the register is crucial for increasing its impact and sustainability.

In addition, the disclosure regime and system should be updated regularly to ensure its continuing impact. Feedback from users and analysis of the data collected and published will help to gradually identify the strengths and weaknesses of the data. To make further improvements to the disclosure regime and register, it may be necessary to revisit earlier steps of the implementation journey and make tweaks to the underlying legislation or regulations. The [OO Principles](#) can be a framework for assessing the effectiveness of disclosure regimes and identifying areas for improvement (see [this example for the UK](#)), which should be conducted in [consultation](#) with the various stakeholders involved in BOT reforms. These reviews may lead to future changes, such as adjusting the definition to remove loopholes; lowering the disclosure threshold; expanding the range of entities to which disclosure requirements apply; altering the way the data is structured; and developing or enhancing verification procedures to improve its accuracy. By engaging in periodic reviews and improvements of the disclosure regime, the data will gradually become more useful. This will also be critical to achieving various policy

objectives – such as building trust in the integrity of business transactions and of the financial system, or clamping down on money laundering, corruption, and tax evasion – that continue to motivate the creation of new BO registers across the globe.

Further assistance on any aspect of implementation is available via OO's [helpdesk](#) facility and by email at support@openownership.org.

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