What we really mean when we talk about verification

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Beneficial ownership does not necessarily describe the “truth” about a corporate entity, but it can provide indications that the truth was deliberately suppressed.
Key considerations:

• How easy is it to tell the difference between a genuine mistake, and an attempt at obfuscation?

• Is there a process for identifying red flags and investigating them?

• How many loopholes are still available for those who do want to cover their tracks?
The three steps of “verification”:

• Authorization and authentication

• Validation

• ”Truth” verification
Authentication and authorization:
Ensuring that the person making a statement about beneficial ownership is who they say they are (authentication), and that they have the right to make the claim (authorization)
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Ensuring that the person making a statement about beneficial ownership is who they say they are (authentication), and that they have the right to make the claim (authorization).
Validation: Ensuring that the data submitted is a legitimate possible value
“Truth” verification: determining whether the statement made is true
Only a small fraction of registered companies are being abused for criminal or unethical purposes.

“Truth verification” is about raising red flags about companies that might fit in this category.
What steps are you taking to verify beneficial ownership data in your country?
Authentication and authorization: digital identities
Validation:

• Forms for data collection should have: date of birth validation, nationalities from a code list

• Trickier:
  
  • Company IDs (open data source: http://org-id.guide/)
  • Addresses (open data source: http://results.openaddresses.io/)
Truth verification: technological approaches

Cross-Check & Matching with other official and private registries, starting with info of existing entities

Consistency check & Red-flagging

Big Data & constant feedback and update

Database of BO Profiles

1° - Digital Signature (or copy of official ID for manual check)
2° - Data Validation (e.g., country well written, TIN meets structure condition, all fields have been completed, etc.)

Authentication & Authorisation checks

OK
- All information was matched and looks accurate

Warning!
- There is no data on this person
- This person has no tax returns, so income must be of illegal origin
- This person has no bank accounts and lives in a favela

via Tax Justice Network
Truth verification: administrative requirements

• Good coordination between agencies that will perform basic integrity checks, raise red flags, and investigate them

• Sanctions and enforcement process

• Data open, accessible, and usable so that users can raise red flags and increase risks
Questions?

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Keep in touch

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