



BROOKINGS

Summit for Democracy Financial Transparency and Integrity (FTI) Cohort

Considerations for Governments Working Alongside Civil Society on the Implementation of Beneficial Ownership Transparency Commitments

March 2023

The following considerations are based on inputs from Cohort participants during a peer exchange (or “spotlight meeting”) on beneficial ownership transparency in October 2022. The text contains limited additions from the cohort co-leads to reflect developments that have taken place after the event but are of central importance to the broader discussion.

I. **The process of establishing a beneficial ownership registry or alternative mechanism should consider the specific context of the jurisdiction.**

Under the Financial Action Task Force’s (FATF) international standard for beneficial ownership transparency of legal persons,¹ countries should establish a registry or an alternative mechanism that provides authorities with efficient access to beneficial ownership information. This standard accordingly gives countries the flexibility to adapt these mechanisms to their risks and contexts, but countries have faced challenges in operationalizing the standard. While there are various models of beneficial ownership registries that could be considered, international experience has shown that adopting an existing model without modifying it to the local context can result in major loopholes that limit its effectiveness. During the cohort’s spotlight meeting on beneficial ownership transparency, participants noted that governments beginning the process of establishing a beneficial ownership registry should consider how their existing institutional and legal frameworks can accommodate the solicitation, collation, and utilization of data. Potential challenges should be identified as early as possible so that solutions can be developed and integrated into the initial design.

¹ This standard is set forth in Recommendation 24 (on transparency and beneficial ownership of legal persons). The [latest version](#) of FATF Recommendation 24 was released in March 2022.

Key policy questions:

- a. What objectives guided the design of your registry or alternative mechanism as you determined definitions, scope, and threshold?
- b. If a registry or alternative mechanism has not yet been established, will there be a mechanism to fully consider key issues (e.g., definition of beneficial ownership, data privacy considerations, and ownership by foreign individuals or entities) in the design phase?
- c. What information related to beneficial ownership does your registry require? What additional information do you collect, and how does this information benefit stakeholders?
- d. What are the underlying legislative or regulatory frameworks on beneficial ownership in your country?

2. Beneficial ownership registries or alternative mechanisms must be properly resourced.

The amount of financial and human resources required to establish a beneficial ownership registry or an alternative mechanism may be considerable, and initial budget estimates may fall short of what is actually required. Cohort members shared insights on how registries that are tasked with verifying the accuracy of reported data can require substantial resources, given the complex nature of modern-day ownership structures, which can span several jurisdictions and involve many types of legal structures. Staff may require a significant amount of training on financial investigations or related competencies in order to conduct effective oversight.

Key policy questions:

- a. What are the core functions of your registry and what resources are required to implement them? What is the cost of performing each of those functions, in terms of financing and personnel?
- b. Are the sources of funding for the beneficial ownership registry or alternative mechanism sustainable over time?
- c. Are the human resources available, and how long does it take to train staff?

3. The implementation of beneficial ownership registries or alternative mechanisms, including technical and legal aspects, can be time consuming and requires building coalitions to support the reform and enhanced coordination across government agencies.

Setting up a beneficial ownership registry or alternative mechanism is a substantial undertaking. In some cases, it has taken years to adopt laws that give registries their mandate, to develop interagency data sharing agreements, or to align national regulations with the directives of supranational bodies (e.g., EU Money Laundering Directives). Additional time may also be needed to develop technical solutions for the efficient operation of the registry. Moreover, some governments adopt an iterative approach to developing and deploying their beneficial ownership registry—coordinating closely with key stakeholders to secure their buy-in and making improvements based on their feedback.

Key policy questions:

- a. Who is responsible for key decisions regarding the establishment of the registry or alternative mechanism, and what is their understanding of the importance of beneficial ownership transparency?
- b. Are there opportunities to conduct outreach early in the process to bring these stakeholders on board?
- c. Can the will and interest of key stakeholders be sustained over the period required to establish the registry?

4. Beneficial ownership registries should strike a balance between data privacy and the public interest of disclosing ownership.

There is no “one size fits all” approach to determining accessibility of beneficial ownership information, and countries participating in the Cohort described different approaches to this issue. The relevant FATF recommendation requires that beneficial ownership information be accessible by competent authorities in a timely fashion, but some governments also choose to make beneficial ownership registries available to the media, members of academia, civil society, foreign partners, and the general public. Several countries have seen the benefits of public availability of beneficial ownership information, including for public scrutiny, corruption investigations, and to help companies and governments fulfill their due diligence and risk management obligations. Cohort members that had opened their registries to public access spoke of the benefits of crowd-sourcing expertise and analysis to identify corruption risks.

Governments that make the information publicly accessible must ensure that there is a sound legal basis for doing so and that there is appropriate protection of the personal data that is

collected and stored in the registry. The November 2022 ruling by the European Court of Justice in the case of *WM v Luxembourg Business Registers* highlighted the need to adequately justify the infringement on privacy that is brought about by making beneficial ownership information accessible to the general public. Overall, it is important to understand how beneficial ownership data is used, what benefits and risks are associated with making certain information accessible to the public, and how those risks can be mitigated. Consultations between government, civil society, and businesses (both as providers and users of beneficial ownership data) can be helpful in striking the right balance.

Key policy questions:

- a. What does existing legislation say about public availability of beneficial ownership information and safeguards on personal data?
- b. How can civil society, investigative journalists, and members of the public use beneficial ownership information for positive change, if they have access to it?
- c. What are the potential negative consequences of disclosing ownership data in terms of privacy concerns, and what can be done to reduce their likelihood/impact?

5. Public registries can help citizens identify corrupt actors and follow the money.

Not all governments choose to make beneficial ownership data available to the public, but those that do provide watchdogs with a powerful tool that enhances their ability to conduct financial investigations. In countries with public registries, civil society groups and investigative journalists have used beneficial ownership data to reveal possible acts of corruption, fraud, and conflicts of interest. Their reports can be used by law enforcement authorities to open investigations into wrongdoing. This collaboration allows governments to make the most out of their beneficial ownership data, particularly in low-resource contexts, and enhances civic involvement in the country's accountability ecosystem.

Key policy questions:

- d. What is important to consider when designing and launching a beneficial ownership register to ensure maximum uptake and use of data?
- e. What opportunities for consultation with civil society and journalists can be arranged to address their needs in terms of availability and use of beneficial ownership information?
- f. What can be done to ensure that journalists and civil society members can pursue investigative reporting using beneficial ownership data, where it is publicly available?

6. Data quality matters.

For beneficial ownership data to be useful, it should be accurate. This is reaffirmed by the FATF standard for beneficial ownership transparency of legal persons, which requires beneficial ownership information to be adequate, accurate, and up to date. Recognizing that the revised FATF Recommendation 24 states that the extent of measures to verify beneficial ownership data may vary according to the specific level of risk, some participants highlighted desk reviews, risk assessments that are updated on a regular basis, and on-site inspections as activities that were useful to verify these data. However, the verification of data collected in the beneficial ownership registry is a substantial undertaking. Some participants acknowledged that verification can be a complex and time-consuming task due to the volume of information and the need to coordinate information sharing with multiple stakeholders, among other factors. Additionally, the responsibility for this activity is sometimes not clearly delineated in founding legislation, and the operators of the registry (or another responsible party) may need to be granted additional legal authorities and resourcing to request relevant information from the registrant rather than simply collect what is reported. Technological changes may also affect the availability of quality beneficial ownership data.

Key questions:

- a. Can data standards, enhanced analytics, and machine learning be leveraged to improve the efficiency of verification?
- b. Will the agency that maintains the registry also be responsible for data quality controls? If not, will there be effective cooperation between those institutions?
- c. How will updates to beneficial ownership information be required?

7. Structured and interoperable data can enhance the utility of beneficial ownership registries domestically and beyond national borders.

Beneficial ownership data may come from several different sources, but structuring data into a predefined format can help reduce the time and cost required for analysis and may reveal “red flags” that otherwise would go undetected. Making structured data interoperable creates additional efficiency gains by allowing regulators, civil society, and other stakeholders to integrate information from other sources without having to undertake onerous work to clean and transpose the data into compatible formats or undergo additional training to understand how data is reported elsewhere.

Key questions:

- a. What technical resources are needed to initiate the structuring of data?
- b. What data model is appropriate, and how does this link with existing domestic models for related data sources?
- c. What legal authorities and technical systems are in place to facilitate the sharing of information, and are new authorities or systems improvements needed?

8. Beneficial ownership registries can have multiple use cases.

Identifying the physical persons behind corporate structures can serve the public interest in various ways beyond countering illicit finance. For example, beneficial ownership information can reveal conflicts of interest, such as when a politically exposed person (PEP) owns or controls a stake in a company that he or she is in charge of regulating. When combined with data from public officials' asset declarations and procurement contracts, this information can be a powerful resource to ensure that hidden financial interests are not guiding decision-making.

Key policy questions:

- a. What are the range of benefits that beneficial ownership data can be used to achieve, and how might these be enshrined in legislation?
- b. What regulations and legal frameworks exist that regulate the collection and publication of key information to fight corruption, such as public officials' asset declarations, public contracting information, etc.? What interoperability and access issues need to be addressed to facilitate such linkages?
- c. What is appropriate access for beneficial ownership data to facilitate these additional use cases, such as identification of conflicts of interest?
- d. How can beneficial ownership data be structured and made accessible in ways that make it interoperable and able to be combined with other data to detect potential conflicts of interest?

9. The private sector can be a partner in promoting beneficial ownership transparency.

While there is increasing support from many private sector actors for beneficial ownership reform—particularly in sectors such as extractives, which has its own transparency standards by which implementing countries have agreed to abide —private sector entities subject to reporting requirements may be skeptical of reform for a variety of reasons. Developing a communication strategy that strives to understand the concerns of the private sector and articulate the potential benefits of the registry to covered entities (e.g., using beneficial ownership data to reveal conflicts of interest) can generate more buy-in from this important stakeholder group. Additionally, businesses that have a clear understanding of their legal and regulatory requirements are likely to contribute higher quality data to the registry, making it a more effective tool and strengthening the overall beneficial ownership framework. In addition, financial institutions and designated non-financial businesses and professions (DNFBPs) may also benefit from access to beneficial ownership information held in a registry or available through an alternative mechanism – e.g. to help facilitate compliance with customer due diligence obligations.

Key policy questions:

- a. Which private sector actors have the most influence and interest over how the beneficial ownership transparency framework operates?
- b. What are the main concerns of the private sector in terms of their obligation to disclose beneficial ownership information?
- c. What consultation processes with the private sector can be put in place to address their needs and concerns?

Additional Resources

There is a wide variety of publicly accessible resources that are available to governments and civil society organizations seeking to establish, utilize, or improve beneficial ownership registries in their countries. While not necessarily carrying the endorsement of the FTI cohort co-leads, the following documents provide additional information and analysis pertaining to some of the key considerations outlined above, which could guide further thinking on this topic.

- Financial Action Task Force: “[The FATF Recommendations](#)” (as amended March 2022)
- International Monetary Fund: “[Unmasking Control: A Guide to Beneficial Ownership Transparency](#)”
- Organisation for Economic Co-operation and Development (OECD) and the Inter-American Development Bank (IDB): “[Building Effective Beneficial Ownership Frameworks](#)”
- Open Government Partnership: “[Beneficial Ownership Fact Sheet](#)”
- Open Government Partnership: “[Beneficial Ownership Transparency Progress Policy Report](#)”
- Open Government Partnership, Broken Links: Open Data to Advance Accountability and Combat Corruption, [Chapter 7: Company Beneficial Ownership](#)
- Open Ownership and Open Government Partnership, [Beneficial Ownership Leadership Group](#)
- Open Ownership: “[Structured and interoperable beneficial ownership data](#)”
- Open Ownership: “[Principles for effective beneficial ownership disclosure](#)” (updated January 2023)
- The Extractive Industries Transparency Initiative: “[Beneficial Ownership](#)”
- World Bank: “[Beneficial Ownership Transparency](#)” (part of the report Enhancing Government Effectiveness and Transparency: The Fight Against Corruption)
- World Bank: “[Legal Persons and Arrangements Money Laundering Risk Assessment Tool](#)” (with guidance on assessing risks related to beneficial ownership transparency)