

United Kingdom

Curbing Money Laundering Through Beneficial
Ownership Transparency

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Early Results 2018

Results of Early OGP initiatives





The shroud of corruption

Why do anonymous companies matter?

Whether by spending and hoarding ill-gotten gains or siphoning off their countries' resources, kleptocrats, criminals, and the corrupt have a key thing in common: anonymous companies. Their activities and financial crimes have been enabled by companies whose ownership has been obscured, which can then be used for nefarious ends.

It is essential not to underestimate the scale or impact of this issue that affects people all over the world – from local communities in mining villages who lose out on development opportunities,¹ to those caught up in the violence of the drug trade,² to taxpayers who pay over the odds for poor services because of corrupt procurement.³ The Global Financial Institute estimated that anonymous shell companies were facilitating the illegal outflow of roughly \$1 trillion from developing countries every year, while World Bank research found that 70 percent of corruption cases analyzed involved anonymous shell companies.

¹ Will Fitzgibbon, "Development Dreams Stand Still While Mining Money Moves Offshore", ICIJ, 8 November 2017. <https://www.icij.org/investigations/paradise-papers/development-dreams-stand-still-mining-money-moves-offshore/> [Accessed 16 February 2018]

² GFI Integrity, "U.S. Senate Report: Tackle Money Laundering to Curtail Drug Trafficking," 6 April 2013. Available at: <http://www.gfintegrity.org/press-release/u-s-senate-report-tackle-money-laundering-curtail-drug-trafficking/> [Accessed 16 February 2018]

³ Global Witness (2014), "Putin's Associates Grossly Overcharged Russia for Medical Supplies". Available at: <https://greatripoffmap.globalwitness.org/#!/case/45> [Accessed 16 February 2018]

The United Kingdom is intrinsically linked to this secretive financial network. To pick just one example, four companies registered in the UK were at the heart of the “Azerbaijani Laundromat,” a massive money laundering operation exposed in September 2017. This operation involved USD \$2.9 billion being funneled from sources close to the Azeri and Russian governments through these companies before allegedly being spent on luxury goods and bribing European politicians. Beneficial ownership transparency is about getting to the heart of who really owns, controls, and benefits from companies, thus making it harder for company structures to be misused for nefarious ends.

According to the National Crime Agency, as much as \$120 billion a year is laundered through the City of London alone.

“As we started looking at how companies were shifting their profits over jurisdictions to avoid tax and hide money, it became clear that transparency was key both in tackling financial crime and in ensuring that people pay the right amount of tax in the jurisdiction where they carried out the economic activities. You could see that if we could have public registers that show who owns what where, then you can start to track illicit money and you can start to track that people are paying tax where they should. Otherwise we are losing income, which means services are cut or ordinary people who pay their taxes have to pay more: the rich and powerful win. This is particularly important for people in developing countries, who lose three times more in illicit flows than they gain in foreign aid.”

Dame Margaret Hodge

Lifting the cloak of secrecy

In 2013, at the Open Government Partnership (OGP) Summit in London, then-Prime Minister David Cameron announced that the UK would create a public register of beneficial owners of British companies: “For too long a small minority have hidden their business dealings behind a complicated web of shell companies, and this cloak of secrecy has fueled all manners of questionable practice and downright illegality...together we can close the door on the shadowy, corrupt, illegal practices once and for all.” The public register was also presented as having benefits for the economy, for businesses, and as a means to lead by example and inspire increased transparency around the world.

This public commitment can be seen as the crest of a wave that had been gradually building, with pressure for change coming from various sources. Firstly, the UK had been hit by various tax scandals, involving large companies such as Starbucks and Amazon who had avoided millions in corporation tax.⁴ These revelations, at a time of austerity measures and cuts to public services, inflamed public opinion. The government was therefore under pressure to take action against tax avoidance and evasion. The UK government was also then positioning itself as a champion of transparency, and had adopted a tax, trade, and transparency platform for its presidency of the G8. Indeed, it was at the Lough Erne G8 Summit in June where countries endorsed the G8 principles on beneficial ownership transparency, and

⁴ Becky Hogge, “Open Data: Six Stories About Impact in the UK,” Omidyar Network, October 2015.

committed to making information on beneficial ownership accessible through central registers. These principles, however, did not require that the registers be made public.

OGP helped tip this momentum into a high profile commitment for a publicly available register. The fact that the UK was, at the time, co-chair of the partnership and hosting the OGP global summit provided a natural focus for campaigners. Indeed, anti-corruption activists saw the months between Lough Erne and the London Summit as a campaigning window.⁵ A civil servant from the Department for Business, Energy & Industrial Strategy (BIS, now BEIS) described how civil society's arguments and campaigning helped make the case for a register that was open and publicly accessible. The UK's chairmanship and summit also added extra pressure on the government to announce a landmark transparency commitment.⁶

This commitment was not only realized as part of the UK's 2013–2015 Action Plan (AP), but also under the auspices of the UK's G8 action plan on beneficial ownership and as implementation of the EU's Fourth Anti-Money Laundering Directive (4AMLD), which was being negotiated at the time.

Implementation of a complex commitment

The fact that the commitment was realized on time – and that the process was smooth – was by no means a given. The task was complex and the UK was the first country to take it on. Establishing the register would require legislative change, extensive communication with the business community, technical work on beneficial ownership definitions, and the creation of an infrastructure to collect and publish the data. All of this was to be done while balancing the need to make the data as useful as possible and minimizing costs to businesses.

The lead department for implementing the commitment was the Department for Business, Innovation and Skills, working with Companies House. Companies House is an executive agency sponsored by BEIS and tasked with incorporating and dissolving companies, examining and storing company information, and making it available to the public.

Chris Taggart from OpenCorporates related how skeptical people had been about the whole endeavor: “Opponents were saying this register couldn't be done, that it would be a nightmare and would affect people who don't need to be affected. At an OGP event, one attendee even said that ‘you'll never get it out of the door.’”

The following factors were important in ensuring the successful realization of the register in the face of these challenges:

Legislative framework: Amendments to the Small Business, Enterprise and Employment Bill, which contained the primary legislation for the register, became law in May 2015, and the UK's Persons of Significant Control (PSC) register regime came into force a year later in April 2016.⁷ This legislative basis allowed Companies House to publish the register in June of that year.

⁵ Jonathan Gray and Tim Davies, “Fighting Phantom Firms in the UK: From Opening Up Datasets to Reshaping Infrastructures?” Working paper presented at the Open Data Research Symposium at the 3rd International Open Government Data Conference in Ottawa, on May 27th 2015 (May 2015): 4, <http://dx.doi.org/10.2139/ssrn.2610937>


⁶ Open Government Network, “ONG Briefing: The Story of the UK National Action Plan 2013–2015”, OGN Papers, February 2014.

⁷ Changes to the PSC regime were subsequently made in June 2017 to comply with the EU's 4AMLD. These were the inclusion of Scottish Limited Partnerships and requiring companies to proactively submit beneficial owner information 14 days after a change, rather than just once a year.

Political support: Support for the policy was not only widespread, but came from the highest levels, including Business Secretary Vince Cable and the Prime Minister himself. This helped ensure that there was momentum behind the process to create the register. Robert Palmer, a campaigner for Global Witness at the time, pointed out that the high profile nature of the announcement—by the Prime Minister at a global summit hosted in London—also helped ensure the commitment’s timely implementation.

Collaborative approach: During the process, Companies House and BEIS regularly communicated with and received input from civil society and the business community. This helped ensure that stakeholders knew what was required of them and that the register would be adapted to user needs. Crucially, Companies House made the data available through an Application Program Interface (API) and set up a developers forum to communicate with end users. Through this forum, Companies House respond to questions about the data, resolve data issues that have been flagged by users and provide bulk data on request. Sam Leon, data lead for Global Witness, explained that even if they don’t take up every suggestion—civil society, for example, has been pushing for unique identifiers for beneficial owners—Companies House “have shown themselves willing to listen.”

Iteration and adaptation: Such a register is unlikely to be perfect the first time around, and it is only once it is live that certain issues will become apparent. By prioritizing its swift implementation, both government and civil society were able to iteratively work on improving the register after its launch. For example, following feedback from a data-dive conducted by civil society organizations, Companies House will roll out a new way of inputting nationality (drop-down rather than free entry) in 2018. The analysis by civil society of PSC data had revealed that there had been 500 different expressions for “British” used, with even some instances of “Cornish” (Cornwall is a county in Southwest England). Such typos make it harder to analyze the data in bulk, to identify a person and cross-reference them with other data sources (such as lists of politically exposed persons). The aggressive timeline also meant that time had been “built in” between the register going live and the transposition deadline for the EU’s Fourth Anti-Money Laundering Directive (4AMLD), which included a requirement for a central register.

 Companies House


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Early results: Use of the register

According to Companies House, the information on the PSC section of their site (the online companies register), is being accessed 20,000 times a day.⁸ As well as being accessible online, data on beneficial owners can be retrieved through the Companies House API; this means that anyone can analyze the data as a whole and cross-reference it with other datasets. This enables large-scale investigations as well as helping journalists, civil society, or investigators spot discrepancies and identify leads worth pursuing. For example, beneficial ownership information can be cross-referenced with lists of politically exposed persons (PEPs) or with people on sanctions lists. The type of civil society organizations that might be interested in using the data include those involved in campaigning, research, or investigations on matters ranging from tax evasion, to money laundering, or to natural resource corruption.

Open datasets enable large-scale investigations as well as helping journalists, civil society, or investigators spot discrepancies and identify leads worth pursuing.

Data use by the private sector: The data from the PSC register has been incorporated into a range of risk, compliance, and business intelligence technology products, including Arachnys and Orbis. Paul May, Editor at Arachnys, explained: "The UK PSC data is instrumental in enabling our clients to track reported beneficial ownership accurately. The Companies House API has enabled us to produce technology using machine learning and dynamic network maps to illustrate financial relationships: vital for our users conducting anti-money laundering research, business intelligence or know-your-customer information." A BEIS civil servant stated that he often speaks with people from the financial sector who use the register several times a day when looking at new clients.

Data use by the government: A BEIS employee reported that in most general information-related guidance for law enforcement officers, the register is being put forward as a resource to be looked at in investigations.

Data use by civil society and journalists: There are several examples of the register being used by civil society organizations and journalists:

- In late 2017, Global Witness and DataKind conducted a fresh analysis of the PSC data, examining more than 10 million corporate records from Companies House. In their early findings, they revealed that thousands of companies were either not complying with the PSC regulations or were submitting information that raised red flags. For example, 4,000 beneficial owners were listed as being less than two years of age and five beneficial owners were found to be controlling more than 5,000 companies.⁹ BBC's radio program File on 4 used these findings in their episode "the Great British Money Laundering Service" in February 2018.
- Private Eye, a news and current affairs magazine, identified 42 overseas politically exposed persons as beneficiaries of UK companies.¹⁰
- The data has been incorporated in OpenCorporates, the world's largest open database on companies, as well as OpenOwnership, a global register of beneficial ownership data.

⁸ Interview with member of staff from Companies House

⁹ Sam Leon, "In Pursuit of Hidden Owners Behind British Companies," Global Witness. Available at <https://www.globalwitness.org/en/blog/pursuit-hidden-owners-behind-uk-companies/>

¹⁰ Private Eye, 16 June 2017

OpenCorporates works directly with people requesting support in extracting data. According to Chris Taggart, "We know from work we've done with CSOs [civil society organizations] and talking with law enforcement that the data is useful."

- During the data dive mentioned previously, CSOs and data scientist volunteers generated potential investigative leads, identifying a number of beneficial owners that matched potentially exposed persons (based on name and month of birth) including senior politicians (19), people on U.S. sanctions lists (76), and disqualified directors (267). They also found that some recipients of government contracts were companies with beneficial owners based in tax havens.
- In a demonstration of what is possible when governments publish information as open data, Global Witness and DataKind also used cloud computing and artificial intelligence to monitor and identify potentially suspicious addresses, individuals, and companies in their analysis. The full findings will be published later in 2018. Global Witness are furthermore building a visual exploration tool, currently at the testing phase, to help investigators explore the UK PSC data.

Spillover effect: Companies moving jurisdiction?

Has the introduction of the register led to certain UK company structures becoming less attractive to financial criminals? Transparency International and Bellingcat, a group of open source investigators, unearthed some interesting evidence in their study focusing on the abuse of Scottish Limited Partnerships (SLPs) for money laundering.¹¹ Researchers identified some instances of corporate partners that appeared to move from controlling Limited Liability Partnerships (LLPs) to being partners in SLPs after the legislation requiring LLPs to register their beneficial owners had passed.

SLPs are a corporate vehicle particularly prone to abuse; in an analysis by Transparency International on UK companies used for money laundering, researchers found that SLPs featured as the company vehicle in just over a fifth of the cases, even while they made up less than one percent of businesses registered at Companies House.¹² SLPs had originally not been required to submit information on their beneficial owners, an oversight which was rectified in June 2017 when the legislation transposing the 4AMLD was passed.

In early November 2017, Bellingcat examined the filings of SLPs that had been incorporated between 1 January 2016 and 31 October 2017 and found that a third had still not filed their PSC statement, while another 30 percent had named "an individual or corporate vehicle" as their PSC, which is against the rules. A broader analysis by the Herald, examining tens of thousands of filings, found in September that only 2,000 of roughly 24,500 SLPs had filed an actual person as their PSC—a little less than 10 percent. The government later put this figure even higher—estimating that around 28,000 SLPs had failed to comply with SLP regulation.

In December 2017, The Herald revealed that hundreds of SLPs were sidestepping the rules by filing English Limited Partnerships—a vehicle not required to reveal its beneficial owner—as a PSC. They conducted their research after finding that an SLP linked with the son of former Ukrainian President Viktor Yanukovich (both are currently in hiding in Russia after corruption charges) had stated it was owned by a recently incorporated English LP. In January 2018, The Herald also revealed that hundreds of SLPs headquartered at one of the country's largest law firms, Paul Burness, had failed to reveal their beneficial owners. One of these companies has since been accused of involvement in a bribery scandal concerning the former Peruvian President Alejandro Toledo.

¹¹ Gemma Cartin and Ross Higgins, "Offshore in the UK: Analysing the use of Scottish Limited Partnerships in corruption and money laundering", Transparency International, June 2017.

¹² Ben Cowdock, "Hiding in Plain Sight: How UK Companies Are Used to Launder Wealth," Transparency International, November 2017.

Another interesting trend has been a drop-off in new SLPs since they have been obliged to publish their beneficial owner. The BBC reported that there has been an 80 percent drop-off in the number of SLPs being registered since July 2017, when SLPs came into the purview of the PSC regime.¹³ The Scottish Herald hinted at a parallel uptake in English limited partnerships (not in the purview of the register): 64 registered in the week the rules came into effect, compared to just 13 the week the rules were announced. While we cannot state categorically that corporate partners chose to shift jurisdiction to escape beneficial owner disclosure, they do suggest an interesting trend to track and a potential lead for investigators.

Ripple effects: A new global norm for beneficial ownership

Given the complexity and groundbreaking nature of an open register of beneficial owners, the UK's commitment for and realization of the register helped demonstrate that such a goal was feasible. Furthermore, campaigner Nienke Palstram explained that the uneventful implementation of the PSC regime and the publication of the register helped quell people's concerns over security and privacy issues. By publishing the register in open format, the UK set an ambitious benchmark for how this data could best be presented. Its experience has been used by other countries implementing registers as an example and opportunity for peer learning.

Robert Palmer explained that the UK's register "definitely helped" in promoting registers elsewhere, and particularly had an impact on the content of the 4AMLDD, as well as encouraging the G20 to adopt the High-Level Principles on Beneficial Ownership Transparency, which it did in November 2014. The 4AMLDD required each EU member to maintain a register of ultimate beneficial owners of national companies (although the directive did not state that these registers need be public).

According to the UK's Independent Research Mechanism (IRM) report, the beneficial ownership register had a 'ripple effect,' contributing to commitments being made for similar registries in a number of other countries including France, Nigeria, and Afghanistan.

Since then, progress on beneficial ownership transparency has continued apace. The Extractive Industry Transparency Initiative (EITI)—which had been pushing for beneficial ownership transparency since 2013—changed its standard in February 2016 to require that implementing countries (of which there are more than 50) reveal the beneficial owners of extractive companies in their sector by 2020.

At the London Anti-Corruption Summit in May 2016, six countries committed to implementing a public register of owners, while a further five committed to "exploring" such a register.¹⁴ This progress in beneficial ownership transparency was echoed—and possibly amplified—through OGP, with 15 countries including beneficial ownership transparency commitments in their national action plans

¹³ "Crackdown Plan On Scottish Limited Partnerships", BBC, 24 April 2018, <http://www.bbc.com/news/uk-scotland-scotland-business-43935839>. [Accessed 24 April 2018]

¹⁴ Countries who committed to a public register: Afghanistan, France, Ghana, Kenya, Nigeria. Countries who committed to exploring such a register: Australia, Indonesia, Ireland, Jordan, New Zealand. Source: Transparency International commitments database https://www.transparency.org/news/feature/43_countries_600_commitments_was_the_london_anti_corruption_summit_a_success

(NAPs) by the end of 2017, six of which specifically include the creation of a publicly available register of beneficial owners. Ukraine and Denmark established registers of their own, with Ukraine in 2017 becoming the first country to integrate its central register with the Open Ownership database. Open Ownership is a collaborative project to create a global register of beneficial ownership information, using data from public registries and other sources. As well as the register, Open Ownership is developing an open data standard for collecting and publishing beneficial ownership information.

In December 2017, the EU agreed on amendments to the 5th Anti-Money Laundering Directive (5AMLD), which included a requirement that all member states make beneficial ownership information available to the public via a public register (although a small fee might apply).

Finally, a crucial milestone was the vote by the British Parliament in April 2018 to require the UK overseas territories (BOTs) to establish public registers of beneficial owners. These territories include some of the world's most notorious tax havens, and more than half of the companies named in the Panama Papers were registered in BOTs.

The UK register was, however, only one of the contributing factors that has helped promote beneficial ownership transparency. Other drivers included the publication of the Panama Papers in April 2016, one month before the London Anti-Corruption Summit. The leak of more than 11.5 million documents from the offshore law firm Mossack Fonseca brought to light stark and concrete examples of how a lack of transparency around who really owns companies enables corruption and tax dodging worldwide. The work by journalist groups such as International Consortium of Investigative Journalists (ICIJ)—who won a Pulitzer prize for their Panama Papers reporting—and Organized Crime and Corruption Reporting Project (OCCRP), helped keep these issues at the forefront of public debate, as did the subsequent Bermuda and Paradise Paper leaks.

EITI also had a critical role in advancing beneficial ownership transparency, in changing the standard it demonstrated that beneficial ownership transparency was becoming a norm accepted by companies, governments, and civil society. Campaigners in both Nigeria and Ghana stated that the decision to create public registers for all companies, beyond extractives, was rooted in the countries' commitment to disclose beneficial owners of extractive companies through EITI. Finally, while international initiatives have been a useful focus for pushing this agenda, it would be remiss to omit the many campaigners in developing countries who have long been arguing that anonymous companies deprive their economies of vital resources.

Ongoing Challenges

Data integrity and compliance

The implementation of the register has not been without its challenges. As Nienke Palstra, a campaigner for Global Witness, explained, the key challenge is that the data for beneficial owners is self-reported by companies and not verified. As a result, people can submit data that is invalid or that does not comply with the rules: for example, by putting a company based in a secrecy jurisdiction as their PSC. Examples of these cases—such as those referring to SLP compliance or impossibly young persons of significant control—are mentioned above.

What's to stop a hardened criminal from submitting information that is a lie? For instance, from submitting an alternate nominee as a PSC rather than the person who genuinely ultimately controls and benefits from the company? In short, nothing. However, a public register where people have to officially make a statement about the PSC of a company increases the risk of getting caught. As Taggart put it: "public registers increase the risk of lying, and it's hard to lie consistently."

Furthermore, according to Paul May, "Maintaining open registers of ownership with compulsory disclosure is critical even when the disclosure is inaccurate or incomplete as the provision of inaccurate

data by an entity is itself considered evidence in an investigation." However, in order for these lies to be exposed, the data submitted must be properly validated and authenticated; this makes it more difficult, and risky, for people to submit wrong data.¹⁵ Companies House introducing an alert if someone enters a birth date for the beneficial owner that is over 100 years ago is an example of making it more difficult to provide invalid data.

Indeed, Companies House shared that finding ways to improve the integrity of the data is one of their priorities, and one of the ways they do this is by following up on information provided by users of the register. In the data dive mentioned earlier, Global Witness shared with Companies House a list of companies that seemed to have errors in their data. Companies House then directly followed up with these companies to have that information rectified. Companies House is also facilitating public reporting of inaccuracies through the soft launch on the website of a reporting button. Currently, they are fielding about 100 genuine responses a day through this feature—about a third of these relate to information about PSCs and are sent to the integrity and enforcement team. This feature should be rolled out further, hopefully leading to an increasing number of responses.

Neither of these initiatives would have been possible without the registers being accessible to the public as open data. This is a crucial point; having the register public, and particularly having it accessible as open data, allows for the “many eyes” concept to play out: journalists, CSOs, and other users can help improve the integrity of the data by flagging inconsistencies and errors as they see them. As Palmer put it, “I’d rather a register that was open and unverified, than one which was closed and supposedly verified.”

Neither of these initiatives would have been possible without the registers being accessible to the public as open data.

A briefing by Global Witness and Open Ownership in October 2017 made further recommendations to improve the verification of the register’s data, such as asking beneficial owners to include proof of ID in their submission (as Denmark is currently doing for their register).¹⁶ They are also calling—as Transparency International and The Herald have—for Companies House to be better equipped and empowered to identify and follow up on cases of dodgy data and non-compliance. More than 3.5 million companies are registered at Companies House, with 500,000 new companies being incorporated each year.¹⁷ Meanwhile, the agency’s breaches team comprises only six people, with 75 staff on the integrity and enforcement team.¹⁸

Only one person has ever been prosecuted for filing false information on the company register, and that was someone pointing out a loophole by purposefully assigning Members of Parliament (MPs) as shareholders of a company—including alerting them to the fact—in order to raise awareness of how easy it is to submit false information. Another infamous case relates to a shell company linked to a money laundering case in Italy, that had given as its address “street of the 40 Thieves” in the fictional town of ‘Ali Babba.’

¹⁵ For more on the issues of data verification, validation, and authorization please see this blog series by Open Ownership <https://openownership.org/news/what-we-really-mean-when-we-talk-about-verification-validation-part-3-of-4/>

¹⁶ Open Ownership and Global Witness, “Learning the Lessons from the UK’s Beneficial Ownership Register,” 23 October 2017.

¹⁷ “About us,” Companies House, <https://www.gov.uk/government/organisations/companies-house/about>

¹⁸ Interview with civil servant from Companies House

The question of verification and compliance is part of a wider debate about the UK's framework for incorporating and regulating companies and combatting company misuse. Who is tasked with investigating companies and investigating non-compliance? What powers do they have? What mechanisms are in place to prevent illicit use of companies? The register and its data is potentially useful in helping tackle money laundering, but it is only one part of how the government combats these issues.

Maximizing the usefulness of the register will also require mechanisms for sharing information and acting on analysis. A 2017 report by Transparency International (TI) into how UK companies are used to launder wealth described many flaws with the UK's defense mechanisms against money laundering.¹⁹ Quite damningly, TI found that "one in four firms authorized by Companies House to use electronic filing software to form companies en masse do not appear to be registered with a UK money laundering supervisor." It recommended an overhaul of the UK's anti-money laundering system and increasing controls over company formation, among other things.

Maintaining momentum and leadership

The OGP commitment on beneficial ownership transparency allowed the UK to position itself as a leader on the issue and increase its influence, particularly in the EU where the 4AMLD negotiations were taking place. According to a civil servant at BEIS, the fact that the UK was the country with the most experience on the issue allowed it to be influential in negotiations. It also gave the UK an early start in terms of transposing the EU Directive, for which the UK was one of only 11 countries to meet the deadline. However, following this, there has been a loss of momentum with regards to beneficial ownership transparency.

In its 2016–2018 NAP, the UK committed to creating a publicly available register for foreign companies who own property in the country or bid for central government contracts. This type of disclosure is crucial given the propensity for UK (and especially London) property to be used as assets for money laundering or stashing illicit funds. In 2016, the Home Affairs Committee said that London property was a key enabler in the estimated £100 billion laundered through the UK each year. However, progress on this front has been slow; transparency of beneficial ownership had been a key part of Prime Minister Cameron's agenda, but his successor, Theresa May, has unfortunately been less dedicated to the issue. Furthermore, the political turmoil of Brexit—as well as a snap general election followed by a hung parliament—has made it difficult to advance on these questions. In January 2018, the government announced a timetable to introduce primary legislation for this register in the summer of 2019, rather than the spring of 2018 as per the commitment. On January 17, the House of Lords defeated an amendment which would have obliged the government to introduce legislation within the year.

Another key area relates to Britain's overseas territories. In 2014, then-Prime Minister Cameron had urged Britain's overseas territories to create public registers of beneficial owners. However, following resistance from the territories, the government's ambitions then diminished and in April 2016, Territories Minister James Duggeridge confirmed that no further demands of the overseas territories and publicly available registers would be made. All of this changed two years later, when in April 2018, the British parliament approved an amendment to the Sanctions and Anti-Money Laundering Bill, which obliges the overseas territories to create public registers by the end of 2020. This amendment, which ran contrary to the government line, had been introduced by a cross-party group led by Dame Margaret Hodge (Labour) and MP Andrew Mitchell (Conservative). They gained sufficient support for the amendment, including from rebels in the governing party, to push the government into approving it.

According to Baroness Stern, a cross bench member of the House of Lords, "Secrecy jurisdictions which help in the laundering of ill-gotten funds facilitate corruption. A number of these, such as the

¹⁹ Hiding in Plain Sight, *Transparency International*

British Virgin Islands and the Cayman Islands, are British Overseas Territories, for which the UK has ultimate responsibility. It is therefore a great step forward that in May 2018 the British Parliament passed legislation requiring the Overseas Territories to establish registers of the beneficial owners of the companies registered in their jurisdictions and make these registers public no later than 31 December 2020”.

Conclusion

From the Azerbaijani Laundromat case to the Paradise Papers, stories continue to emerge of British company vehicles being misused at the expense of citizens both in the UK and around the world, to the profit of criminals and a powerful elite. Shutting down corrupt activities will require a sustained and still more ambitious approach.

The fact that the UK government successfully established a public register of beneficial owners, and that it published the information as open data, was no small feat. The register has set a benchmark for a new standard of beneficial ownership transparency and helped spark the adoption of registers in other countries. The data is being widely used by stakeholders to monitor compliance, develop investigative leads, and as an asset for identifying beneficial ownership structures. Furthermore, there is some evidence suggesting that it may have made some company formations less attractive to would-be money launderers.

However, important challenges remain, notably involving compliance, the integrity of the data, and the capacity of Companies House to follow up on breaches and data errors. As well as addressing these issues, the UK government must maintain its momentum on beneficial ownership transparency. This includes completing its commitment to create a register of beneficial ownership for foreign companies that wish to buy property or bid on central projects in the UK. If tax scandals and the financial crisis provided the background to the UK’s 2013 decision for a beneficial ownership register, then the Paradise Papers and the Skripal poisoning provided a similar backdrop regarding the MPs’ vote to oblige BOTs to establish public registers. As long as stories continue to emerge about the deleterious impact of anonymous companies and offshore secrecy, new transparency milestones—once thought improbable—will become possible.

Transnational Adoption – A brief overview of the experiences of Ghana, Kenya, Nigeria and South Africa

Four African countries committed, through the OGP, to creating publicly available beneficial ownership registers: Ghana, Kenya, Nigeria and South Africa. While united in their goals, these countries arrived at their commitments via slightly different mechanisms. As EITI members, Ghana and Nigeria were already committed to disclosing the beneficial owners of extractive companies operating in their jurisdictions by 2020. Nigeria had implemented EITI's beneficial ownership pilot (launched in 2013) and tried to disclose beneficial owners in its 2012 EITI report, while Ghana – though not participating in the pilot – did the same for its 2013 report. Though these efforts were not fully successful (for instance Nigeria disclosed legal rather than natural owners, and found that some companies refused to disclose their beneficial owners) they were useful in revealing institutional and political challenges to beneficial ownership transparency and generating specific recommendations for progress. It was also from this commitment for beneficial ownership transparency of extractive companies that Ghana and Nigeria decided to expand the remit of beneficial ownership transparency to all sectors.

Ghana, Kenya and Nigeria committed to creating a publicly available register of beneficial owners at the London Anti-Corruption Summit in May 2016. The commitments were subsequently included in the countries' respective OGP national action plans. For its part, South Africa made its commitment at the OGP Regional Summit and launch of its third NAP, in Cape Town in May 2016. As a member of the G20, South Africa was also working towards fulfilling the G20 High Level Principles on Beneficial Ownership Transparency, to which it had committed in Brisbane in November 2015. Indeed, while these four countries have included these registers as part of their implementation of OGP, other regional and international frameworks and obligations are also at play: for example, the FATF recommendations but also the United Nations Convention Against Corruption (UNCAC), the Eastern & Southern Anti-Money Laundering Group (ESAAMLG) and the Inter-Governmental Action Group against Money Laundering in West Africa (GIABA).

One of the first challenges these countries sought to tackle was ensuring that there was an adequate legislative framework to support beneficial ownership disclosure and the creation of a publicly accessible register. This includes the legal definition of beneficial ownership, providing the means to acquire and access that information, and ensuring that such a register is in line with existing legal frameworks (such as relating to privacy).

As part of a Transparency International project, the Ghana Integrity Initiative (GII), the Civil Society Legislative Advocacy Centre (CISLAC) in Nigeria, and Kenya Transparency International (TI-Kenya), conducted an assessment of the legal frameworks of their countries with regards to beneficial ownership transparency. According to these, both Ghana and Kenya have made significant progress. Indeed, Ghana was awarded the EITI Chair Award at the Opening Up Beneficial Ownership conference in October 2017 for its amendment of the Companies Act in 2016, which introduced a definition of beneficial ownership and a requirement “for companies to keep a register of beneficial owners and lodge a copy of beneficial owners with a Registrar of Companies”. In Kenya, the amendment of the Companies Act in October 2017 also introduced a definition of beneficial ownership and requirement for companies to keep a register of owners and lodge this with the registrar. Meanwhile in South Africa, the Financial Intelligence Centre Amendment Bill, a key piece of legislation was signed into law in April 2017 and includes a definition of beneficial ownership.

A couple of legislative gaps in Kenya and Ghana remain, particularly with regards to ensuring that the beneficial ownership information is freely available to the public. While Ghana will be partnering up with Open Ownership to make the data available, rules on the central register and its access to the public and fees (or lack thereof) need to be included in law; electronic access to Kenya's central register also needs to be amended to put it in line with Open Data Principles. GII is further

recommending that the delay between a change of a beneficial owner and when this needs to be reported be shortened from 28 to 14 days. Both TI-Kenya and GII are recommending that the register be mandated to verify the information that is submitted.

Efforts to introduce similar legislative backing in Nigeria are underway, with attempts currently being made to amend the Companies and Allied Matters Act (CAMA). The revised bill is awaiting approval from the Federal Executive Council, before it can be presented to the National Assembly. However, as Lovelyn Agbor-Gabriel of CISLAC explained, the process is proving a challenge and is taking longer than expected. Furthermore, As Stanley Achonu – the civil society advisor at the OGP Nigeria Secretariat – and Ms. Agbor-Gabriel both stated, a key challenge here is conflict of interest, with some of the politicians voting on the issue being the same people that benefit from a lack of beneficial ownership transparency.

Another key task cited was the need to raise awareness among stakeholders of the importance of beneficial ownership transparency and its benefits. Ms. Agbor-Gabriel explained that beneficial ownership transparency was a relatively new topic in Nigeria, and that for instance some members of the business community currently see the upcoming register as a means of stopping them from doing business. Indeed, the example of the UK demonstrates how clear and constant communication with the business community was key to the commitment being successfully realized. On the other end of the data chain, Mr. Boadi from the Ghana Integrity Initiative said, “We need to raise awareness among the population and the media so that information obtained from the Beneficial Ownership Disclosure Register will enhance the quality of corruption reporting.” For these reasons, awareness-raising and communication were central activities in Ghana’s roadmap to beneficial ownership transparency (which it created as part of its implementation of EITI). This issue was also reflected in a speech by Nigeria’s Vice-President Yemi Osinbajo at the EITI Opening Up Conference, who stated that one of the main challenges would be to build the capacity of end users – be they tax authorities, law enforcement agencies or the media – to make sense of the data and “[make] the register count”.

A broader issue facing these countries are the technical difficulties involved in establishing these registers, which include deciding on a range of definitions and being able to collect the data from companies, and also developing an adequate IT infrastructure to present the information to the public. Marie Lintzer, from the Natural Resource Governance Institute (NRGI), stated that many of the questions from participants at beneficial ownership trainings revolved around technical issues. NRGI had invited a representative from the UK’s Companies House to answer these questions and to demonstrate the Companies House website. This type of peer learning was a useful means for countries to access lessons learned, and a group of Nigerian civil servants also went to the UK to study how the register had been established there. These initiatives reflect a central need, as highlighted by a report on beneficial ownership transparency in South Africa, for technical support and knowledge sharing to help support countries that are implementing these registers. Another general challenge is that developing adequate infrastructures and processes, and building the capacity to support this work, will require resources.

Although there is still a way to go before these registers are established, interviewees highlighted positive aspects of the process. Ms. Agbor-Gabriel noted that beneficial ownership was an issue that the government, at least its executive branch, was taking seriously. The agreement between civil society and government on the importance of beneficial ownership transparency enabled good collaboration between the two parties. To this end, the OGP was cited both as a useful platform for collaboration and a helpful means for civil society to be able to monitor progress. This collaboration was echoed by Mr. Boadi, who explained that the agreement around the need for beneficial ownership transparency was helping civil society and the public sector develop “a new working relationship, which was a refreshing development.” However, this has not been the case for all four countries. A press release from the South African NGO Corruption Watch criticized the government’s implementation of OGP for not involving civil society enough.

As Ms. Agbor-Gabriel said, examples of company vehicle abuse like the Malabu scandal are “a clear example of corruption in our country, and what it costs us.” Ghana, Kenya, Nigeria and South Africa face a range of challenges in their efforts to implement registers of beneficial owners, and are at different stages in the process. However, in each of these countries there exist groups of citizens determined to advance beneficial ownership transparency.