Beneficial Ownership Verification

Andres Knobel

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Without verification

- 500 ways of writing “British”
- BOs match people on sanctions list.
- 300,000+ companies claim “no BO”
- BOs controlling 100+ companies (nominees)
- 400+ circular ownership structures
Verification: how to do it?

1) Comprehensive legal framework
2) Access & Exchange of Info
3) Data validation
4) Cross-checks
5) Analysis, Exploration & Red-flagging
6) Private sector
Comprehensive legal framework

Challenges

-Limited scope (No: trusts, LPs, listed companies), limited triggers (only incorporation)

-No: full ownership chain; outdated LO

-Bearer shares

-High thresholds

-Senior manager instead of real BO

-No incentives (low sanctions, low enforcement)
Access & Exchange of Info

- Obliged entities: report discrepancies
- Public access: analyses by NGOs & Journalists
- Open data: sophisticated analyses
- Interconnection / cross-checks against foreign BO registries
Data validation

- Biometrics, videocall, digital signature

- Data validation within registration forms

- Prefilled data based on gov records (eg company name and address from commercial register)

- Legal checks: no dead BO

- De fact check: address exists, corresponds to a building

- Authorisation: contact BO to confirm their ok
Cross-checks

- If no interconnection / pre-fill of data:

Cross-checks:

- Name, address, DOB, TIN

- Ownership chain

- Zero-knowledge proof (exact match) of non-residents’ personal data
Analysis, Exploration & Red-flagging

- Statistics on typical structure (No. Layers, nationality, type of entity)

- Statistics on BO (income, address, education, No. of entities, etc)

- PEP status? Sanction lists?

- Red-flags: shared address/entity w/ entities/BOs involved in IFF, frequent changes of address/structure, suspicious profile (low declared income but involvement in high-income entity, new entity but winning public tender, high income but not consumption of gas, electricity, etc)
Data Exploration
Data Exploration

Top 10 Countries in Each Ownership Layer

Note: X-axis not from zero, UK represents a higher share than is suggested by the blocks. Data points missing country field have been removed.

**BO risk** Lacking complete and updated register of beneficial ownership data

**no BO** Lacking complete register of beneficial ownership information

**LO risk** Lacking complete and updated register of legal ownership information

**no LO** Lacking complete register of legal ownership information
Private Sector

- Report discrepancies to BO register

- Anonymous cross-check among banks

- Check BO Register before setting up an account / transferring money
The Future of Verification

1° “John is the new BO”

2° Annual Return: “John is the new BO”

3° “Are you aware that you appear as a BO?”

4° “Does John appear as the LO and BO of Company 1?”

UK

BO Register

30% DK

Company 1

Company 2

100%

UK

Notary

“Company 2 wants to open an account, is it ‘Active’?”

Company 2

Status: “Active” (no red-flags)
LO: Company 1
BO: Mary and John

UK

Tax

DK

FIU

5° “Any red flags on John?”

6°

7°
Thank You!

andres@taxjustice.net

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