

Beneficial ownership – why this is important

Money launderers, corrupt politicians, arms traffickers and tax dodgers often rely on two things to move their dirty money: company structures that allow them to hide their identity, and banks and other professionals willing to do business with them.

In order to tackle this problem, the names of the ultimate, 'beneficial' owners of companies, trusts and other corporate vehicles need to be made public. It is only by putting this information in the public domain that tax inspectors and law enforcement agencies both in the UK and overseas will be able to easily access this information; that businesses will be able to know exactly who they are doing business with; and that citizens both in the UK and in developing countries will be able to know who owns the companies that provide their services and extract their resources.

The issue of hidden company ownership has received high-level political attention recently. At the June 2013 G8 summit in Northern Ireland, G8 leaders promised to take some first steps to deal with the problem. All of the G8 countries produced a 'beneficial ownership action plan' stating what they would do to improve company ownership transparency. In addition, all of the UK's Crown Dependencies and the seven Overseas Territories that have significant financial centres (for example, the British Virgin Islands and the Cayman Islands) also committed to beneficial ownership action plans.

So far, the UK has set an example to the rest of the world. Following a national public consultation, the Department for Business, Innovation and Skills (BIS) announced in November 2013 that it was committed to putting information on the beneficial owners of British companies in the public domain through the creation of a public registry.

Now we need to ensure this public registry is set up in the most effective way as soon as possible.

What are we calling for?

We welcome the UK government's decision to create a public registry. But the benefits will only be reaped if the registry is implemented well. A poorly implemented registry that imposes red tape on business yet does not deliver benefits to society would be a missed opportunity.

We need a register that actually helps prevent tax dodgers and criminals from moving dirty money around the world. Moreover an effective public registry in the UK would set the standard for similar registers in other jurisdictions, including in the UK's Overseas Territories and Crown Dependencies.

Below we highlight the core elements that need to be included in the UK's public registry if it is to prevent tax dodging, money laundering, and other criminal activities:

Essential requirements for the UK's public registry of beneficial ownership

- 1. Open data.** Beneficial ownership information should be available for free as machine-readable open data. Companies House is already moving towards publishing more of its information in this format.
- 2. Means of control.** The registry should contain a description of how the beneficial owner exercises control over the company, such as names of the chain of companies that demonstrate this person is the beneficial owner, or any other means by which this

person exercises control over the company. This would allow third parties, such as banks, law enforcement or journalists to verify the information independently, by cross-checking it against existing shareholder registries. Without information on the means of control, the beneficial ownership information is totally unverifiable.

3. **Verification.** The information in the register needs to have undergone some basic verification. In some cases, this could be possible via cross-checking other databases, such as those held by passport authorities, vehicle-licensing authorities and electoral registers.
4. **Frequency of update.** The information on the identity of the beneficial owner(s) should be required to be submitted annually, and should also be required to be submitted within 14 days of any change in beneficial ownership. Simply having an annual update requirement is not enough as it provides an obvious loophole for any money launderer who could become the beneficial owner after the annual update has just been submitted.
5. **Penalties.** Significant penalties need to be imposed on people and companies who lie about their beneficial owners. This would help dissuade people from fronting a criminal company and would allow law enforcement to impose a penalty on a company suspected of being a criminal front.
6. **Trusts.** If a trust is part of a company structure, information on the trust needs to be collected and published. This should include details of the settlor, beneficiaries, trustees and anyone else who exercises effective control over the trust.
7. **Date of birth.** The registry needs to contain sufficient information on beneficial owners for them to be identified. It is no good simply listing the owner as being 'John Smith'. The information should include the beneficial owner's date of birth and nationality, as is currently required in the UK for directors.
8. **Contact information.** The registry needs to include a means of contacting the beneficial owner, such as a business address.
9. **Responsibility to provide the information.** A company should be legally required to find out the identities of its beneficial owners; and a beneficial owner should be legally required to inform a company that they are the ultimate owner.

What we are asking you to do

Please write to Business Secretary Vince Cable and ask him to ensure that the UK's public registry meets all of the nine requirements we have listed above. Please refer to all of the nine points in your letter.

For further information, please refer to *Company Ownership: Which places are the most and least transparent?* produced by Christian Aid and Global Witness in November 2013:
christianaid.org.uk/company-ownership

Thank you for your assistance in ensuring that the UK's public registry of beneficial ownership prevents tax dodging and other criminal acts that are proving so detrimental to citizens in both the UK and in developing countries.