

NEWS

January 10, 2023

With Deadline Looming, UK Property Ownership Database Shows Signs of Life

By Koos Couvée

Almost 20 trusts and other overseas entities that have declared their ownership of U.K. real estate ahead of a government-imposed deadline have acknowledged their links to blacklisted parties, analysis shared with *ACAMS moneylaundering.com* shows.

As of Dec. 31, more than 12,600 of the estimated 32,000 limited companies, trusts and other firms that together hold an estimated 100,000 properties in Britain from offshore had submitted the names, addresses and other details of their owners for inclusion on the country's new Register of Overseas Entities.

But only 8,600 of those 12,600 identified an actual person as their beneficial owner, according to the analysis, which *moneylaundering.com* obtained from Open Ownership, a U.K.- and U.N.-funded nonprofit group based in Alexandria, Virginia.

More than 3,800 meanwhile declared other entities as their owners, and nearly 200 named a government-controlled entity, organization or arrangement, including the U.S. state of North Carolina, Oman Investment Authority and China Investment Corporation.

Rules governing the new database, which U.K. officials established pursuant to legislation adopted in March of last year (<https://www.moneylaundering.com/news/uk-measures-against-corrupt-wealth-become-law/>), require covered entities to submit their details to Companies House by Jan. 31 to avoid daily fines as high as £2,500 and up to five years in prison.

The rules also require entities to disclose whether their owners fall under U.K. or U.N. sanctions. Eighteen entities had identified at least one of their owners as a designated party by the end of last month.

One of those 18, NLI Hotels Limited, a Jersey-based company that owns the five-star Corinthia Hotel in London, is partly controlled by the Libyan Foreign Investment Company, which drew EU sanctions in 2011 and U.K. autonomous sanctions in 2020.

Another, Sova Real Estate, a Russian limited liability company that owns two flats in Whitehall Court, a 19th century building overlooking the Thames in London, is in turn owned by Igor Shuvalov, chairman of Moscow-headquartered Vnesheconombank, and his wife, Olga.

U.K. officials blacklisted the Shuvalovs in March 2022, days after designating Vnesheconombank, a state-run development lender more commonly known as VEB, following Russia's full-scale invasion of Ukraine.

A question of trust

With more than 2,800 entries, the British Virgin Islands, or BVI, ranked as the top domicile for offshore entities that had declared their owners to the register by the end of December, followed by Jersey, the Isle of Man, Guernsey, Luxembourg and the Seychelles.

Moneylaundering.com reported in October

(<https://www.moneylaundering.com/news/new-uk-property-ownership-register-displays-early-signs-of-weakness/>) that 32, or a little more than 10 percent, of the 273 BVI-domiciled entities that by that point had submitted their details to Companies House named a second offshore entity as their beneficial owner or a corporate services provider as their trustee.

Those findings raised questions over the U.K. government's claims that the register would end anonymous ownership of property in Britain from beyond the country's borders, and thereby eliminate a key gap in the country's defenses against financial crime.

The true owners of nearly 1,850—or 14 percent—of the 12,600 entities that filed by Dec. 31 remain partially or entirely hidden from public view behind corporate services providers acting in their capacity as trustees.

Jersey, the U.K. Crown Dependency, ranked as the top domicile for those entities, followed by Guernsey, the Isle of Man, Switzerland and Gibraltar.

Entities can legally declare a trustee as a beneficial owner but must provide the name of the trust, personal information of the settlor and beneficiaries, and other details to Companies House. Unlike the ownership details of other covered entities, last year's legislation did not empower the agency to make trust-related ownership information publicly available.

“A loophole is being exploited here resulting in trusts still owning property opaquely,” Ben Cowdock, investigations lead for Transparency International's U.K. office, told *moneylaundering.com*. “There's also an enforcement issue: that of entities declaring other opaque overseas entities as beneficial owners, which are in breach of the legislation.”

More than 1,200 of the 12,600 overseas entities identified other entities in Jersey, the United States, United Arab Emirates, Canada and elsewhere as their beneficial owners.

Overseas entities that own U.K. real estate not only have to declare their beneficial owners by Jan. 31, they must also hire a corporate services provider, attorney or other professional regulated for anti-money laundering purposes to verify their details and links to the property in question before they can make their submissions to Companies House.

Thom Townsend, executive director of Open Ownership, said that the sheer volume of new, verified public data on property ownership in the U.K. still marks a major step forward in the global campaign against illicit finance, even if the details of many of owners remain obscure.

“What we’ve ended up with is a regime that’s far stricter for foreign entities than it currently is for U.K. companies owning property, because [foreign ownership] has to be verified,” Townsend said. “We can see very clearly, in publicly available, structured data, what this work is producing.”

Contact Koos Couvée at kcouvee@acams.org

Topics :	Anti-money laundering , Know Your Customer
Source:	United Kingdom
Document Date:	January 10, 2023