

OPEN OWNERSHIP



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Attn: Beneficial Ownership Transparency Consultation
Innovation, Science and Economic Development Canada
C.D. Howe Building
235 Queen Street, Room 1043A
Ottawa, Ontario K1A 0H5

30 April 2020

Re: Consultation on strengthening corporate beneficial ownership transparency in Canada

OpenOwnership drives greater corporate transparency across the world by making it easy to publish and access high-quality, linked data about who owns companies. We work exclusively on beneficial ownership (BO) transparency and are engaged with nearly 40 countries across the globe, helping them to implement or improve their beneficial ownership registries and data. We are pleased to be able to draw on this implementation experience across different contexts and include our findings in this submission on the public consultation over strengthening beneficial ownership transparency in Canada. (We also confirm our consent for this submission to be disclosed publicly and in its entirety.)

At OpenOwnership, we are highly supportive of moves by states to produce public registries of beneficial ownership. We recognise that this is an emerging policy area and that, as such, there can be implementation challenges associated with such efforts. In order to promote learning and



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THE B TEAM



OpenOwnership is accelerating corporate transparency by making it simple to publish and access high-quality data about who owns companies. It is led by six leading transparency organisations and supported by DFID.

information sharing between governments working to improve beneficial ownership transparency, we convene, together with the Open Government Partnership, the Beneficial Ownership Leadership Group. A range of governments -- including Armenia, Kenya, Latvia, Mexico and the Slovak Republic -- have already joined this group, and we believe that Canada would also be able to contribute and benefit substantially from the initiative. More information, including on the process for joining, is available here:

<https://www.openownership.org/what-we-do/the-beneficial-ownership-leadership-group/>

Question responses

1. Should Canada establish a public registry (or public registries) of beneficial ownership for corporations, and why?

OpenOwnership recommends that Canada's Federal Government capitalise on the current opportunity to adopt emerging international best practice on BO disclosure, and make BO information available as open data, free of charge, in a public registry. Anonymous company ownership bears an unacceptably high cost for society, by allowing criminals and corrupt individuals to escape accountability or evade tax, and for business by increasing susceptibility to fraud and reputational risks by making it difficult to know what they are ultimately invested in. By committing to create a public BO registry, Canada would join the nearly 90 countries globally that have made international commitments to produce registries for one or more industry sectors.

Having a public registry facilitates the identification of red flags that may indicate the involvement of certain firms or individuals in corruption, tax evasion, money laundering and other illicit practices. This is partly because open registries enable a broader range of actors -- including investigative journalists, civil society organisations and business groups -- to access and review the data, increasing the likelihood that inconsistencies will be uncovered. In addition, fully open registries allow BO data to be cross referenced with data in other countries' public registries to identify patterns of suspicious behaviour, both among Canada-based firms and individuals, and those operating outside the country.

To develop a registry, or system of registries, that continues to provide long-term utility and to comply with the evolving standards of the Financial Action Task Force (FATF), **we recommend that Canada's Federal Government coordinates its policies and data standards for public registry creation with authorities at the provincial level who are currently considering similar reforms.** Harmonisation of policies and procedures -- including a shared baseline of information collected on companies, beneficial owners and interests -- between Canada's various emerging registers will ensure interoperability of data between them, enabling more effective use of the data by the AML obligated entities and improving the potential for data verification between registers. Adopting the Beneficial Ownership Data Standard¹ -- which provides a template for how to structure, store and publish beneficial ownership data -- would provide a common data format that would enable data to be shared and cross-checked between registries in Canada and beyond. Together these approaches would allow Canada to move beyond simple technical compliance. Instead, it would lay the foundations for an effective beneficial ownership disclosure regime that provides maximum benefit to government agencies, private sector actors and civil society, at both the federal and provincial level.

2. If not a public registry (or public registries), should Canada establish a central registry accessible only to competent authorities? What are the advantages and disadvantages of having a central registry over a public registry (or public registries)?

Public registries have numerous advantages, in terms of both economic impact and ability to tackle illicit financial flows, over those that are available only to competent authorities.

Firstly, transparent company ownership creates a better environment for business by enabling companies to more effectively vet prospective partners, clients or suppliers, conduct enhanced due diligence and manage risk exposure. Investors benefit from reducing risk exposure when making new investments, helping create a favourable environment for inward investment into Canada. Public registries can and are used by private sector entities during their KYC and due diligence processes. Evidence from a UK government review of its public registry shows that 64% of businesses found the information available on the BO register to be useful, with 29%

¹ <http://standard.openownership.org/en/0.2.0/> [Accessed 23 April 2020]

considering it to be very useful.² BO data is likely to prove especially beneficial for SMEs as their due diligence costs are proportionally higher than those for larger firms.

Secondly, in contrast with closed central registries, open data BO registries allow data to be linked globally with other datasets and help expose the networks through which the proceeds of crime and corruption flow. Complex money laundering schemes frequently rely on ‘layering’ illicit earnings through corporate structures strategically established across a number of jurisdictions as this significantly complicates investigative efforts by obfuscating the audit trail.³ The ability to link BO data from different registries around the world significantly bolsters efforts to expose transnational illicit financial flows and to understand the typical typologies they involve. Enabling actors such as law enforcement investigators and those undertaking anti-money laundering compliance checks to immediately access BO data from other countries significantly reduces the bureaucratic and cost burden associated with filing requests for international sharing of information related to suspicious transactions.

A further advantage of public datasets over the closed variety is that they increase the number of data users, increasing the likelihood that inconsistencies within the data are identified. This can help draw official attention to previously undiscovered criminal activity and contribute towards improvements in overall data quality. For example, it was civil society investigators in Slovakia that highlighted inaccuracies within a particular company’s BO data within their national register, ultimately leading to the world’s first official censure for reporting inaccurate beneficial ownership data. In the UK, the NGO Global Witness has conducted an analysis of the UK register and highlighted thousands of problematic cases to authorities, including circular beneficial ownership chains and corruption and money laundering red flags. While such civil society work should not be considered a replacement for state-led data monitoring, investigation and verification, it can complement government action in this area.

If yes, what key features would make a Public Registry (or Public Registries) effective?

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https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/822823/review-implementation-psc-register.pdf [Accessed 23 April 2020]

³ <https://star.worldbank.org/sites/star/files/puppetmastersv1.pdf> [Accessed 30 April 2020]

Based on our engagement with dozens of governments, OpenOwnership has developed the following 12 principles of effective beneficial ownership disclosure. These describe a range of policy, legal, and systems, data and technology characteristics that are evident in disclosure regimes that produce high quality, reliable data to maximise usability, and that minimise loopholes.

Principles of effective beneficial ownership disclosure

Key Feature	Description
Beneficial ownership data should be freely accessible to the public via a central registry	Having a centralised public registry means that law enforcement, businesses, journalists and citizens from around the world can easily access information on beneficial ownership. The utility of public registries is enhanced when data is available online, in a structured format, and without barriers such as registration or payment.
Beneficial ownership should be clearly and robustly defined in law	Robust and clear definitions of beneficial ownership should cover all relevant forms of ownership and control. Any exemptions that mean certain interests are excluded from disclosure should be limited, proportionate and clearly defined.
Disclosure should comprehensively cover all relevant types of legal entities and natural persons	Having comprehensive coverage means all relevant legal entities and arrangements, and natural persons must be included in disclosures. Any exemptions excluding certain classes of person or entity from the public register must be limited and proportionate.
Low thresholds should determine when beneficial ownership and control must be disclosed	Having low thresholds (ideally around 5-15%) means that most, or all, people with beneficial ownership and control interests in a company are included in disclosures. Thresholds of 25% and above risk omitting many of the real beneficial owners of a given entity.
Sufficient information should be published to understand full ownership chains	Covering full ownership chains means that it should be possible to understand how beneficial owners exert ownership or control over a company, even when beneficial ownership is held indirectly through one or more other companies. Disclosure of intermediate steps in an ownership chain helps with joining up data from different sources.
The identity of people and companies should	Having clear identification for people and companies, whilst respecting relevant privacy laws, makes it possible to match

be unambiguous in collected and published data	together disclosures about the same people or companies, and to tell apart different people with the same name, or similar details.
Measures should be taken to verify data to improve its accuracy and completeness	Having accurate and complete information means that there are sufficient data verification measures in place to create confidence in the register as a high quality and reliable source of information, and to alert authorities when there is a risk that entries are not accurate.
Information should be kept up to date , and changes submitted in a timely manner	Having timely and updated disclosures means beneficial ownership information is updated within a short, defined time period after changes occur, and information is confirmed at least on an annual basis to keep registries up to date.
Historic records should be kept and published	Providing historic records means when beneficial ownership or company structure information changes, this information is stored rather than replaced, and past disclosures remain publicly available.
Adequate sanctions and enforcement should exist for non compliance	Effective and proportionate sanctions should exist against non-compliance with disclosure requirements, including for late, incomplete, faulty or non-submission.
Stakeholders should be engaged throughout implementation	Engagement means delivering beneficial ownership transparency by involving a wide range of stakeholders from as many different groups as possible, from government officials to citizens and businesses, to create an effective disclosure regime that meets user needs, to help achieve their goals and improve impact.
Disclosure processes and practices should be iterated on to deliver improvements and close loopholes	Countries should have a long-term policy commitment to BO transparency, and treat registries as an ongoing project, carried out step-by-step, with continual identification of ways to improve, close loopholes, and strengthen the use of information and data.

Fields of Information to be publicly disclosed

As an overarching principle, **governments should not collect and disclose more data than that necessary to achieve their aims.**⁴ At the same time however, it is important to disclose sufficient information to ensure that BO transparency can fulfil a government's policy intent. Placing excessive restrictions on fields for disclosure may, for example, make it difficult for registry users to confirm the identity of beneficial owners or to confidently distinguish between the identities of beneficial owners with similar names or personal details. In the European context, the fifth EU Anti-Money Laundering Directive (AMLD5) recommends disclosing, at a minimum, the BO's name, month and year of birth, nationality, country of residence, and the nature and extent of their beneficial interest.⁵ OpenOwnership has developed best practice BO disclosure forms⁶ that outline what information to collect, and which fields may need to be restricted to official access only (due to privacy concerns).

3. What additional compliance costs might corporations face if required to transmit their beneficial ownership information to a national registry, and how might these costs be reduced?

OpenOwnership does not expect requirements to provide beneficial ownership information to result in significant new compliance costs for the vast majority of companies. A UK government review, for instance, calculated the median cost for firms at approximately GB£125.⁷ Moreover, **any increases in compliance costs are often more than compensated for by a reduction in the time and cost of conducting due diligence.** A UK Treasury study from 2002 concluded that public registries would mean “credit decisions by banks and companies would more accurately reflect underlying risk...[and] savings would come from reductions in fraud and fraud insurance premia, bad debts, loan losses, borrowing charges and reduced company running costs.”⁸

4. Should directors of a corporation be liable for non-compliance with the corporation's beneficial ownership registry obligations?

⁴ <https://www.openownership.org/uploads/oo-data-protection-and-privacy-188205.pdf> [Accessed 24 April 2020]

⁵ <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32018L0843&from=EN> [Accessed 20 April 2020]

⁶ <https://www.openownership.org/uploads/oo-example-paper-forms-329df2.pdf> [Accessed 20 April 2020]

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https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/822823/review-implementation-psc-register.pdf [Accessed 21 April 2020]

⁸ https://webarchive.nationalarchives.gov.uk/+/http://www.hm-treasury.gov.uk/media/9/9/ownership_long.pdf [Accessed 23 April 2020]

BO regimes should be enforced by comprehensive and proportionate sanctions, including monetary fines and other penalties. Sanctions should be dissuasive and we would recommend that they apply to company directors. But to ensure accurate data and an effective disclosure regime, sanctions should also be applicable to all other persons responsible for disclosure: other company officers, the beneficial owner and the entity itself. Non-monetary penalties could include refusal to incorporate a business, such as in Denmark, or preventing a person from engaging in certain business activities for a period of time, such as in France. Monetary sanctions must act as a sufficient deterrent; penalties in Ghana were so low that firms merely opted to pay fines outright instead of complying with BO disclosure requirements.

5. Should the public be charged fees to access all or parts of beneficial ownership and other company information, to help cover the costs of implementation, verification and enforcement?

We recognise the temptation for public bodies to help cover implementation costs by charging for register access, but would argue that fee systems generally represent a false economy. **Many of the benefits of BO registries accrue from enabling as broad a use of the data as possible and fees are a clear barrier to this.** This has been shown in the UK, where searches of the UK register increased from 6 million in 2014-2015 to 1.3 billion in 2015-2016 following the paywall's removal.⁹ In terms of running costs, a study commissioned by Global Witness in 2013 found that a searchable, regularly updated register would cost the UK GB£11m a year, while a 2002 UK government study estimated the savings in police time from having a public BO registry could amount to GB£30m a year.¹⁰ Other indirect potential benefits to the economy of public registries include increased competitiveness and ease of doing business.¹¹ It is for reasons such as this that the EU has identified company ownership information as a one of a handful of high value datasets, whose use “is associated with important benefits for the society and economy”, in its Public Sector Information Directive.¹²

⁹ <https://www.globalwitness.org/en-gb/blog/10-lessons-uks-public-register-real-owners-companies/> [Accessed 20 April 2020]

¹⁰ https://webarchive.nationalarchives.gov.uk/+/http://www.hm-treasury.gov.uk/media/9/9/ownership_long.pdf [Accessed 21 April 2020]

¹¹ https://issuu.com/the-bteam/docs/bteam_business_case_report_final.we?e=15214291/11025500 and <https://www.openownership.org/uploads/the-case-for-public-beneficial-ownership.pdf> [Accessed 30 April 2020]

¹² <https://ec.europa.eu/digital-single-market/en/public-sector-information-psi-directive-open-data-directive> [Accessed 29 April 2020]

OpenOwnership advises that the register should be searchable by both company name and beneficial owner, have API access and offer regular bulk downloads of the underlying data. An API will allow value-added services to be built on top of the register and for companies to integrate information into their own processes. Bulk data downloads can increase the international impact of Canada's publication BO disclosures by allowing its data to be pieced together with information published in other jurisdictions to give a more complete picture of international beneficial ownership chains. Such a move would help establish Canada's reputation internationally as a leader in this field.

6. What processes (if any) should be put in place for verifying the beneficial ownership information provided (e.g., proof of identification for directors, beneficial owners and/or officers/agents of a corporation)?

To maximise the impact of BO registries, it is important that users and authorities can trust that the data contained therein broadly reflects the true and up to date reality of who owns or controls a particular company. There are a number of verification checks and procedures that a government can implement, both at the point of disclosure and after publication or submission, to ensure data is accurate, complete and reliable and to maximise the impact of BO registries (OpenOwnership will be publishing a briefing on verification of BO data in Spring 2020). Many of the checks at the point of disclosure, such as cross checking information with other government-held registries, can be very effective ways of verifying BO information. By making registries available to the public, governments enable and empower third parties (journalists, the private sector, and others) to also verify that the BO information is correct. For instance, in the UK, there were 58,352 reports from the public regarding likely mistakes and discrepancies in the company register between July 2017 and March 2018.¹³ **Governments should take a leading role in verification, and enable third parties to conduct additional analysis to identify and flag suspicious submissions by making the register open and accessible to the public.**

7. What means could be used to verify identities (e.g., a driver's license, passport, or bio-identifiers)?

¹³ https://www.globalwitness.org/documents/19717/Getting_the_UKs_House_in_Order_xZZxobR.pdf [Accessed 20 April 2020]

Approaches to verifying BO data at the point of submission can be divided into three main categories:

- 1) **Conformance checks**: does the data follow an expected pattern? For example, is a birth date entered in the expected format and does the system reject inadmissible dates?
- 2) **Cross-checking of data**: can you look up the details in other government registries, to check they are accurate? For example, can a birth date be cross-checked with the civil registry, or can a government Digital ID system verify identity?
- 3) **Checking supporting evidence**: has someone authoritative (e.g. a lawyer or a notary) checked the documentary evidence behind the data, and confirmed it is true? For example, can a notary certify a birth date by guaranteeing the veracity of a passport scan?

One approach does not preclude the other. Indeed, multiple approaches complement each other and can mutually reinforce reliability and data quality.

8. How frequently should corporations be required to update the information provided to the Registry?

We recommend that firms be obliged to communicate to authorities, within a short and clearly defined period (for example, within 14 or 30 days), when there has been a change in their beneficial ownership. To ensure a full ownership audit trail is maintained, for potential future use in investigations, **all changes in beneficial ownership should be reported by firms, and historic records of their BO data should be kept and published**. In addition, we recommend that all companies reconfirm their BO information with authorities on at least an annual basis, for example, as a required step during the submission of company tax filings or, as in Ukraine, whenever a company interacts with the business registry. Effective and proportionate sanctions should be applied in cases of persistent or prolonged non-compliance.

9. Under what circumstances, if any, should corporations be exempted from providing beneficial ownership information to a public registry? Should there be limitations on information disclosed through a Public Registry (or Public Registries)?

As all corporate structures are vulnerable to misuse as money laundering vehicles, **OpenOwnership does not recommend any blanket exemptions for certain private companies.** The impact of any exemptions of entity types on the achievement of policy goals in the country context should first be evaluated. As a principle, exemptions should be limited and proportionate (see also: answer to Q12).

10. What are the potential risks to beneficial owners of making their information accessible through a public registry (or public registries) (e.g., identify theft, access by hostile foreign governments)?

OpenOwnership research has been unable to identify documented examples of harms that have arisen from the publication of BO data in open registries.¹⁴ Risk of harm can be further minimised by withholding certain personal information from public disclosures (so, for example, a BO's registered or business address should be published, but their personal email, phone number, home address and any related documentation should be kept for official access only). In addition, **Canada should create a mechanism for individuals to apply for publication exemptions, where there is a real risk that this would threaten their safety** (e.g. by increasing risks of stalking, kidnapping or domestic violence). However, Canada should take care to ensure that any exemptions are narrowly defined; broad categories of allowable exemptions -- e.g. around threats to safety due to wealth and power -- could exclude a large number of beneficial owners and exempt precisely those who would be of greatest interest to investigators.¹⁵ The UK, by contrast, has created a more restrictive mechanism for publication exemptions, under which only a small number of such claims have been made.¹⁶

11. Should certain beneficial ownership information provided to the registry be accessible only to law enforcement, tax and other authorities? Should a tiered access model be adopted based on the entity seeking the information? What information should be withheld and under what conditions?

See answer to Q10.

¹⁴ <https://www.openownership.org/uploads/oo-data-protection-and-privacy-188205.pdf> [Accessed 24 April 2020]

¹⁵ <https://www.openownership.org/uploads/oo-data-protection-and-privacy-188205.pdf> [Accessed 24 April 2020]

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<https://openstate.eu/wp-content/uploads/sites/14/2020/02/ILP-Lab-Ensuring-the-effectiveness-of-the-UBO-register-by-making-it-publicly-available-with-fewer-access-restrictions.pdf> [Accessed 20 April 2020]

12. Should individual beneficial owners be able to seek exemptions from having some or all of their information made public, on grounds of safety, protecting the privacy of legitimate investment decisions, or similar reasons? Under what basis should such requests be granted?

As noted in our answer to Q10, OpenOwnership advocates any exemptions being limited and narrowly defined. OpenOwnership would caution against limiting disclosures on the grounds of commercial interest or to protect the privacy of investment decisions. These grounds for exemption would be difficult to assess and verify and therefore widespread uptake would threaten the integrity of the registry as a whole or present an unwanted administrative burden. It would also undermine transparent dealings in markets, and create potential loopholes that could be exploited by, for example, companies involved in illicit financial flows.

13. Which other organizations (e.g., FINTRAC, private sector entities with anti-money laundering obligations) should have access to the withheld information and under what conditions? What other factors should we take into consideration when assessing the Public Registry (or Public Registries) approach?

A public BO registry ownership would provide a significant additional tool for FINTRAC and Canada's AML-obliged entities to perform their due diligence and know-your-customer checks. In FATF's guidance on best practices on beneficial ownership of legal persons, the organisation recognises the importance of obliged entities having and using data from a central BO registry as part of a multi-pronged approach to achieve effective outcomes in the prevention of the misuse of legal persons. FATF advises that these bodies should cross-reference information from central registries with information from "company registries, the company itself, FIs, DNFBPs, and other national authorities, such as tax authorities".¹⁷ To reduce the friction and costs involved, and help improve the overall effectiveness of the AML regime, we recommend that Canada make any centralised BO registry public. Making the registry public would also help improve the quality of the data contained therein, by enabling obligated entities and other third parties to report discrepancies and inaccuracies in the register, as noted in answer 2. Overall, **open and public registries represent the optimal policy response for maximising the positive impact of beneficial ownership transparency.**

¹⁷ <https://www.fatf-gafi.org/media/fatf/documents/Best-Practices-Beneficial-Ownership-Legal-Persons.pdf>
[Accessed 29 April 2020]

14. In other jurisdictions, have public registries demonstrated effectiveness in ensuring accurate information, supporting investigations by law enforcement, tax, and other competent authorities?

As noted above, FATF advocates the use of central registries as part of a multi-pronged approach in its best practice guidance on beneficial ownership identification. Information from public registries has consistently been used to support a range of investigations in other countries, as illustrated by the following cases:

- In the UK, open BO data played a key role in connecting individuals from Azerbaijan with real estate in the UK. A former chairman of the state-owned International Bank of Azerbaijan was jailed in 2016 for 15 years by a court in Baku for fraud, embezzlement and misappropriation of public funds.¹⁸ UK authorities investigated luxury London properties that they suspected were purchased with laundered funds. One such investment was the GB£10.5 million Mill Road Golf Club that was purchased via a Guernsey-based entity¹⁹ - a jurisdiction that does not publish information about the beneficial ownership of companies or trusts. This Guernsey based entity also owned another UK company, MRGC 2013 Ltd.²⁰ The UK's public BO registry was used to show that the former chairman's wife had briefly been a beneficial owner of MRGC 2013 Ltd in April 2016.²¹ This helped authorities link the couple to the property, enabling authorities to subsequently issue the UK's first Unexplained Wealth Order against them.
- The current Czech Prime Minister is also a successful businessman that has acquired much of his wealth through the Agrofert Group, a business he founded in 1993, which has grown to become a conglomerate, including ownership of two of the largest Czech newspapers.²² Following the introduction of conflict of interest legislation preventing public officials from having a controlling interest in news media, the Czech PM transferred his sole ownership of the Agrofert Group to a trust fund²³ that is registered in both the Czech Republic and Slovakia. However, using information from Slovakia's public register in 2018, Transparency International (TI) in the Czech Republic discovered

¹⁸ <https://haqqin.az/oldage/111159> [Accessed 30 April 2020]

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<https://www.theguardian.com/uk-news/2018/oct/10/wife-of-mcmafia-banker-with-16m-harrods-spending-habit-named> [Accessed 30 April 2020]

²⁰ <https://www.ft.com/content/45fecc14-cc6a-11e8-9fe5-24ad351828ab> [Accessed 30 April 2020]

²¹ <https://beta.companieshouse.gov.uk/company/08633094/filing-history> [Accessed 30 April 2020]

²² <https://www.agrofert.cz/en/about-agrofert> [Accessed 30 April 2020]

²³ <https://www.podnikatel.cz/clanky/babis-prevedl-agrofert-do-sverenskych-fondu-firma-se-mu-ale-vrati/> and <https://www.agrofert.cz/en/events-and-news/shareholder-informed-the-management-of-the-companies-agrofert-and-synbiol-on-the> [Accessed 30 April 2020]

that Agrofert Slovakia still identified the Czech PM as one of five beneficial owners.²⁴ Agrofert has denied any wrongdoing, arguing that TI has purposefully misinterpreted the term “final beneficiary” in Slovak law, and claiming that the Czech PM is not the controlling entity of the Slovak companies of the Agrofert Group.”²⁵ However, as TI states, the Czech PM is the only beneficial owner that is irrevocable with the power to remove all other beneficial owners of the company.²⁶ This raises questions over whether he is violating the Czech Conflict of Interest Act, and calls into question the EU subsidies that Agrofert subsidiary companies received *after* allegedly giving up beneficial ownership of the company (worth Kč1.8 billion, €70 million, in 2018 and Kč2.1 billion in 2017, according to Czech media).²⁷

15. In other jurisdictions, have public registries reduced the misuse of corporations for criminal or other illicit activities?

Directly attributing movements in levels of illicit activity is complicated, not least because the clandestine nature of criminal activity makes it inherently difficult to measure. However, there are some indirect indications from the international experience that public registries have had an impact on the level of illicit financial flows. In the UK, for example, the obscure legal vehicles of Scottish Limited Partnerships (SLPs) had proved attractive to international criminals as they provided higher levels of anonymity compared to standard UK corporations and could be established without declaring who was really behind the company. The BO profile of these firms was later revealed to be rather different from other UK firms; over 40% of SLPs had a BO linked to a post-Soviet country, compared to only 0.15% for more standard corporation types in England and Wales.²⁸ Following the expansion of BO disclosure requirements to cover SLPs in 2017, the secrecy formerly afforded by these legal structures was withdrawn and the number of SLPs incorporated consequently fell to its lowest level in 7 years.²⁹ This was accompanied by an

²⁴ https://www.transparency.org/news/pressrelease/andrej_babish_is_our_controlling_person_czech_republic and <https://rpvs.gov.sk/rpvs/Partner/Partner/HistorickyDetail/7859> [Accessed 30 April 2020]

²⁵ <https://www.agrofert.cz/en/events-and-news/rebuttal-of-misinformation-from-transparency-international> [Accessed 30 April 2020]

²⁶ https://www.transparency.org/news/pressrelease/andrej_babish_is_our_controlling_person_czech_republic [Accessed 30 April 2020]

²⁷ <http://www.rfi.fr/en/wires/20191203-leaked-eu-audit-shows-czech-pm-conflict-interest-report> [Accessed 30 April 2020]

²⁸ <https://www.globalwitness.org/en/blog/three-ways-uks-register-real-owners-companies-already-proving-its-worth/> [Accessed 30 April 2020]

²⁹ <https://www.globalwitness.org/en/blog/three-ways-uks-register-real-owners-companies-already-proving-its-worth/> [Accessed 30 April 2020]

unexplained rise in the creation of Northern Irish Partnerships,³⁰ highlighting the importance of comprehensive coverage and very limited exemptions to disclosure requirements.

16. Have public registries had an effect on investment levels?

While there are few quantitative studies of the direct effects of public registries on investment levels, our work across multiple country contexts provides interesting anecdotal evidence of how registry creation has helped wealth creation. Such effects have manifested themselves at the macro level, by fostering confidence in markets and individual enterprises within a given context, and at the micro level by enabling companies to create additional economic value from the published BO data. In Ukraine, for example, a firm called YouControl has created an enhanced due diligence tool by combining the data from the state BO register with other external data sources and generating its own risk analysis and score for firms in Ukraine. Investors and suppliers considering entering into business arrangements with these entities pay to access this commercial intelligence, and their organisational website lists several case studies³¹ where the data has enabled firms to identify wrongdoing or avoid relationships with suspicious commercial entities. In the UK, another commercial entity, Sqwyre, uses BO data together with local council tax data to perform higher-level analysis of local economies and assess how well independent businesses are doing in a specific area compared with larger corporations. This is then used to help guide firms as to the optimal location for any new business sites.

Additional evidence for the view that public registries may positively influence investment levels is the support for such tools among private sector actors. An Ernst and Young survey reflected that 91% of senior executives said it was important to know who they were doing business with and several leading business figures also back greater company transparency, including founders and/or CEOs of Unilever, Virgin Group and Safaricom.³² The US National Association of

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<https://www.globalwitness.org/en/campaigns/corruption-and-money-laundering/anonymous-company-owners/companies-we-keep/> [Accessed 30 April 2020]

³¹ <https://youcontrol.com.ua/en/cases/> [Accessed 30 April 2020]

³²

<https://www.globalwitness.org/en/blog/eight-reasons-why-we-all-need-be-able-see-beneficial-ownership-information-rather-just-police/> [Accessed 30 April 2020]

Realtors and Clearing House Association and the UK Institute of Directors have also proved keen advocates of beneficial ownership transparency.³³

17. Are there international best practices and experiences that Canada can learn from were it to adopt a public registry (or public registries)?

From our technical assistance work in dozens of contexts, OpenOwnership has developed extensive in-house expertise and knowledge of how to navigate implementation challenges that could be beneficial for Canada. This expertise can be accessed via our helpdesk function for BO registry implementers (support@openownership.org). The Beneficial Ownership Leadership Group, which OpenOwnership convenes with the Open Government Partnership (OGP), has also drawn up a common agreement on beneficial ownership disclosure principles that outlines the emerging best practice for this field.³⁴ In addition, we have developed our learnings on supporting implementation into a series of tools and guides that draw on the emerging best practice in this field. Our implementation guide, for example, synthesises the experience obtained from multiple country contexts and outlines areas to consider and tools to draw on for every stage of the implementation journey.³⁵ We have also produced short briefings on characteristics of effective beneficial ownership data,³⁶ balancing privacy concerns during BO disclosure processes,³⁷ and reports on the development of implementation in other countries, such as Ukraine.³⁸ Finally, the OGP has also published a report on implementation of BO registries, that contains a series of case studies from across the globe.³⁹

³³ <https://www.opengovpartnership.org/stories/companies-care-about-company-ownership/> [Accessed 30 April 2020]

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<https://www.opengovpartnership.org/documents/beneficial-ownership-leadership-group-terms-of-reference-declaration-glossary/> [Accessed 30 April 2020]

³⁵ <https://www.openownership.org/guide/> [Accessed 30 April 2020]

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