



The use of beneficial ownership data by private entities

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Glossary

AML	anti-money laundering
API	application programming interface
BO	beneficial ownership
BOT	beneficial ownership transparency
CFT	countering the financing of terrorism
CRM	customer relationship management
CSR	corporate social responsibility
CTR	currency transaction report
EITI	Extractive Industries Transparency Initiative
ESG	environmental, social, and governance
FATF	Financial Action Task Force
FinTech	financial technology
IDV	identity verification
ISO	International Organization for Standardization
KYC	Know Your Customer
OO	Open Ownership
P2P	peer-to-peer
PEP	politically exposed person
SAR	suspicious activity report
SASB	Sustainable Accounting Standards Board
UBO	ultimate beneficial ownership
UNCTAD	United Nations Conference on Trade and Development
WEF	World Economic Forum

Summary

Regulations that govern the disclosure and use of information about who owns and controls companies have been growing in recent years as part of many governments' anti-money laundering (AML) and countering the financing of terrorism (CFT) efforts. Regulators and civil society have advocated for beneficial ownership transparency (BOT) for many additional reasons, including assistance with anti-corruption efforts, providing a better understanding of wealth ownership and concentration, and even improving human rights and modern slavery due diligence in supply chains. Beneficial ownership (BO) data is held by companies and provided by private, third-party suppliers. Increasingly, it is also collected and published by governments.

Open Ownership (OO) commissioned Cognitiks to conduct research during 2020-2021 to answer the following questions about private sector actors' use of BO data:

- Which entities within the private sector currently use BO data?
- What are the different use cases for BO data amongst private entities?
- What are the primary drivers behind the use of BO data by private entities?
- What kinds of challenges do private entities have related to the use of BO data?
- What kinds of trends or emerging issues might shape private sector use of BO data in the future?

Answering these questions will help to inform whether and how governments can collect and publish BO data to common, transparent standards, in ways that are useful for the private sector. The research team conducted surveys with representatives of companies from three groups of private sector actors:

1. BO data service providers
2. Companies that are end consumers of BO data for internal business processes¹
3. Companies investing in these industries

Follow up telephone interviews were then conducted with selected research participants. Finally, primary research was conducted to assess several BO data providers' services to supplement the findings.

Findings

The research found that of the private entities surveyed, the biggest driver of BO data use is compliance with government regulations. However, data availability and quality is a significant challenge. Private BO data service providers are the main source of BO data for these companies. In turn, government registers are the primary source of BO data for the surveyed providers, but availability is limited. Where data is available from government registers, it is often unreliable, incomplete, and not readily interoperable. Furthermore, challenges in using BO data constrict the potential for businesses to unlock BO data's full potential in areas beyond compliance. These include managing operational and reputational risk, supply chain management, and compliance with voluntary reporting frameworks such as environmental, social, and governance (ESG) standards.

Currently, shortcomings in the data are being addressed through costly and highly time-consuming, sometimes manual, processes. Whilst technical approaches may alleviate this burden somewhat, these may not necessarily be available to all companies, and improving the availability, accuracy, and reliability of the base level of data ingested may help reduce compliance costs, even when best-effort verification requirements for AML/CFT regulated entities remain.

Whilst BO data providers add genuine value, in many cases their resources are largely spent on addressing basic issues which government registers could address. The better structured the data these companies can ingest, the more they can target human and financial resources at more complex aspects of open source research and at adding additional value to BO data for their clients, to further extend its use.

Considerations

Based on the findings, the research concludes that standardisation around definitions, structure, verification, and quality of the data in government registers is lacking. Governments are best placed to address these challenges and to collect, verify, and publish BO data, and should do so to facilitate private sector compliance with regulations and unlock additional benefits of BO data use by the private sector. In light of these findings:

Governments should consider:

- implementing public BO registers in a way that is useful for the private sector by using standardised definitions, providing BO data in structured formats, and undertaking verification to deliver high quality data;
- following the Open Ownership Principles for effective beneficial ownership disclosure (OO Principles) as they implement reforms;² and
- consulting financial institutions to improve verification processes of data in registers.

Private sector actors should consider:

- harmonising BO data use within organisations to improve usability;
- lobbying governments and non-governmental regulators to resolve issues around data availability and quality identified in this research by advocating for open data with consistent standards; and
- playing an active role in data verification through discrepancy reporting and developing and proposing innovations for governments towards verification of data.

Introduction

The body of regulations that govern the disclosure and use of information about who owns and controls companies has been growing in recent years as part of AML/CFT policies. With these policies governments aim to tackle illicit activities by targeting their financing and proceeds. Protecting human rights, assisting with anti-corruption efforts, and providing a better understanding of emerging markets are additional reasons regulators and civil society have advocated for BOT.

Private sector companies and other legal entities have long been using BO data as part of their compliance with requirements by regulators. They typically have a different set of incentives and goals for using BO data than users from governments and non-governmental organisations. They also face distinct challenges with regard to the use of BO data in relevant business processes and decisions compared to other users of BO data.

This research aims to better understand the existing use of BO data by private entities. It will inform OO's efforts to support governments in publishing and standardising useful and usable data about beneficial owners in central, public registers. Based on the information gathered, the research identifies key reasons for private entities to support the centralised collection, verification, and publication of BO data by governments, and highlights how this can be done in a way that maximises utility for private sector actors.

Research questions and methodology

The research provides insights regarding the use and value of BO data within the private sector by addressing the following questions (see [Annex 1](#) for further details and sub-questions):

- Which entities within the private sector currently use BO data?
- What are the different use cases for BO data amongst private entities?
- What are the primary drivers behind the use of BO data by private entities?
- What kinds of challenges do private entities have related to the use of BO data?
- What kinds of trends or emerging issues might shape the private sector use of BO data in the future?

The research was conducted through the following phases:

– **Phase 1. Rapid scoping of private sector entities**

Researchers conducted a rapid scoping of private sector entities using BO data and classified these into three main groups based on their primary reason for interacting with BO data:

- **Group 1 (“BO data service providers”):** Private companies that are providers of BO data, or that rely upon BO data to provide products or services to other entities.
- **Group 2:** Private companies that are end consumers of BO data for internal business processes, such as AML/Know Your Customer (KYC) compliance. Industries in this group were mapped and scored to identify a subset of focus industries for the research (see phase 2).
- **Group 3 (“investors and ESG stakeholders”):** Private entities that use BO data to inform investment decisions regarding Group 2 private companies and other private entities, including stock exchanges and ESG reporting consultancy companies.

– Phase 2. Secondary research to identify group 2 focus industries and sample of companies for each group

The research team conducted secondary research into 11 industries to identify a smaller set of industries on which to focus primary research. The mapping set out to find:

- industries for whom regulations mandate the use of BO data;
- industries where the risks that BO data use tries to mitigate are highest.

To do so, each industry was assessed according to the following dimensions:

Table 1. Group 2 industry mapping criteria

Dimension	Variables assessed	Assumption
Relevance of BO data	Composite score based on: <ul style="list-style-type: none"> • Presence of AML and other regulations requiring compliance • Voluntary codes and standards • Whether reputational or industry-specific risks encourage use of BO data 	Industries for which BO data is of relatively higher relevance are industries where the use of BO data has substantial (potential) impact
Use of entities within the industry to obscure BO	Composite score based on: <ul style="list-style-type: none"> • Role of the industry in the money laundering chain (e.g. initial crime, layering, placement, etc.) • Prevalence of industry in corruption and human rights violations 	Industries where obscuring BO occurs with greater frequency have a greater interest in using BO data as a result of regulations
Existing use of BO data	Subjective score based on company policies and documented examples of use of BO data	Industries already using BO data will provide better insights into current use of data
Potential impact of using BO data to mitigate risks in the industry	Composite score based on: <ul style="list-style-type: none"> • Direct or multiplier impact on mitigating ESG risks • Crowding out factor • Impacts of corruption and human rights violations on industry 	Industries with relatively higher potential impact of using BO data will generate insights into emerging use cases

Sources for the rapid scoping included industry reports, media reports, white papers, think-tank policy pieces, government directives, and companies' annual and ESG reports (see [Annex 3](#)). These sources were also used to identify and validate results from primary data collection, trends, and emerging issues which may increase the demand for BO data.

Based on an assessment of the variables for 11 industries ([Annex 2](#) and [Annex 3](#)), the following three industries were selected as the focus for primary research for group 2:

- commercial banking;
- manufacturing and electronics;
- extractives (metals and mining).

To determine the sample of companies for each group, the researchers identified additional criteria that affected how and whether companies use BO data. A key factor is the jurisdiction in which a company is headquartered,

operational or both. Researchers mapped the regulatory BO data requirements by jurisdiction to ensure that the sample would include entities in a variety of jurisdictions with different BO data requirements and availability, and entities with operations across multiple jurisdictions.

To assess regulatory BO requirements, researchers looked at whether the jurisdiction is a member of the Financial Action Task Force (FATF) or regional AML group, the European Union (EU), or Extractive Industries Transparency Initiative (EITI). Additionally, researchers looked at whether the jurisdiction is an EU high risk third country, has a US State Department designation, is on the FATF list of increased monitoring (grey list) or high risk jurisdictions (black list), or the US Commerce Department consolidated list. To assess data availability, relevance and quality in a jurisdiction, researchers looked at the Tax Justice Network's 2020 Financial Secrecy Index, the World Bank Regulatory Quality and Control of Corruption indices, Transparency International's Corruption Perception Index, and the Open Data Index. Jurisdiction mapping was factored into sampling as detailed in [Table 2](#).

Table 2. Sample and responses

Group	Industries or types of entities	Sampling criteria	Sampling method	Teams within companies targeted in survey	Target sample size	Responses
1	BO data service providers	Ensure spread in: <ul style="list-style-type: none"> • jurisdictions from which the data is drawn; • target industries, industry use cases for BO data, and number of users; • types of products and services offered; and • costs charged for services 	<ul style="list-style-type: none"> • Review of industry guides (e.g. Gartner) • Referrals from companies surveyed in group 2 • Contacts through OO and partner organisations 	Sales, data, and data supply management teams	3	4
2	Metals and mining	Ensure spread in: <ul style="list-style-type: none"> • jurisdictions in which companies are headquartered/have operations; • type of ownership (publicly listed/private owned); • signatories of voluntary codes or standards (yes/no); • company size and the degree to which companies are consumer facing/concerned with reputation; and • companies that engage in charitable giving or grants to not-for-profits (yes/no) 	<ul style="list-style-type: none"> • Contacts through OO and partner organisations • Paid searches in professional directories for different industries 	Compliance, risk, supply chain management and sustainability teams	8	6
	Commercial banking				12	6
	Electronic manufacturing				10	5
	Subtotal				30	17
3	Stock exchanges, ESG reporting consultancy companies, development finance institutions (investors and ESG stakeholders)	Ensure spread in: <ul style="list-style-type: none"> • ESG service providers (e.g. Environmental Resource Management, KPMG) • ESG standards organisations (e.g. Global Legal Entity Identifier Foundation (GLEIF), Global Reporting Initiative (GRI), International Organization for Standardization (ISO), and Sustainable Accounting Standards Board (SASB)) • regulators (e.g. World Federation of Stock Exchanges, Sustainable Stock Exchanges Initiative) • investors (e.g. Abraaj, Apollo Global Management, Bain Capital, Bridge Capital, International Finance Corporation (IFC), JP Morgan) 	<ul style="list-style-type: none"> • Search engine • Contacts through OO and partner organisations 	Sustainability and ESG teams	10	4

– Phase 3. Primary research on companies' use of BO data

Surveys were developed for group 1 and each group 2 industry (see [Annex 4](#)). Surveys were sent to respondents matching the sampling criteria in batches using SurveyGizmo (now called Alchemer). Researchers followed up with respondents who had only partially completed surveys to encourage completion.

Follow-up telephone interviews were conducted with selected respondents to elaborate on specific survey responses. All group 3 companies were surveyed by phone.

The COVID-19 pandemic led to significantly lower response rates than originally anticipated (see below). Consequently, where possible, researchers confirmed findings with existing studies on the use of BO data by private sector entities. Where these validated the findings of the existing studies, this was noted.

– Phase 4. Primary research to assess services provided by BO data providers

Researchers trialled BO data products and services offered by group 1 companies to supplement findings from the surveys and telephone interviews.

Challenges of primary data collection during the COVID-19 pandemic

Data collection through surveys was the primary method selected for this research. Although surveys – particularly those conducted online – often have low response rates, the response rates were even lower than expected, including for companies with whom this study's collaborators had existing relationships. The researchers attribute much of this to the logistical, organisational, and individual impacts of the COVID-19 pandemic:

- there was an unexpectedly high turnover in some job functions, with a significant number of imminent departures and some vacancies. This was particularly the case in sustainability departments and also in compliance roles, as they are considered by companies as non-revenue-generating functions and, as such, are often among the first to be targeted when cutting costs;
- follow-up by phone was impeded by the fact that there was frequently no answer at office numbers listed for the survey-targeted individuals, likely as a result of government stay-at-home orders;
- the subject material of the survey may not have been deemed as important in the midst of the pandemic, whilst companies struggled with revenue, redundancies, and adjusting operations, and whilst individuals adjusted to new remote working situations;
- when surveys were completed, respondents overwhelmingly asked to remain anonymous. This could be because respondents felt less comfortable in conveying the information due to a heightened perception of personal or company risk;
- employees working from home presented additional challenges to the research team in verifying survey completion rates using anonymised survey completion data.

Whilst the sample was not large enough to draw more generalised and quantitative conclusions from the research, the responses still provide useful insights into private sector use of BO data that provide grounds for improving the utility of central and public BO registers.

A number of respondents only partially completed surveys, or completed surveys in several sessions over a range of dates. To guarantee the anonymity of respondents, it was not always possible to aggregate responses. Therefore, the findings are presented in ordinal rather than cardinal format, and it was not always possible to provide references to specific respondents.

Findings

The following section outlines the main findings of the research and presents the survey responses. The first section summarises the current use of BO data by the surveyed companies. The second section covers respondents' views on BO data use in the future.

Current use of beneficial ownership data in the private sector

A wide range of private entities reported using BO data, across all industries surveyed. The main drivers for use vary across each group. The following section looks at the current use of BO data across each entity group identified in the methodology.

Group 1 entities: Beneficial ownership data service providers

BO data service providers are private companies that offer customers – usually other private entities – BO data on customers, suppliers or other entities they are dealing with. These providers often use labour and cost-intensive – sometimes manual – processes to create records on BO when sources are of poor quality (see [Figure 1](#) below). In these cases, the providers add a great deal of value to the data they ingest, clean, and provide. In recent years, there has been a proliferation of these service providers, driven both by demand and the growing availability of information on company ownership. Their offerings are augmented by advances in data science that make the data easier to use in decision-making.

BO data service providers draw their data on companies from government registers as well as government and intergovernmental sources, such as lists of politically exposed persons (PEPs), and of UN and trade sanctions. BO data service providers assist clients by making the data available as structured data, using standardised formatting in a digital and often machine-readable format. They usually offer the data cleaned and note where it may have errors (such as unusual entries for given fields)

or outdated entries. The more advanced products offer cross-checking information against data in other systems, government registers, and other publicly available information. This can include social media, companies' annual reports, Bloomberg, and other financial data aggregators who themselves draw data from government registers but also clean and cross-check the data with information from other sources.

Different providers offer different products. Whilst some offer services along with the products, others only provide services to use BO data rather than BO data itself. The products and services offered by the providers included in the research are summarised below. Many companies offer more than one of the following:

- **Individual searches using the service provider's interface.** Some offer fuzzy search functionality (searching for approximate matches), whilst others offer multiple fields for search terms. The results are generally shown as matches, and include information on what quality or how reliable the data is (a score is sometimes given). This is the most commonly available BO data service.
- **Multiple searches and additional data sets.** These cross-reference data in government BO registers, other registers, and PEPs and sanctions lists. Some of these search tools may be customised for specific industries and use cases.
- **Semi- or fully customised tools that can process a large volume of searches.** Some are automatic and integrate with customer management systems and

payment or transaction systems, and some provide alerts for further investigation. Many provide reporting for analysis or audit purposes.

- **The provision of raw data, for example through an application programming interface (API) for regular, customised data pulls.** Customers can purchase and download structured data. Some providers note when data is missing or possibly inaccurate.
- **Platforms that allow integration of different processes (such as onboarding and lifetime systems) and data to support compliance and business decision-making.** These platforms typically do not provide BO data themselves but allow BO data to be integrated with other data, for instance on sanctions, PEPs, and enforcement. They often provide this against a backdrop of detailed information about jurisdictions, definitions, rules, PEPs, sanctions, and other watch lists to make the data easily usable in compliance and in other business processes.
- **Consulting services.** Identification of grantees or business partners, due diligence for mergers and acquisitions, and regular or ad hoc risk monitoring are among the range of consulting services that use BO data and that are offered to private entities.

The largest customer segment is the financial services industry: corporate and commercial banks, non-banking financial institutions, and financial technology (FinTech) companies. There is also a growing market for data services customised for niche uses – for example, for investors looking into governance issues of a company in which they are interested in investing.

Beneficial ownership data sources and format

All the BO data service providers surveyed in this study obtain data directly from public registers of companies as well as government PEP lists. Intergovernmental sanctions lists were another source of data, as was social media. Other data sources reported were trade data and data provided by customers or clients themselves (see [Figure 1](#)).

Figure 1. From where do beneficial ownership data service providers obtain data?

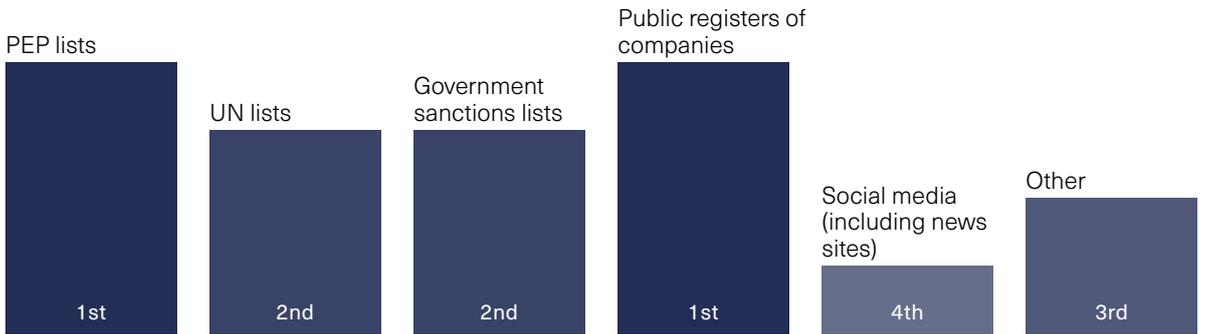
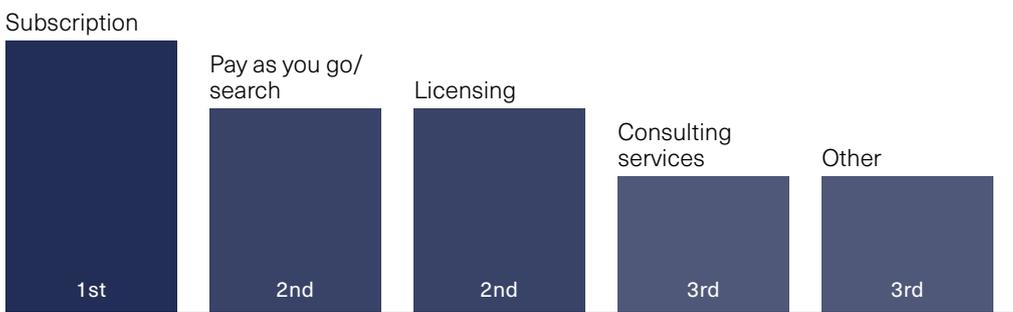


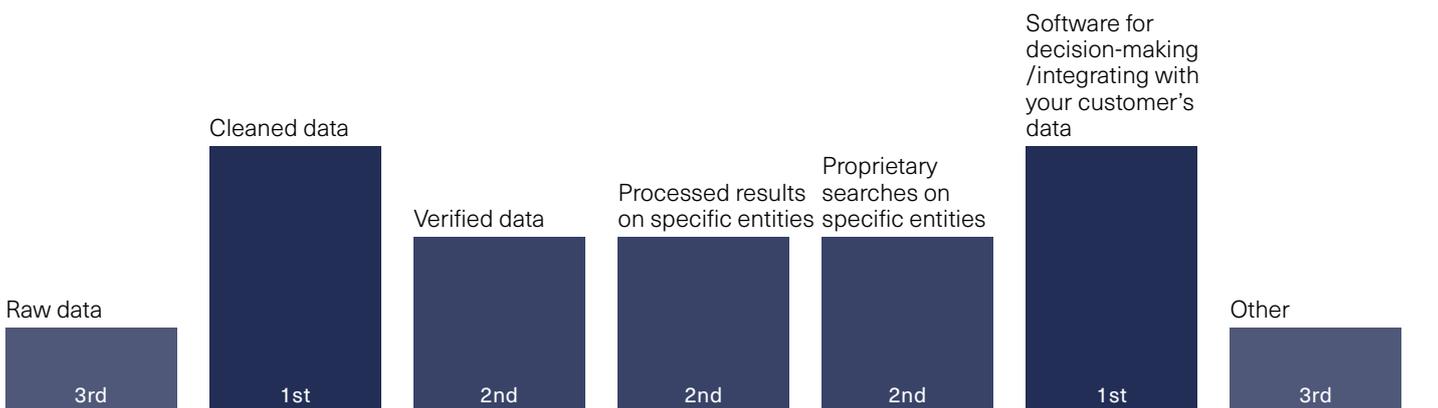
Figure 2. In what forms do beneficial ownership data service providers offer data?



The data from the surveyed service providers is most commonly offered as a subscription service, which all respondents provided, whereby the user could conduct as many searches as offered in a monthly or annual subscription. Many providers offer a licensed version of their

product. In some cases, customers can have this customised for their needs and integrated with existing software, such as customer relationship management (CRM), procurement or customer onboarding tools. Others offer simpler pay-as-you-search services via a web interface.

Figure 3. How can customers access their products and services?

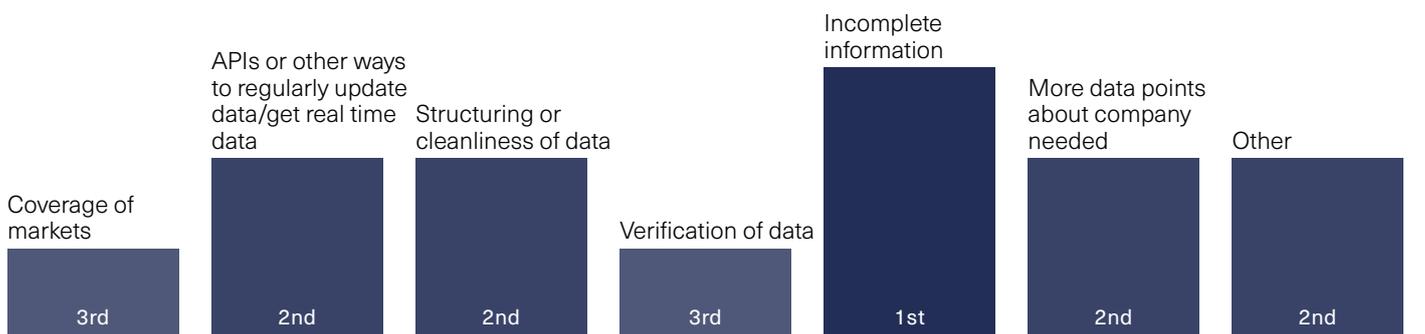


Data is least frequently provided by the surveyed companies in raw forms as obtained from sources such as government registers. Most often, service providers supply BO data to users as cleaned data, searchable in pre-set fields, or provide software for using and integrating BO data. Data may be provided as verified data through cross-referencing between different data sets or through the BO data service providers' own method of flagging incomplete or questionable data.

Challenges in the use of beneficial ownership data

BO data service providers noted many challenges in the access and provision of BO data for their customers. Incomplete information (e.g. missing data or fields that were incorrectly completed) was cited as a challenge by the majority of service providers. Other significant challenges highlighted were the lack of APIs or other means for BO data service providers to obtain updated data quickly and easily, and that the information the data provides about a company is often too limited. Uneven availability of data across markets globally was also mentioned but was less frequently because BO data service providers and their clients know that data is not available equally in all markets. The challenges in integrating BO data that is structured differently in different registers was also noted by one BO data service provider.

Figure 4. Data-related challenges experienced by beneficial ownership data service providers



Secondary research identified a plethora of private companies that provide BO data, which is indicative of large demand for the data and related services. It should be recognised that these companies add significant value to BO data for compliance and other purposes in large part because of current weaknesses in government registers. At the same time, some of these weaknesses present significant challenges for service providers to offer efficient and robust products and services, and to assist their clients in their compliance obligations and other business processes.

BO data service providers are offering increasingly sophisticated tools that can add even greater value to BO data. For instance, some offer a greater customisation of offerings for specific types of users within the private sector, outside of the primary regulatory uses, such as for investors, or for sustainability departments wishing to better understand the relationships of BO with other entities.

Accessibility is a significant issue. Registers do not all offer the same access, even if they are considered public (see [Table 3](#)). Many charge fees, require identification and registration, and collect other data from users of the register. Their search functionality may be limited and there are often time delays for approval and limits on the number of searches that can be conducted at a time. Definitions, standards, and rules vary widely across registers.

Table 3. Barriers to beneficial ownership data access and use in the EU

BO data...	Yes (no. of countries)	No ³ (no. of countries)
is licensed under an open licence (for basic information)	8	19
has registration-free access	10	17
is accessible free of charge	11	16
has API access	12	15
is downloadable in bulk	13	14
is machine-readable	18	9
is searchable by both BO and legal entity	5	22

Sources: Licensing, API, bulk download and machine readability: Deloitte⁴; Registration, cost and searchability: Transparency International.⁵

Understanding the data created within each jurisdiction and required by that jurisdiction for compliance is another challenge. Numerous definitions, thresholds, and rules regarding BO exist, which make interpreting data from registers challenging. Additionally, providers highlighted challenges concerning lack of up-to-date BO data in registers:

It depends on the customer, but some require, as ongoing or ad hoc due diligence, that checks or cross-referencing is conducted – the problem is that BO data may only be entered once, and once ownership is changed, this may not be reflected in the data. Also, BO data registers are usually infrequently updated and each country has different timelines for updating, so for companies already known to the customer or user, there is little incentive to look again at BO regularly.⁶

Group 2 entities: Companies that are end consumers of beneficial ownership data for internal business processes

Individual companies are consumers of BO data, often because it is required by regulations. The research identified certain characteristics that have an impact on whether and how the surveyed companies use BO data. These differences, such as the size and market coverage of the company, industry-specific regulations, and industry standards, are discussed in more detail in the following section.

Business drivers for beneficial ownership data use

The initial landscape mapping conducted for this study and the subsequent surveys found that BO data is used within a range of industries, in response to two key business drivers:

- 1. Regulations that mandate the use of BO data.** Compliance risk, or a company's potential exposure to legal sanctions, penalties and reputational damage as a result of its failure to act in accordance with regulations; such as the company being used by actors to launder money.
- 2. Mitigating risks that are not compliance-related by using BO data.** These include operational risks and significant reputational risks to individual companies, among others.

The research found that for respondents, the overriding business drivers for the use of BO data comes from regulators and the expanding scope of legal frameworks with which companies must comply. Regulations extend across jurisdictions and overwhelmingly fall under AML legislation, but also cover other issues such as human rights. Industry best practices are also well-developed in many sectors, acting as a kind of (voluntary) set of practices on specific themes, such as environmental practices.

Broader voluntary standards that cut across industries are promulgated by standard setters such as UN agencies, as well as international bodies such as the ISO, which develops voluntary international standards to facilitate trade. Many of these require the use of BO data,

for example, in supply chain management, in third-party human rights assessments, and in voluntary anti-corruption measures. For example, the World Economic Forum (WEF) – an organisation with a membership comprising mostly of global enterprises⁷ – states that organisations “should obtain ultimate beneficial ownership (UBO) information regarding third parties – even if such an enquiry may not be strictly required by applicable law.”⁸

In addition to using BO data for compliance and avoiding potential sanctions and reputational damage, creating a competitive advantage by using BO data to manage operational risk does not seem to be a strong driver for the use of BO data. Rather, there is a growing trend in voluntary standards around the ESG performance of companies, which is creating incentives to use BO data to gain better insights into suppliers, partners, and investees.

Table 4. Business processes where beneficial ownership data is used

Industry	Drivers cited in survey responses
 Commercial banking	AML compliance: <ul style="list-style-type: none"> • AML regulations • Client onboarding • KYC obligations • Suspicious activity reports (SARs) • Transaction monitoring • Due diligence of partners
 Electronics manufacturing	Compliance (other): <ul style="list-style-type: none"> • Human rights expectations, including International Labour Organization (ILO) and national labour laws • Anti-corruption • Trade sanctions Supply chain management: <ul style="list-style-type: none"> • Material Declaration Management Standard
 Mining and metals	AML compliance: <ul style="list-style-type: none"> • General AML regulations • Industry-specific AML regulations, such as for Belgian diamond traders) Compliance (other): <ul style="list-style-type: none"> • Bribery • Foreign Corrupt Practices Act • Modern Slavery Act • Human rights expectations, such as under the United Nations Guiding Principles and the Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises Voluntary: <ul style="list-style-type: none"> • Industry good practices

Processes and departments in which beneficial ownership data is used

For many of the surveyed companies, the data was ingested and overseen by compliance departments, even if it was also used elsewhere in the company for purposes other than compliance. This was particularly relevant for commercial banking, where compliance is the biggest driver for the use of BO data. A majority of respondents from electronics manufacturing and from mining and metals companies reported knowing which other departments or

teams in the company used BO data. A minority reported that each department obtained the data themselves, rather than ingesting it centrally.

Table 5. Where is beneficial ownership data used within companies?

Industry	Departments or teams cited in survey responses
 Commercial banking	<ul style="list-style-type: none"> • Compliance/legal/AML • KYC team • First line of defence • Customer due diligence (CDD) • Financial crime compliance • Surveillance • Investigations • Sustainability
 Electronics manufacturing	<ul style="list-style-type: none"> • Supply chain • Compliance • Risk/operational risk • Sustainability
 Mining and metals	<ul style="list-style-type: none"> • Community and social responsibility • Legal, compliance • Human rights • Risk/credit risk • Supply and procurement • Ethics

Importance of beneficial ownership data in different business processes

Compliance with regulations was seen as the most important use of BO data for jurisdictions where regulations existed because of possible sanctions or fines and reputational risks. For each of the three industries, respondents covered multiple jurisdictions and regulations. Which use cases were considered the most important depended on the industry and specific regulations.

For commercial banking, KYC obligations and transaction monitoring were considered the most important business processes for which BO data is used. For electronics manufacturing and mining and metals, complying with legislation such as the US Foreign Corrupt Practices Act and the UK Bribery Act, and with AML regulations was considered relevant. This wider range of applicable regulations is likely to be found in other real sector industries as well, such as textiles, footwear, and other types of manufacturing, due to the international nature of their supply chains, including in jurisdictions where corruption and bribery are perceived to be more prevalent.

Other business processes and decisions – such as supply chain management, implementation of sustainability strategies, and procurement – also use BO data. Most often in these situations, BO data is one of a number of data points needed to gain the required insights.

Figure 5. Importance of beneficial ownership data in different business processes

	How important is BO data to each of the following business processes?
● Commercial banking	
Due diligence of suppliers, vendors, and distributors	Not at all important
Client onboarding and KYC	Very important
Currency transaction reports and other transaction monitoring	Very important
Due diligence of other business partners	Important
Due diligence grantees/recipient entities of charitable giving/corporate social responsibility (CSR)	Not at all important; very important ⁹
Human rights assessments (third parties)	Somewhat important (only conducted periodically)
Anti-corruption assessments or anti-corruption compliance processes (third parties)	Somewhat important (only conducted periodically)
Other (risk management, name screening)	Important
● Electronics manufacturing	
Anti-corruption assessments or anti-corruption compliance processes (partners, suppliers, and third parties)	Very important
Due diligence of suppliers, other vendors	Very important
Due diligence of vendors	Not important
Due diligence of other business partners	Very important
Human rights assessments (partners, suppliers, and third parties)	Very important
Due diligence/selection of grantees	Not important; very important
Sustainability/ESG/CSR reporting	Not important; very important
● Mining and metals	
Anti-corruption assessments or anti-corruption compliance processes (partners, suppliers, and third parties)	Important; very important
Due diligence of suppliers, other vendors	Important; very important
Due diligence of distributors	Important; very important
Due diligence of other business partners	Somewhat important; important; very important
Human rights assessments (partners, suppliers, and third parties)	Somewhat important; important; very important
Due diligence/selection of grantees	Important; very important
Sustainability/ESG/CSR reporting	Somewhat important; important
Other (credit assessments)	Important

Importance of beneficial ownership data in certain markets

The three industries surveyed have different perceptions of the value of BO data in different markets. Respondents from electronics manufacturing and mining and metals responded that the use of BO data was more important in some markets than others, noting higher political risk in some jurisdictions as well as risks related to

jurisdiction-specific difficulties in accessing and verifying BO data. Respondents from commercial banking, on the other hand, did not perceive any markets to be more important than others. This could relate to the more extensive regulations that apply to financial institutions, as well as their current use of BO data throughout the organisation.

Table 6. Importance of beneficial ownership data in certain markets

Industry	Are there markets in which beneficial ownership data is more important?
 Commercial banking	No
 Electronics manufacturing	Yes, beneficial ownership data is more important in: <ul style="list-style-type: none"> • Politically high risk markets • Markets in which data is harder to validate outside of the UK and the US
 Mining and metals	Yes, beneficial ownership data is more important in: <ul style="list-style-type: none"> • High risk jurisdictions • High risk transactions taking place in high risk markets • Small scale or local suppliers

Length and frequency of use of beneficial ownership data

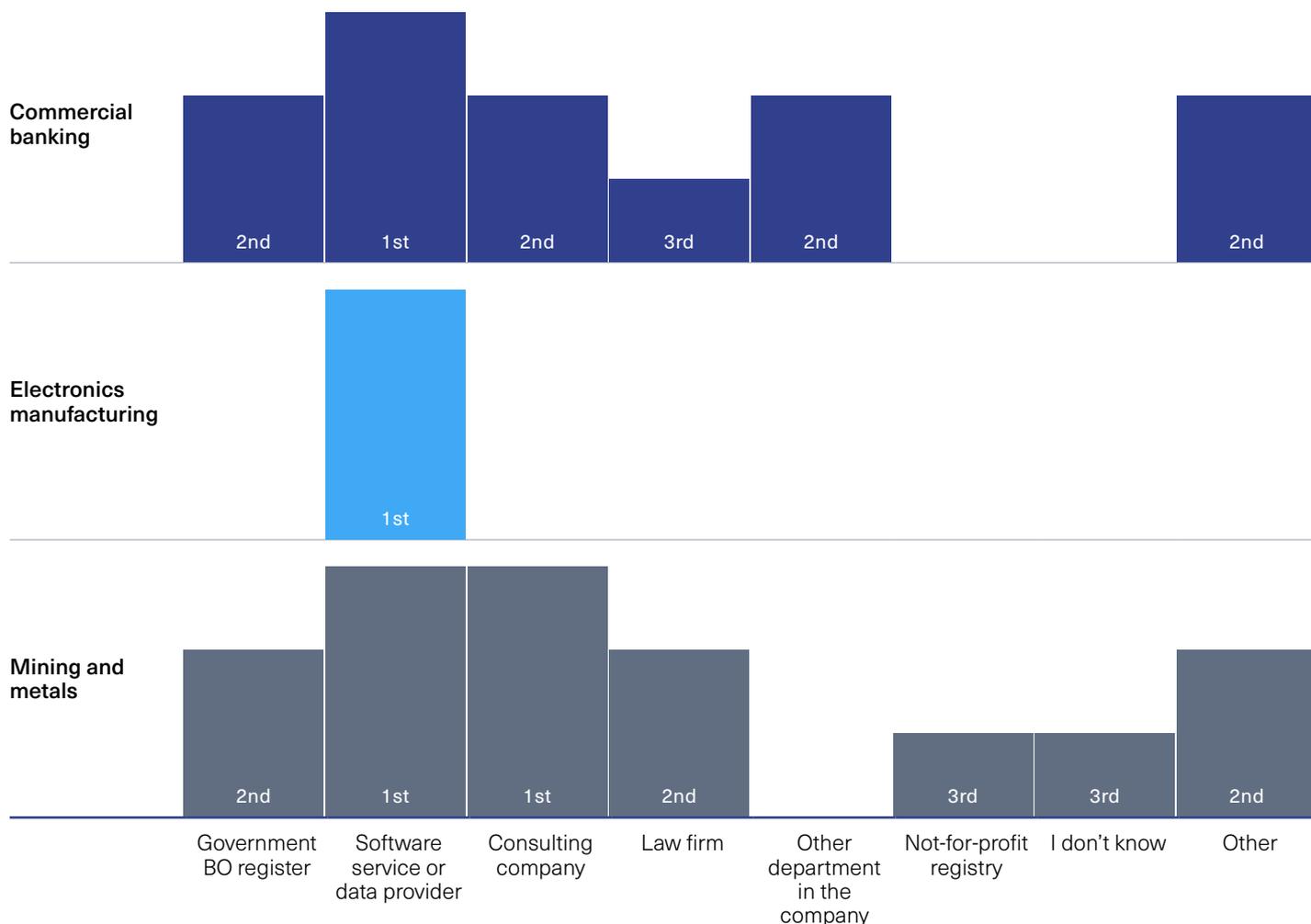
Across each of the three industries, the use of BO data is not new.¹⁰ Only in mining and metals did one respondent note that they had commenced using BO data in the past one to three years. Survey respondents in the electronics manufacturing industry noted that whilst BO data had been used within the organisation for longer than three years, it was being used in new departments and in more business decisions in recent years. The frequency of use depended on the department responding to the survey, with the exception of commercial banking, which used BO data on an ongoing or daily basis across the board. Each industry had at least one department that used BO data on an ongoing or daily basis.

Beneficial ownership data sources

The providers of BO data varied by industry, but third party BO data providers were reported as the most common source. Many respondents combined different sources and formats. Mining and metals used the widest range of data providers and noted sourcing data directly from government registers, though third party BO data service providers were most frequently used. Respondents in electronics manufacturing only listed third party BO data service providers as a source.

Both commercial banking and mining and metals reported requesting and receiving data directly from companies they were dealing with. Commercial banking also reported “acceptable data sources which are websites deemed to be suitable for identification and verification purposes.”

Figure 6. Sources of beneficial ownership data



A higher use of government BO registers in mining and metals may be due to the introduction of a beneficial ownership transparency requirement in 2016 for countries implementing the EITI Standard. Requirement 2.5 requires that “implementing countries request, and companies publicly disclose, beneficial ownership information,” and recommends “that implementing countries maintain a publicly available register of the beneficial owners of the corporate entity(ies) that apply for or hold a participating interest in an exploration or production oil, gas or mining licence or contract.”¹¹

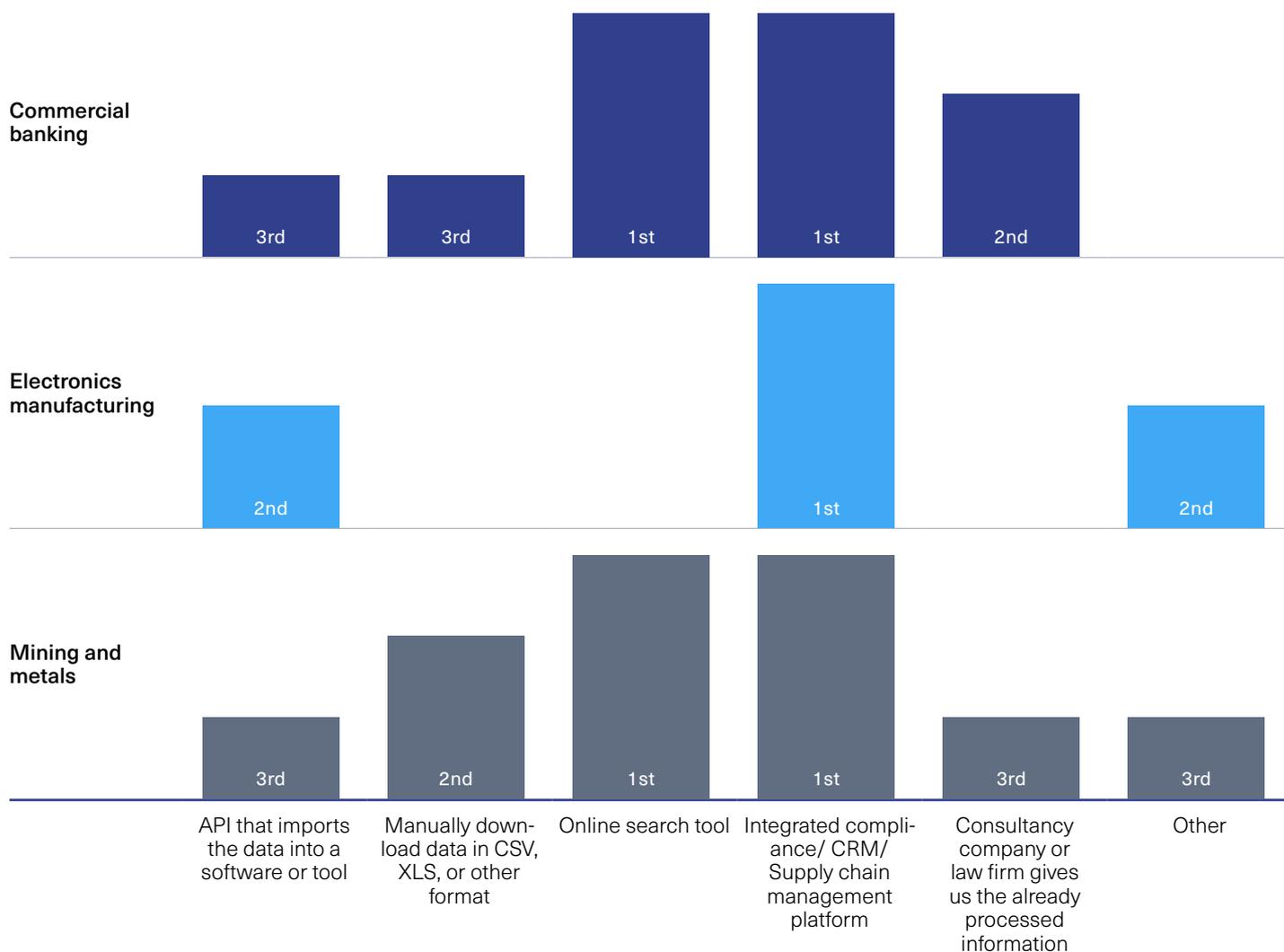
The issue of liability is a potential disincentive against companies’ use of government BO registers. As one BO data service provider expressed, there are limits to how public BO registers are used in meeting compliance obligations: “If publicly available data has been used and the client has been diligent in following compliance standards, what happens if [it turns out that the data was wrong and]

that one of their [clients appears] on a sanctions list? There are limits to their responsibility and liability based on the data they had access to.”¹²

Beneficial ownership data format

The surveyed industries receive the data in a range of formats.

Figure 7. Beneficial ownership data format



With the exception of some mining and metals respondents, the majority of respondents said that BO data was combined with other datasets specific to different business processes. For these purposes, BO data is more useful if it is available as machine-readable and interoperable structured data, as this makes it easier to combine with other datasets. This need was also raised when discussing challenges in using BO data, as discussed below.

Beneficial ownership data points

Which specific BO data points were considered most important varied by industry, and depended on the business processes the data was used in, along with companies' jurisdiction and risk profile. The most commonly cited were name and date of birth. Some considered beneficial owners' addresses and countries of residence to be valuable. Nationality was also considered important by some. Several respondents noted that the individual data points were not as important as whether the combined data points would be sufficient to be able to "identify ultimate owners, hiding behind various company fronts."¹³ A respondent from commercial banking noted: "All of those

[fields] are equally important – what does matter is being able to verify the customer or recipient through the data available.”¹⁴ For data to be useful, it is necessary that sufficient detail is collected and presented to unambiguously identify individuals, although different minimum combinations of data points are required to do this in different jurisdictions.

Another respondent noted the importance of historical data in providing the insights they required. Historical records can help verify accuracy of more than the data provided, as it offers insights into name and other changes made, which can otherwise be used to obscure BO.¹⁵

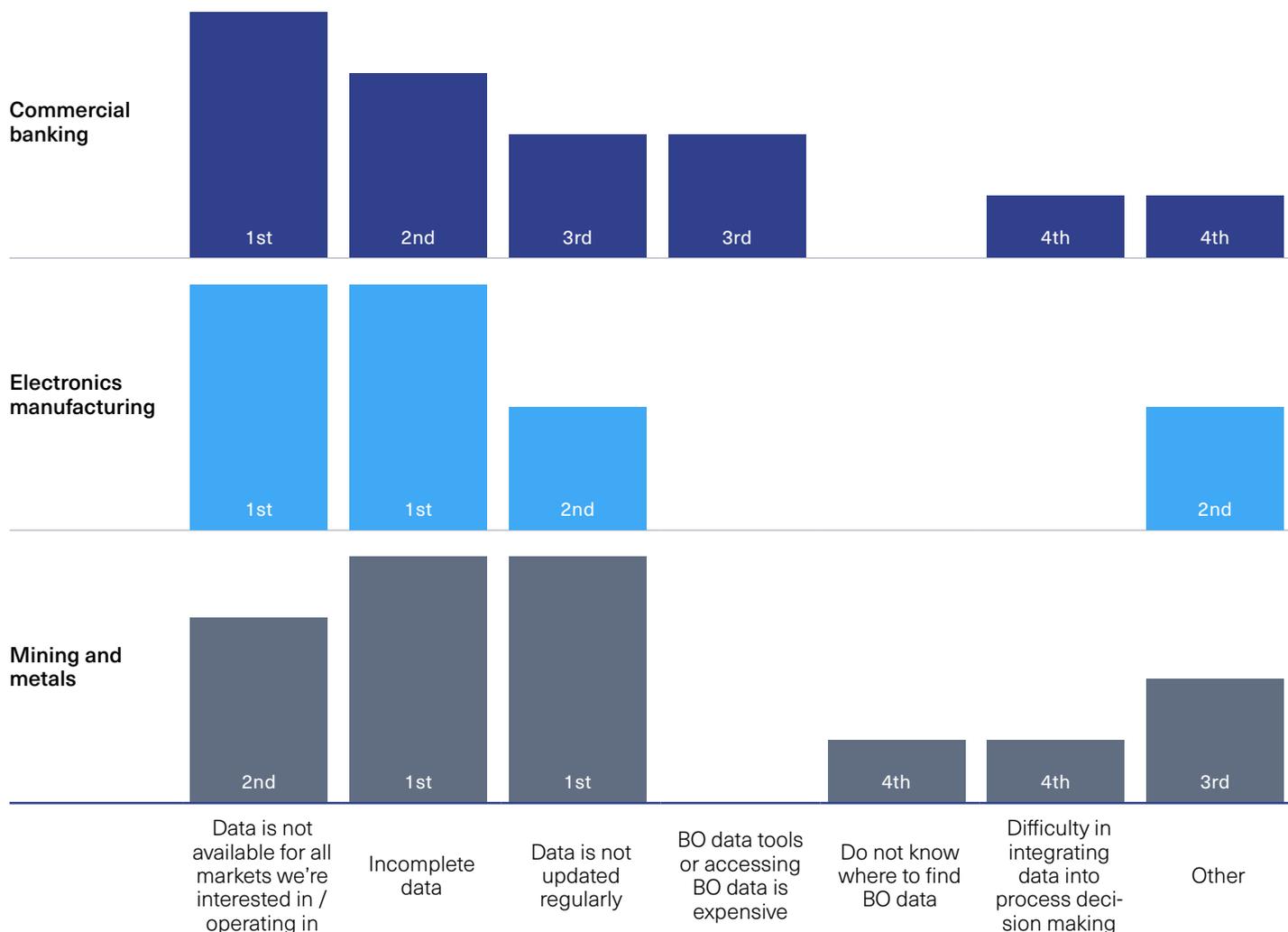
Beneficial ownership data availability

When asked if the respondents were able to consistently access the data fields that they required, all respondents from electronics manufacturing and the mining and metals sector responded: “Not for all markets”. More respondents from the commercial banking sector replied “Yes, most often”, but some respondents chose both options. As covered later on, data being unavailable is a challenge for all industries, and the most common challenge reported by commercial banks.

Challenges in the use of beneficial ownership data

Group 2 respondents experienced a range of challenges with their use of BO data. Because of the lack of reliability and gaps in the data, survey respondents from all three industries noted that they needed to verify the data they obtained, whether the data was provided through software, from company registers, or directly from the companies themselves. One respondent from the mining and metals sector noted: “No single source [of BO data] is relied on. We always use other internal and external information as appropriate.”¹⁶ Companies verified BO data using information obtained through other registers, social media, company reports, and by requesting information directly from the entity in question.

Figure 8. Challenges with beneficial ownership data



Verification was particularly an issue for commercial banking institutions, who need to verify data to the best of their ability under AML regulations. A respondent from commercial banking noted: “We have to use multiple sources and cross reference the data to see which is most up to date and accurate. This is a manual process that takes a lot of time.”¹⁷ This response should be seen in the context of the significant and rising cost of compliance.¹⁸ Other respondents across the three industries noted that they obtain information directly from the counterpart entity in question. Again, this is a manual and highly time consuming process. This suggests that improving the availability, accuracy, and reliability of the base level of data ingested may help reduce compliance costs, even where best-effort verification requirements for AML/CFT regulated entities remain in place.

Current challenges to using BO data can in part be addressed through technical approaches. For instance, data science techniques can facilitate the supplementing

and cross-referencing of BO data with data from other sources. Technical approaches can also help companies make procurement decisions to obtain the latest BO data products and services from the best vendors. This means employing a short procurement cycle and regular fit-for-purpose assessments of products. Whilst this may address some issues, these solutions may not be available to all companies due to cost, and do not address the challenge of “garbage in, garbage out” (the concept that flawed inputs produce flawed outputs).

When requesting information directly, respondents from metals and mining noted that they encounter a lack of willingness among companies to disclose their BO: “Often private companies are unwilling to share information.”¹⁹ The time delay in using and verifying BO data was also noted as an impediment: “We need the data for business decisions but it may take time to get hold of the data, and

verify it.”²⁰ Another respondent noted that varying standards of data collection constrained data use and often required manual interpretation.

The risk-based approach is a common and growing practice in compliance. It means that entities themselves will decide when a situation (e.g. a specific transaction, vendor, market, etc.) presents a higher risk and will prioritise and allocate resources accordingly towards the due diligence or monitoring. This approach – whilst ostensibly allowing resources to be dedicated towards higher risk – is based on a company-centric understanding of risk, which may not always place the intent of regulations at the centre of understanding.²¹ In short, companies may dedicate fewer resources in jurisdictions where they know that regulations or enforcement are weak, and where the risks of noncompliance are low, highlighting the need for the availability of reliable data.

As one respondent pointed out: “We use a risk based approach, depending on the scope and scale of the proposed activity and risk profile of the jurisdiction or political environment.”²² With regards to challenges that BO data presents, the degree of supplementing or cross-referencing is commensurate with a determination of the degree of risk present. These approaches vary in sophistication. As another respondent explained in reference to whether to use other data to supplement BO data: “If the beneficial owner is not on a PEP or sanctions list, we may leave it there.”²³

Lack of interoperability was reported as another significant challenge. Often BO data is stored in a particular system or database structure, and it is not automatically able to exchange information with or relate to other data sets, for instance, in order to verify BO data. Combining BO data with other data sets often involves manual work or paying a third party, and is not always possible. As one respondent noted: “Each time [the customer] wants to add or wants to use a new data point, we have to see if it will work with the dating and structuring of the existing data.”²⁴

The insights from BO data itself were also seen to be fairly limited outside of compliance requirements. Risk departments noted that the ways in which most BO data service providers’ tools offer the information makes it difficult to gain the kind of aggregated view of legal entities that would be needed to see complete ownership structures. Respondents acknowledged that BO may be held indirectly through multiple legal entities, and there is not always sufficient information to understand full ownership chains. One respondent from the commercial banking sector noted that, ideally, BO data should help elucidate the owner’s “relationships with other entities and with other named individuals.”²⁵ This highlights the potential

value of widespread global disclosure of BO data as structured data according to a minimum standard to ensure interoperability.

Group 3 entities: Investors and environmental, social, and governance stakeholders

The third group of private entities identified covers a large range of stakeholders who have an interest in BO disclosure. Institutional investors – such as pension funds, mutual funds, sovereign wealth funds, and insurance companies – invest on behalf of clients, members, or customers. Though many are passive funds, due to the volume of their investments, they can shape the face of business and practices of individual companies through their investments. There is growing pressure for institutional investors to use BO data in due diligence – both in terms of identifying investable companies and as a part of risk identification and management, which can be more important in markets where a lack of regulations means certain standards are absent.

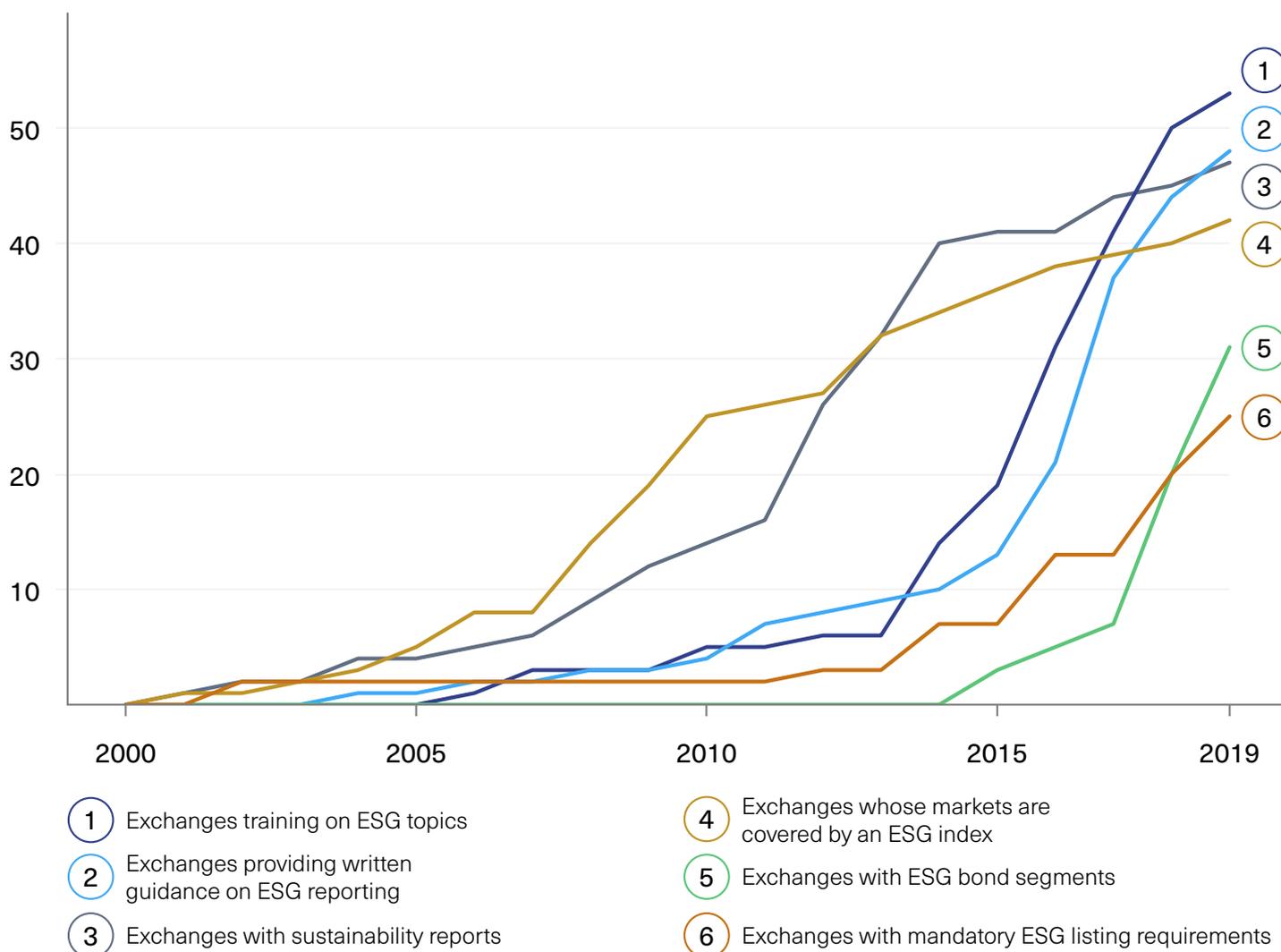
Companies listed on stock exchanges and their (potential) investors are other stakeholders within group 3 that have interest in the use of BO data. This is important not only from an AML/CFT perspective, but also because of the growing practice of shareholder activism, as shareholding beneficial owners use equity stakes in listed companies to put pressure on management. In some cases majority shareholders may also do this for personal gain, at the expense of minority shareholders.

Entities involved in the advocacy, promulgation, and service provision of sustainability frameworks that draw on ESG standards for private companies are also BO data users. They may be private, not-for-profit, non-governmental, or intergovernmental organisations. With the growth in sustainability frameworks and in interest from investors and regulators in reporting on sustainability, these entities will play an increasingly important role in the uptake of voluntary codes and regulations related to sustainable business practices, and, within those, on the use of BO data. This includes entities such as the Sustainable Stock Exchanges (SSE) Initiative, the Global Reporting Initiative, the Sustainable Accounting Standards Board (SASB), Integrated Reporting, the United Nations Principles for Responsible Investment (UNPRI),²⁶ and even a number of private investment funds and development finance institutions at the forefront of pushing for sustainable business, such as BlackRock and the CDC Group.

There is also a cadre of service providers that offer consulting services to assist companies in environmental and social risk management, and in developing systems for compliance with ESG reporting requirements. They are often also users of BO data on behalf of their clients.

Institutional investors hold similar motivations for BO disclosure in portfolio companies. A recent United Nations Conference on Trade and Development (UNCTAD) report confirmed the growing trend of the integration of ESG requirements and reporting into investment practices (see Figure 9).²⁷

Figure 9. Stock exchange trends



Adapted from: UNCTAD²⁸

With the growing number of reports of the inflation of ESG ratings,²⁹ guaranteeing high quality data and expanding the types of data available may be of increasing importance. In a conversation with experts on ESG reporting, several noted that the relative ease of defining and measuring key performance indicators for environmental standards has led to an overemphasis on this domain, while governance metrics remain lacking. There is potential

for BO information and standards to help bridge this gap. WEF has also advocated for a holistic approach to risk and compliance, stating that mainstreaming integrity in business practices is “indispensable to achieving a sustainable future,” and citing BOT as a potential way to enhance compliance.³⁰

Other industry-specific standards also exist, developed and certified by professional bodies and other international bodies, such as the ISO,³¹ which could drive the use of BO data. Whilst voluntary, companies in certain industries seek ISO certifications for global operations. The certification assures business partners, customers, and even end consumers that products and services have been made to international quality standards.

Challenges in the use of beneficial ownership data for environmental, social and governance reporting

As in groups 1 and 2, group 3 data users also face challenges in verifying the data they use. Additionally, they reported challenges regarding the ways in which data can be used for insights. The ESG regulators, and investors in particular, pointed to knowledge gaps they are currently

left with when using BO data. These included difficulties in deriving deeper insights. “[We] may want to know more about a particular owner and other companies, which can provide better insights into what can be expected on the ES and especially G perspectives of the company that we’re looking to invest in.”³² Others noted that the BO data currently available to them may provide a starting point, but they would need to conduct a full audit trail by piecing together information including company ownership.

When asked how companies work around these challenges, responses varied from simply making do (“we live with it as it is”³³) to technical and strategic ways of dealing with the challenges. Most respondents reported employing technical solutions to data availability challenges, such as supplementing data and cross-referencing with additional sources.

How companies see the use of beneficial ownership data developing in the future

The following section summarises the survey responses to questions covering how respondents foresee BO data use in the future, as well as secondary research undertaken on the topics identified.

Growing importance of beneficial ownership data

The majority of respondents replied that they anticipated BO data would become more useful and important, with less than a quarter responding that it would stay as useful and important as it currently is. Much of this sentiment is due to the regulatory momentum and the significant reputational and financial risk of failing to comply with new, stricter regulations.

There are also industries that are not currently covered by regulations mandating the use of BO data, which may well see the development of government oversight, such as financial securities. Whilst AML regulations do apply to many FinTech companies and non-banking financial institutions, e-payments, peer-to-peer (P2P) tools, and e-wallets,³⁴ there is likely to be very strong growth in the number of users of and the volume of transactions through these entities. Recent surveillance has identified a large amount of money laundering and fraud being conducted through the use of applications for transfers.³⁵

Part of the growth in the use of these apps will come from continued growth in e-commerce, which relies on them for payment for goods and services over the internet and in the provision of novel P2P services. In addition to the

financial transactions which fall under AML regulations, many e-commerce platforms typically offer third party goods or services provided by companies that span the globe. At this time, the degree of due diligence conducted by e-commerce platforms on their third party providers is unclear, and needs further research.

Verification

Private entities will continue to use technology to verify BO data offered by government registers with additional data sources, such as scraping social media, particularly where there may be significant gaps in register data.³⁶ At the same time, this is likely to present barriers for smaller entities who may not have the resources for these new technologies.

The continuing development of new technologies and the recent challenges of working in the COVID-19 pandemic have contributed to continuing transformation of verification practices, which must become fit for purpose in increasingly digital economies. For example, banks have recognised the need to conduct remote onboarding and KYC because of pandemic response measures.³⁷ Technological advances offer great potential to move beyond systems that are dependent on physical records to a modern digital economy that uses the scores of attributes that are created by individuals on a regular basis to verify identities.

Improvement of identity verification (IDV) controls used in KYC is already taking place, and its application by financial institutions will also assist in the verification of BO data. One opportunity, which must be carefully balanced with data privacy and data protection needs, is the expansion of digital IDV from single to multiple attributes or points of verification that comprise an identity network. These digital identity networks will make it easier to cross-reference and verify BO data.³⁸

Value-add by data service providers

BO data service providers are offering increasingly sophisticated tools that can add even greater value to BO data. In addition to providing access to register data and conducting volume searches and ways of verifying data, greater customisation of offerings for specific types of users within the private sector can be seen outside of the primary regulatory uses, such as for investors, or for sustainability departments who wish to better understand the relationships of beneficial owners to other entities and individuals on PEP and sanctions lists. Helping mitigate reputational risk was cited as a strong driver in this regard.

Whilst the number of BO data service providers – especially newer, smaller providers who are challenging larger and more established providers – has grown in recent times, there are some signs that this growth may slow as initial investor enthusiasm starts to wane.³⁹ Some industry experts have suggested that regulated entities lack incentives to spend increasing amounts of money on better data that makes use of more expensive technology.⁴⁰

Mitigating risks in global supply chains

For companies moving to more global supply chains or expanding into new markets, risk management is increasingly being incorporated into business strategy. This trend has been amplified by economic and supply chain challenges resulting from the COVID-19 pandemic. The imperative to properly identify risks associated with partners, vendors, suppliers, and other third parties is growing.

A risk-based approach – as many of the survey respondents pointed out – means having a good understanding of the environment and of each entity a company is working with as a client, supplier, joint venture partner, and so on. Knowing who controls those companies is a key part of that understanding, and becomes more important in the context of new and fast-changing supply chains. As one respondent from electronics manufacturing noted, “Differences in data from different markets is part of our risk assessment process. If we feel we are not able to get complete info on a supplier from a particular market and there are questions, we may well select suppliers from other markets with better information, if all other factors

are equal.”⁴¹ This supports the view that BOT can improve the business environment and attract investment, which has been a key driver for reforms for some governments.

Environmental, social, and governance indicators and economic performance

Another trend that has been given further impetus during the COVID-19 pandemic is the degree to which investors, whether asset managers or owners, see ESG indicators as key to weathering crises and to medium-term business performance. Whilst the trend has been increasingly important, some had feared that these would merely be “nice to have” for investors during the pandemic and other crises. Instead, we see that the complex risks posed by the pandemic have actually encouraged record capital allocations towards investments, to which ESG performance is central.⁴²

Complex risks have encouraged investors to look far more closely at a company’s ability to manage crises with adaptation and resilience, for instance through robust governance and effective leadership. As mentioned, investors are increasingly taking a deeper look into the governance track records of the controllers and owners of companies in which they are interested. This includes evaluating the steps that companies are taking to uncover beneficial owners of companies within their supply chains as an important indicator of how these companies manage risk. These trends are converging and driving an approach towards business integrity and ethics that is central to companies’ business models. Transparency in who owns and controls companies is a key part of this.

“

If we feel we are not able to get complete info on a supplier from a particular market and there are questions, we may well select suppliers from other markets with better information, if all other factors are equal.”

Implications for policy and practice

As the findings demonstrate, there are multiple use cases for BO data within a range of private sector industries. The biggest driver of BO data use by the private sector is compliance with government regulations. Other drivers include the growth in voluntary standards, evolving industry best practices, and risk management.

However, many companies lack a centralised approach to accessing and maintaining BO data when more than one department uses it. This poses challenges to access, validation, and usability of the data by the different departments, but may be due in part to deficiencies in BO data and the need to rely on multiple sources and third-party data service providers.

For all use cases, BO data is currently falling short of effectively providing the insights that private entities are looking for. Companies using data for compliance face the most pressing challenges, which can prevent them from achieving the regulations' objectives. Data availability is a key challenge. BO data is not consistently available across jurisdictions, and where it is available, usability is reduced by lack of uniformity, completeness, reliability, or interoperability. These issues are expected to grow, as regulations become more stringent and more expansive across industries. Ensuring that companies subject to regulations that mandate BO data use have access to high quality data will greatly assist with compliance.

To date, efforts by companies to address these challenges rely on significant technical, human, and financial resources. Whilst this may address some issues, the cost of these solutions means they may not be available to all companies. Ultimately, these are imperfect solutions to the issue of "garbage in, garbage out," and the lack of uniformity and consistency in data sets must be addressed at their origins. That is, data on BO in government registers needs to be accessible, reliable, usable, and up to date.

Governments are best placed to collect, verify, and publish BO data. Whilst BO data providers add genuine value, in many cases their efforts are spent on addressing basic issues that government registers are better placed to

address. If governments would do so this would in turn allow BO data providers to add additional value to their services and extend the use of BO data. Put simply, the better the data these companies can ingest, the more they can target human resources at further enriching the data, for example through more complex aspects of open source research. Furthermore, challenges in using BO data currently constrict other businesses from unlocking BO data's full potential in areas beyond compliance.

Considerations for governments

The research findings indicate that the availability of standardised, reliable BO data from multiple jurisdictions would greatly assist both smaller companies and those with large multinational operations and supply chains to use BO data in an impactful way. Governments should consider the following actions to assist in addressing current challenges and future demand for BO data by private entities:

- Maintain **central, public** registers of company ownership that can be accessed easily without restrictions and other hidden technical and cost barriers.
- Make the data in registers available as **open, structured, and machine-readable data**. Ideally, this would use a common data standard, such as the Beneficial Ownership Data Standard (BODS),⁴³ to ensure uniformity and consistency across data sets.
- Ensure **verification of data at the point of and after submission** to allow for greater ease of use and greater reliability of data in registers. The reliability of data was identified by the research as an important factor in efforts by private companies to comply with regulations that involve the use of BO data.

- Data in registers needs to be kept **up to date**. For a number of use cases, **historical data** is also important, including for compliance purposes. Governments should require regular confirmation of existing data and timely notification of all changes, and they should keep historical records.

The Open Ownership Principles

The OO Principles⁴⁴ provide a framework for governments to implement BO registers in a way that is useful for the private sector, responding to many of the issues raised in this research.⁴⁵ The OO Principles, first published in December 2020, are based on OO's work with over 40 countries establishing good practices for open data, and they are based on the findings from practitioners and academic researchers, as well as consultations in early 2021, which included private sector participants. The nine interrelated principles improve data by focusing on enabling data disclosure and collection, facilitating data availability and accessibility, and improving data quality and reliability.

Considerations for private sector actors

The findings have also identified steps the private sector can take to improve the use of BO data and help governments implement useful registers.

- Better centralisation and integration of access and use of BO data within an organisation may assist with greater usability of the data by all relevant departments of the company.
- Businesses, investors, and other private actors can advocate for open data with consistent standards to facilitate ease of access and use by private entities.
- Obligated entities can collaborate with governments to consider whether the techniques for gathering information and methods for verification that they have

developed can be implemented for improving government data verification processes and the maintenance of open registers.

- Where open registers exist, businesses can contribute to data accuracy by reporting discrepancies.
- Businesses can use their industry good practice secretariats and other thematic networks to continue to raise these issues with governments and non-governmental regulators.
- Businesses can explore and document the use of BO data in meeting broader compliance, integrity and sustainability goals, such as ESG standards.

Conclusion

The demand for BO data is growing as AML and other regulations expand and become more stringent, and companies keep up in their efforts to comply. In addition, demand has been created through new use cases as organisations strive to improve business processes and decision-making through the effective use of data and analytics.

Unfortunately, easy access to BO data that is reliable, complete, and accurate currently does not match the pace of demand. Further, the challenges companies experience with accessing and using BO data are impacting the ease and effectiveness with which they can meet their

compliance requirements and constraining potential use cases outside compliance. Whilst the companies involved in this research make significant efforts in-house or through external service providers to access, clean, verify, and integrate the data into business processes, many challenges remain – there is only so much the private sector can do. Governments are best placed to ensure that BO data is regularly updated, collected, and stored according to standardised formats, verified at source, and made easily accessible in order to meet the growing demand for reliable BO data from the private sector.

Areas for future research

As noted initially, the researchers faced a number of access challenges and received responses from a smaller sample size than was planned in the methodology. Therefore, while the findings from the research generally chime with the wider literature, caution should be used when interpreting the results to be representative and widely generalisable. For example, the research is unlikely to have exposed significant regional gaps or other characteristics of the survey group that might have led to underrepresentation of certain entities or findings. Therefore, an area for future research includes expanding the research on data use by private entities to cover more entities in a representative sample, and including other industries.

The research identified a number of gaps in knowledge regarding private sector actors' use of BO data. The first of these unanswered questions is about the incentives (and disincentives) for companies to provide accurate and timely information about their own BO. In contexts where government-mandated BO registers do not yet exist, the use of BO data for ESG-related use cases may create a growing incentive for companies to provide and update BO information.

Another question that was raised was the effectiveness of feedback loops between government and private sector entities. The private sector entities interviewed in the research mentioned a number of fora in which they could engage in dialogue with governments on BO. However, the researchers were not able to determine whether there was broad participation in these across and within different industries. Given that collaboration on approaches to improve BO data is being recommended, it would be important to establish more detail about what this collaboration might look like.

Related to this is the question of the extent to which companies can rely on government data, and what the liability implications of their use are. Currently, even when companies use BO data from government registers, they are required to conduct and demonstrate best-effort at verification. The EU's fifth anti-money laundering directive requires private entities to report any discrepancies they find to registrars. If companies will need to conduct their own – potentially costly – verification checks, whether using public registers or not, this can be a disincentive for companies backing and using these registers. Additionally, if companies use public data, they are still liable for the repercussions when the data is incorrect. However, it is

questionable whether this will realistically change in the near future, especially if government registers are still relying on discrepancy reporting to improve quality. More primary research should be conducted into the incentive structures around liability.

An additional area for exploration is the differing approaches companies operating in multiple markets may adopt for dealing with the variation in implementation of BOT systems in jurisdictions across their operations. The research found that the risk-based approach adopted by many of the companies meant that regardless of the extent and deepening of AML regulations in Europe and North America, uneven access to data in global markets means real limitations to what those regulations can achieve, even with best efforts at compliance. It will be interesting to see how far growth in regulations can push companies' compliance efforts without real changes in the accessibility of government registers.

Finally, the researchers noted that smaller businesses may get left behind in using novel means to accessing and validating BO data due to the skills and costs required to do so. It will be important to monitor noncompliance in the coming years to identify if smaller companies are being disproportionately punished for a problem that lies outside of their capacity – and responsibility – to resolve.

Annex 1. Further information on research framework

The rapid scoping exercise identified a range of questions that the research team aimed to answer through primary and secondary data collection.

Question 1

Identify the current use of BO data by private entities, including an overview of a full range of types of entities and industries that use BO data. The research will provide a typography of the industries, departments, other private entity characteristics, markets, and jurisdictions where BO data is currently used, identifying those for whom BO data is most important.

Research questions

- Which industries currently use BO data, and why?
- Are there specific characteristics of a private company (e.g. size, number of transactions or suppliers, scale of operations, etc.) that determine whether or not BO data is used by that company?
- Are there specific markets in which the use of BO data is more prevalent and, if so, why?
- Where within a specific company or other type of private entity is BO data used (i.e. which departments or units)?

Question 2

Identify the range of different business drivers for the use of BO data and how they relate to different industries. In addition to existing drivers, emerging trends that may drive business use in the near future will be identified.

Research questions

- What are the different business drivers for the use of BO data by private entities?
- Are the drivers industry or jurisdiction-specific?
- Where is BO data most impactful or valuable within the private sector, both in terms of how BO data is currently used and how it may be used in the future?
- How recent are the drivers, and will they grow or diminish in strength?
- Which actors and entities are at the forefront of trends that could encourage access to BO data by private entities?
- Within the private sector, who has influence, and of what kind, in business drivers and incentives for the use of BO data?

Question 3

Define the specific business processes, systems, and tools used for collecting, processing, and managing BO data within key industries that will be explored. The research will also provide an overview of the policy and workflow involved within key business processes and in the use of BO data of customers, suppliers, partners, distributors, and other business relationships.

Research questions

- What are the current use cases for the use of BO by private entities? Which use cases are more common?
- What are the business processes for which BO data is used within a given company/private entity? Is the data used for more than one business process and, if so, which business unit is the primary data purchaser/internal provider?
- How is BO data sourced/procured?
- In what form is BO data used?
- If BO data is used with other data within a business process/business decision, in what ways is it transformed and/or used with other data?
- What tools or software are used in the process of extraction, importation, integration, or application of BO data?

Question 4

Explore and detail the challenges that private entities find in accessing and using BO data. The research will identify gaps where BO data may be useful but is not currently being used widely, as well as emerging areas of use and trends that can support more effective and widespread availability and use of BO data.

Research questions

- What are the internal (to the private entity) and external incentives and disincentives for use of BO data by private entities in groups 2 and 3?
- Where else is BO data not being widely used currently where it could be of value to private entities? What are the reasons for this?
- What kinds of challenges do private entities face using BO data? How do they address these challenges?
- How are trends moving that would support the use of BO data by companies or other private entities?

Annex 2. Industries mapping outcome

Figure 10 and Figure 11 show the outcome of the scoring of group 2 industries using secondary research. Three industries found in the top right quadrants were selected for inclusion in primary research. These are:

- commercial banking;
- manufacturing and electronics;
- extractives (metals and mining).

Figure 10. Relevance of beneficial ownership data to the industry compared with the use of entities within the industry to obscure beneficial ownership

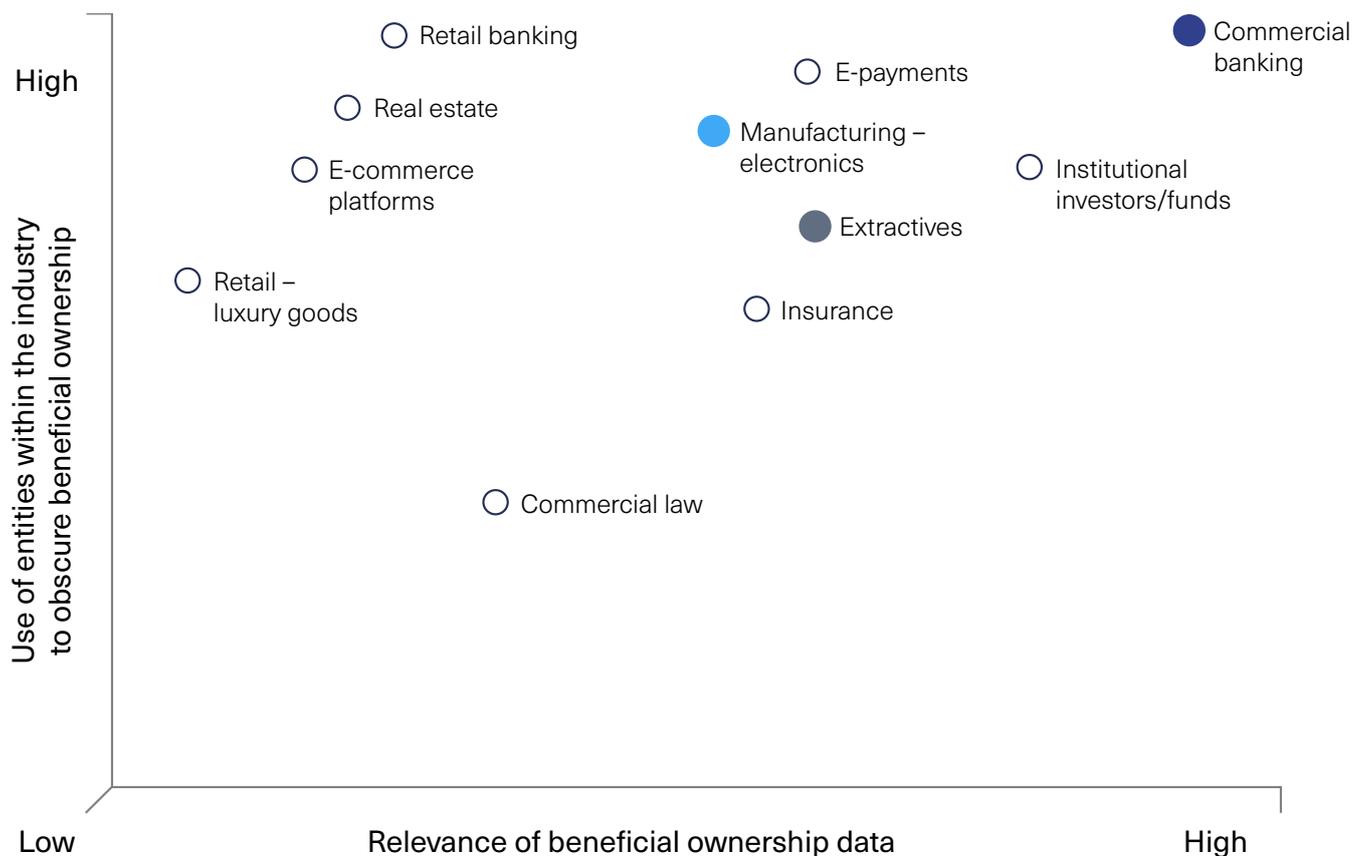
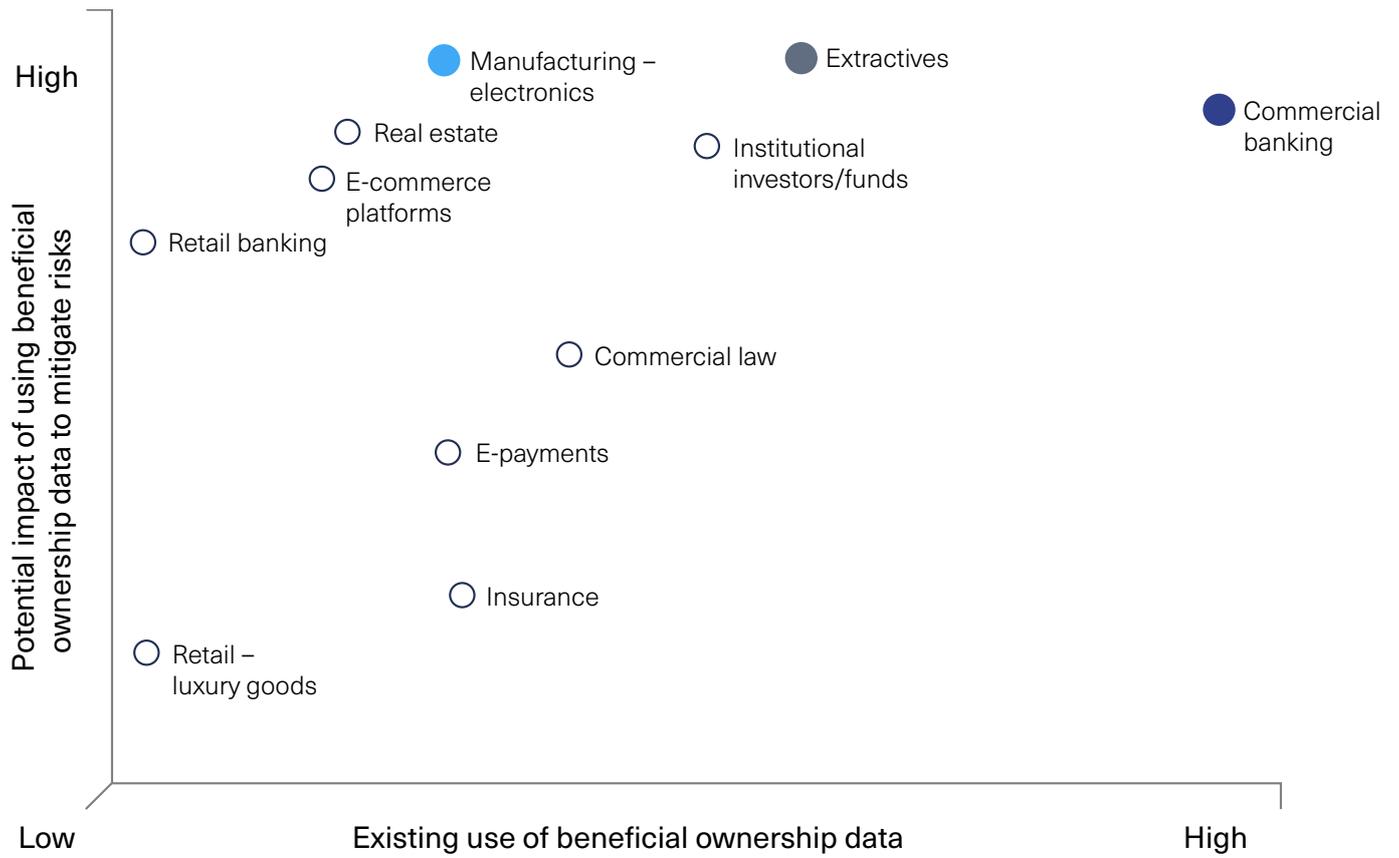


Figure 11. Existing use of beneficial ownership data by the industry compared with the potential impact of using beneficial ownership data to mitigate risks in the industry



Annex 3. Industries and beneficial ownership data

The table on the following page shows how different industries relate to beneficial ownership data. Industries were subjectively scored on a number of criteria based on industry reports, media reports, white papers, think-tank policy pieces, government directives, and companies' annual and ESG reports. This scoring was used to select focus industries for the research (see [Annex 2](#)).

Industry	Relevance of BO data				Use of entities within the industry to obscure BO		Existing use of BO data	Potential impact of using BO data to mitigate risks in the industry				
	Regulations	Voluntary codes	Reputational risk and other	Composite score	Use for money laundering	Use by actors obscuring BO		Current use by industry	Direct or multiplier impact on ESG	Crowding out factor	Impacts of corruption and human rights violations on industry	Composite score
Retail-luxury goods	N	N	N	0	Integration	3	0	0	0	1	0.3	
Life insurance	Y	N	Some	2	Integration, wealth generation	2	2	2	1	0	1.0	
E-payments	Y	N	Some	2.5-3	Placement	3	1.5	0	0	0	0.0	
Commercial Law	N	Y	Y	1.5	Facilitation	2	1	1	1	2	1.3	
Retail banking	Y	?	Y	3	Placement, layering	3	1	2	0	0	0.7	
E-commerce platforms	N	N	Y	1.5	Wealth generation, placement	3	0.5	3	1	2	2.0	
Institutional investors	Y	Y	Y	2.5	Integration, N/A	3	2	3	2	2	2.3	
Real estate	N	Y	N	1.5	Integration	4	1	3	3	2	2.7	
Manufacturing and electronics	N	Y	Y	2.5	Wealth generation	2.5	2	2	2	3	2.3	
Mining and metals	N	Y	Y	2	Wealth generation, integration	2.5	2	2	2	3	2.3	
Commercial banking	Y	?	Y	3	Placement, layering	3	3	2	0	0	0.7	

Annex 4. Primary data collection surveys

Group 1 entities

We'd like to learn more about your (ultimate) beneficial ownership (BO), products and services. Your responses will help us to better understand your challenges and find ways to increase your access to high quality beneficial ownership data.

We greatly appreciate your time and thoughtfulness in completing this survey.

1. Which data products do you offer?

- Raw data
- Cleaned data
- Verified data
- Processed results on specific entities
- Proprietary searches on specific entities
- Software for decision-making / integrating with your customer's data
- Other/Comments:

2. How are your products/ services offered?

- Subscription
- Pay as you go/search
- Licensing
- Consulting services
- Other/Comments:

3. From where/what sources do you get data?

- PEP lists
- UN lists
- Government sanctions lists
- Public registers of companies
- Social media (including news sites)
- Other:

4. What are the main use-cases or business processes that your products assist your customers with?

	Not relevant	Rarely used	Occasionally used	Commonly used
Supply chain risk				
KYC				
SAR				
CTR				
Due diligence of business partners/suppliers/ vendors				
Due diligence of grantees/ NGOs/recipients of charitable giving				
Sustainability/CSR reporting				
Monitoring suspicious transactions/activities				
Other third party risk management				
Human rights assessments				
Anti-corruption assessments or anti-corruption compliance processes				
Other:				

5. What are the main challenges you face in accessing and using UBO data in the provision of your products and services?

- Coverage of markets

- APIs or other ways to regularly update data/get real time data
- Structuring or cleanliness of data
- Verification of data
- Incomplete information
- More data points about company needed
- Other:

6. What changes would you like to see with regard to public registers/databases?

7. Please provide your name and email.

This information will not be shared with any parties or used for any purpose other than to track completion of the survey.

- Name
- Email

Group 2 entities

About this survey

Ultimate beneficial ownership (UBO), also known as beneficial ownership (BO), refers to the natural person(s) who ultimately has the right to some share of a company or legal entity's income or assets (ownership) or the right to direct or influence the entity's activities (control), either directly or indirectly. Knowing the BO of business partners and customers can help a company to avoid unknowing involvement with money laundering, terrorist financing, other proceeds of crimes or human rights abuses, especially if the BO is intentionally concealed.

We'd like to learn more about your needs related to the use of UBO data.

(Approximate compilation time: 6 mins).

1. Would you prefer your response to be anonymous?

(No identifiers will be used other than your industry. We will never use your name or company name in the published research, regardless of your decision to remain anonymous or not.)

- I'd like my responses to be anonymous
- You may use my role or department in the results

2. What is your role within your company?

3. In which department or unit do you work for?

4. Which markets/ jurisdictions do you cover in your role? (Select as many as applicable).

- North America
- Western Europe
- Central and/or Eastern Europe
- Asia and/or the Pacific
- Middle East
- Africa
- Global
- Other – Write In

5. Please provide your name and email.

This information will not be shared with any parties or used for any other purposes other than to track completion of the survey.

- Name
- Email

About your company and BO data

6. Do you know if there are any current regulation(s) relevant to your company that require(s) the use of data on (ultimate) beneficial ownership?

- Yes – Please elaborate:
- No
- I don't know

7. Does your company implement any due diligence procedures regarding the beneficial ownership of companies that you work with (suppliers, vendors, etc.)?

- Yes – Please elaborate:
- No
- I don't know

8. Are these procedures voluntary, common practice, or required by regulations?

Your current use of beneficial ownership data

9. Where within your company is BO data used?

- Check all that apply:
- My department/team uses BO data
- Elsewhere in the company – Please elaborate:
- I don't know

10. Are there specific markets in which the use of BO data is more important to your company than other markets? If so, please elaborate.

- Yes – Please elaborate:
- No

11. For how long, approximately, has your company been using BO data?

- For less than 6 months
- For between 6 months and 1 year
- For between 1 year and 3 years
- For longer than 3 years
- I don't know

12. How often does your company use BO data?

- Ongoing/ Daily
- Once a week
- Once a month
- Quarterly
- Annually
- Other:

13. What is the estimated volume of BO data searches or number of entities searched annually?

Specific business processes where BO data is used

14. How important is BO data to each of the following business processes? (Please answer only for processes that your company uses)

Commercial banking

	Not at all important	Somewhat important	Important	Very important
KYC (Know Your Customer)				
SAR				
CTR				
Due diligence of business partners				
Due diligence of grantees/ NGOs/recipients of charitable giving				
Other:				

Electronic manufacturing and mining and metals

	Not at all important	Somewhat important	Important	Very important
Due diligence of suppliers				
Due diligence of vendors				
Due diligence of distributors				
Due diligence of other business partners/third parties				
Human rights assessments				
Anti-corruption assessments or anti-corruption compliance processes				
Sustainability/ESG/CSR reporting				
Due diligence/selection of grantees, NGO or not-for-profit partners or recipients of company charitable giving				
Other:				

15. If you answered “Other” above, please specify which other business processes:

16. If the data is used for more than one business process, which business unit is the primary user?

17. Is the primary user the same as the holder/ internal provider of the data? If not, which is the holder/ providing unit?

- Yes
- No – The holding/ providing unit is:

18. Can you think of (other) business processes where BO data would be of value to your company where it is currently not being used? (E.g. ISOs, supplier due diligence, other third party risk management, human rights assessments, anti-corruption, strategic planning)

Accessing and using BO data

19. From where does your company get data on beneficial ownership? Check all options that apply.

- Government BO registry
- Software Service or data provider
- Consulting company
- Law firm
- Other department in the company
- Not-for-profit registry

- I don't know
- Other:

20. In what form do you receive BO data? Check all options that apply.

- API that imports the data into a software or tool
- Manually download data in CSV, XLS, or other format
- Online search tool
- Integrated compliance/ CRM/ Supply chain management platform
- Consultancy company or law firm gives us the already processed information
- Other:

21. Is BO data used with other data within a business process? If so, please describe what other data and business processes.

- Yes – The other data and business process it is used in is:
- No

22. Which fields / what information related to UBO is most important to you (e.g. unique identifier for company, multiple names options for the individual(s), addresses etc)?

23. Are you able to consistently get the data fields that you require? Check as many options as apply.

- Yes – Always
- Yes – Most often
- Not for all markets
- Mostly not

24. What tools or software do you use to access, import, or search BO data?

Challenges in using BO data

25. What kinds of challenges does your company experience with using BO data tools or with using BO data? Check all options that apply.

- Data is not available for all markets we're interested in / operating in
- Incomplete data
- Data is not updated regularly
- BO data tools or accessing BO data is expensive
- Do not know where to find BO data
- Difficulty in integrating data into process decision making
- Other:

26. How does your company currently work around or address these challenges?

The future

27. Do you think that BO data will be valuable to your department/company in the coming years?

- It will be as useful/important as now
- It will be more useful/important than now because:
- It will be less useful/important than now because:

28. In your opinion, to what extent will BO data be used by your company in the coming years?

- It will be used about as much as it currently is
- It will be used more because:
- It will be used less because:

Any more comments?

29. Can you recommend anyone else within your company who would be able to answer these questions? Please provide names, job functions and /or email addresses. Thank you!

30. Is there anything else that you think would be helpful for us to know as we advocate for your needs?

Endnotes

- 1 For this group, researchers focused on commercial banking, electronics manufacturing, and extractives (metals and mining). These industries were selected based on their current use of BO data as well as the potential for impact derived from using BO data.
- 2 "Principles for Effective Beneficial Ownership Disclosure", Open Ownership, n.d., <https://www.openownership.org/principles/>
- 3 This includes countries where this was not yet implemented or for which information was not available.
- 4 Deloitte, "Impact Assessment study on the list of High Value Datasets to be made available by the Member States under the Open Data Directive", European Commission, 7 January 2021, 112-118.
- 5 Transparency International, "Access Denied? Availability and accessibility of beneficial ownership data in the European Union", May 2021.
- 6 Respondent, BO data service provider, October-December 2020.
- 7 World Economic Forum, "Partners", n.d., <https://www.weforum.org/partners>.
- 8 World Economic Forum, "The Rise and Role of the Chief Integrity Officer: Leadership Imperatives in an ESG-Driven World", White Paper, December 2021, 18, https://www3.weforum.org/docs/WEF_The_Rise_and_Role_of_the_Chief_Integrity_Officer_2021.pdf.
- 9 Half of the respondents noted "Not at all important" and half "Very important". As all the commercial banks included in the survey had CSR departments that engaged in grant-giving, the responses likely denote different risk perceptions with regard to the recipient entities.
- 10 As the research focused on uncovering new uses of BO data, "For longer than three years" was the longest option in the survey. BO data has been used for far longer than three years for many industries.
- 11 "Beneficial ownership: Who are the real owners of companies?", EITI, n.d., <https://eiti.org/beneficial-ownership>
- 12 Respondent, BO data service provider, October-December 2020.
- 13 General Manager, Social Performance Department, mining and metals company, September-December 2020.
- 14 Manager, Legal and Compliance Team, commercial banking company, September-December 2020.
- 15 Respondent, mining and metals company, September-December 2020.
- 16 Respondent, mining and metals company, September-December 2020.
- 17 Respondent, commercial banking company, September-December 2020.
- 18 See, for instance: "Global True Cost of Compliance 2020", LexisNexis, June 2021, <https://risk.lexisnexis.com/global/en/insights-resources/research/true-cost-of-financial-crime-compliance-study-global-report>.
- 19 Respondent, mining and metals company, September-December 2020.
- 20 Respondent, mining and metals company, September-December 2020.
- 21 Risk assessments used in risk-based approaches usually consider the company's internal processes and systems strengths and weaknesses, the regulatory environment as well as the nature of the transaction or potential partner. See, for example: Financial Action Task Force, "Guidance for a Risk-Based Approach", October 2014, 8-11, <https://www.fatf-gafi.org/media/fatf/documents/reports/Risk-Based-Approach-Banking-Sector.pdf>.
- 22 Respondent, September 2020-January 2021.
- 23 Respondent, September 2020-January 2021.
- 24 Respondent, BO data service provider, October-December 2020.
- 25 Respondent, commercial banking company, September-December 2020.
- 26 See Sustainable Stock Exchanges Initiative at www.sseinitiative.org, Global Reporting Initiative at www.globalreporting.org, SASB at www.sasb.org, Integrated Reporting at www.integratedreporting.org and the UNPRI at www.unpri.org.
- 27 UNCTAD, "World Investment Report 2020: International Production Beyond the Pandemic", United Nations, 15 July 2020, 199, https://unctad.org/system/files/official-document/WIR2020_CH5.pdf.
- 28 UNCTAD, "World Investment Report 2020", 200.
- 29 See, for instance: Leanne de Bassompierre, Saijel Kishan and Antony Sguazzin, "Palm oil giant's industry-beating ESG score hides razed forests", Moneyweb, 18 September 2021, <https://www.moneyweb.co.za/news/international/palm-oil-giants-industry-beating-esg-score-hides-razed-forests/>.
- 30 Anna Tunkel, Katja Bechtel and Robin Hodes, "How we can support the evolving global integrity agenda", World Economic Forum, 7 October 2021, <https://www.weforum.org/agenda/2021/10/how-to-support-the-evolving-global-integrity-agenda>.
- 31 The International Organization for Standardization (ISO) is a non-governmental body that works with national standards boards to develop voluntary standards that help facilitate global trade. Some of the existing ISO standards (e.g. ISO 15022) include BO data.
- 32 Respondent, ESG stakeholder, November 2020-January 2021.
- 33 Respondent, ESG stakeholder, November 2020-January 2021.
- 34 P2P applications include Cash App, Venmo, and Paypal and those offered to financial institutions, such as Zelle. E-wallets include Google Pay, Facebook Messenger, and Apple Pay.
- 35 Transparency International, "Together in Electric Schemes", December 2021, <https://www.moneylaundering.com/wp-content/uploads/2021/12/TransparencyInternationalUK.Report.MLRisksEPayments.121421.pdf>.
- 36 See: What is next-generation AML?, SAS, November 2020, <https://www.sas.com/en/whitepapers/next-generation-aml-110644.html>
- 37 Remote, digital ID verification is considered standard or even lower-risk by the FATF, see: Financial Action Task Force, "FATF Guidance on Digital Identity", March 2020, <http://www.fatf-gafi.org/media/fatf/documents/reports/Digital-ID-in-brief.pdf>
- 38 Ibid; "Picture Perfect: A blueprint for digital identity", Deloitte, 2016, <https://www2.deloitte.com/content/dam/Deloitte/global/Documents/Financial-Services/gx-fsi-digital-identity-online.pdf>
- 39 Oliver Smith, "Exclusive: Data group DueDil to merge with Artesian Solutions after failing to raise funding", AltFi, 6 August 2021, https://www.altfi.com/article/8192_exclusive-data-group-duedil-to-merge-with-artesian-solutions-after-failing-to-raise-funding
- 40 Jane Jee, "The Future of Financial Crime: Voices from the Dark Money Conference", fscom, November 2021, 8-9, <https://f.hubspotusercontent30.net/hubfs/2934033/The%20Future%20of%20Financial%20Crime-%20Voices%20of%20the%20Dark%20Money%20Conference%202021%20Publication.pdf>.
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- 42 See: "Why COVID-19 Could Prove to be a Major Turning Point for ESG Investing", J.P. Morgan, 1 July 2020, <https://www.jpmorgan.com/insights/research/covid-19-esg-investing>
- 43 "Beneficial Ownership Data Standard (v0.2)", OO, n.d., <http://standard.openownership.org/en/0.2.0/>
- 44 "Principles for Effective Beneficial Ownership Disclosure", OO.
- 45 Ibid.

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