

A register of beneficial owners of overseas companies and other legal entities

Call for evidence on a register showing who owns and controls overseas legal entities that own UK property or participate in UK government procurement.

Submission from Bond Anti-Corruption Group - 15 May 2017

The ability to hide and spend suspect funds overseas is a large part of what makes serious corruption and organised crime attractive. In order to steal public money, corrupt individuals need to be able to hide those funds in the international financial system, and find somewhere attractive to spend them. Increasingly, London's high-end property market has become one of the go-to destinations to give questionable funds a veneer of respectability.

A public register will deter the corrupt from using London property as a safe haven to invest their criminal proceeds. In doing so, it will signal the beginning of the end for a system of secrecy that facilitates and entrenches the corruption that keeps citizens in poor countries poor, robs people of their futures, and threatens global stability and security.

The Bond Anti-Corruption Group is a coalition of British NGOs who, through their work, witness the devastating effects of corruption on society. The Group has the following core members: Article 19, The B Team, CAFOD, Christian Aid, Corruption Watch, Global Witness, ONE, OpenCorporates, Public concern at Work, The Corner House, and Transparency International UK.

Over the past two years the UK has taken bold and meaningful steps towards tackling this kind of corruption, most notably by legislating for the creation of the PSC register of UK companies and hosting the International Anti-Corruption Summit in 2016.¹ However, this progress and ambition will be undermined unless the next government follows through on the UK's commitment to implement the proposed public register of overseas companies in the coming legislative cycle.

The new overseas register must be made public. It is vital that the beneficial ownership information collected by the overseas register is held publicly. It is not just law enforcement that stands to benefit from the disclosure of this information, but also civil society in both developed and developing countries. In countries with weak rule of law where corruption is prevalent it can be especially difficult to identify wrongdoing and hold political leaders or public officials to account. A public register which makes beneficial ownership information available to journalists, NGOs and concerned individuals will support citizens around the world to follow the money, expose corruption, and call for reforms that will promote integrity in their political systems.

The Government should consider lowering the threshold for beneficial ownership to 10% or lower. An analysis of the PSC register by Global Witness and DataKind in November 2016 revealed that nearly 1 in 10 companies "claimed to have no beneficial owner" at all, a claim which is made possible by the high ownership threshold level set at 25%.² Moreover, Global Witness' investigations

¹ Available online at: <https://www.globalwitness.org/en/archive/global-witness-welcomes-uks-historic-rollback-corporate-secrecy/> [Accessed 8 May 2017].

² 'What does the UK Beneficial Ownership Data show us?' Global Witness (22 November 2016). Available online: <https://www.globalwitness.org/en-gb/blog/what-does-uk-beneficial-ownership-data-show-us/> [Accessed on 8 May 2016]

expose many examples of allegedly suspect transactions involving a stake in the company of under 25%.”

The protection regime must be rigorously enforced and monitored to prevent abuse. As the register will reveal the identity of beneficial owners in relation to domestic properties it is likely that the protection regime will be utilised more frequently than the PSC register’s regime and could be exploited by exactly the kind of individual that the government is hoping to deter. For example, a politically-exposed-person (PEP) could argue that her security will be jeopardised if her home address is publicly available under the new rules, and could seek for her details to be suppressed from the register. This would prevent civil society, journalists, and revenue inspectors from the PEP’s home country from identifying her assets and holding her to account if she is suspected of being involved in grand corruption. There should be no characteristics or attributes that automatically qualify individuals to have their details suppressed from the register. Exemption should only be granted on a case by case basis - whether someone is a PEP should not prevent law enforcement from ensuring that there is a real prospect that publication of their details puts them at a credible and verifiable serious risk.

Companies House should publish how many applications for exemption are made each year and how many of those are successful in order to enable civil society to monitor the effectiveness of the protection regime.

Attention should be given to the risk of trusts being used as an alternative vehicle for hidden wealth. Trusts offer an unparalleled degree of secrecy and are often used as the final step in complex chains of shell companies as the ultimate entity that allows individuals to disguise the true ownership of their assets whilst still benefitting from them.³ To allow trusts to own property without naming their beneficial owners is a glaring omission in the UK’s transparency regime and will encourage those individuals who are intent on maintaining secrecy to alter their property ownership arrangements during and after the transition period.

Legal entities should only be exempt from the new register if they are registered with regimes of absolute equivalence. The only reason why any legal forms should be exempted from the register is if they are incorporated or already registered in jurisdictions which require absolutely equivalent disclosure requirements to the UK. Absolute equivalence between the registers is critical to avoid creating an incentive for companies that own property to ‘jurisdiction-shop’, domiciling their companies in jurisdictions where the information is less accessible, less usable and less detailed than the new overseas register.

It is crucial that the register is held in an open data format. The commitment to making data available in CSV files via an API (Application Programming Interface) is welcome. As per the PSC register, it is critical that there is no requirement to log-in (with the exception of use of the API which could require the use of API keys) or supply personal details to access the register as is currently the case for the Land Registry’s data on foreign owned properties.

About Bond

Bond is the UK membership body for organisations working in international development or supporting those that do through funding, research, training and other services. Established in 1993, we now have over 450 members ranging from large agencies with a world-wide presence to smaller, specialist organisations.

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³ ‘Don’t Take it on Trust’, Global Witness (February 2017); pp.6-7. Available online: https://www.globalwitness.org/documents/18781/Dont_take_it_on_trust.pdf [Accessed 8 May 2017].