
NEBOT Paper 2

Verification and Quality of Beneficial Ownership Information in the EU

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Civil Society Advancing Beneficial Ownership Transparency



Verification and Quality of Beneficial Ownership Information in the EU

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Abstract

As beneficial ownership registers have become increasingly widespread, researchers and practitioners have highlighted the importance of ensuring that the information contained in the registers is of high quality, meaning that it is accurate, adequate, and up-to-date. In this context, measures to verify data are essential to ensuring the success of these registers as anti-corruption and anti-money laundering tools. Within the EU, in compliance with the EU 5th Anti-Money Laundering Directive (AMLD5), Member States are required to put in place mechanisms to ensure the accuracy of information. This is also a requirement under the recently reformed Recommendation 24 of the Financial Action Task Force (FATF). Despite the clear need, little research exists concerning what kind of mechanisms are in place to ensure the quality of information in beneficial ownership registers. This study addresses this gap by identifying the different strategies used by Member States to ensure accuracy and up-to-dateness of the information in beneficial ownership registers.

This paper analyses three original data sources: a review of 24 national legal frameworks of EU Member States, a survey with representatives of beneficial

ownership registers in 18 Member States, and a case study conducted with one of these registers. The paper finds that whilst almost all Member States have some sort of mechanism(s) in place, they are not comprehensive enough to cover all necessary steps needed for ensuring accuracy and timeliness of the data. Implementation is also patchy across the EU, with significant gaps remaining, especially with respect to additional checks to confirm that the beneficial owner is indeed the individual declared. Based on this evidence, the paper proposes policy recommendations to improve the quality of beneficial ownership data in registers across the EU.

Introduction

The importance of ensuring the quality of the information held in central beneficial ownership registers is consistently highlighted by researchers, practitioners, and users of this data as an important contributor to their success as an anti-corruption and anti-money laundering tool.

As the establishment of central registers of the beneficial ownership of companies has become more widespread, and their data more widely used by actors in sectors subject to anti-money laundering (AML) regulation, users have highlighted the need to be able to trust the information contained in central government-maintained registers.¹ Industry associations and private sector actors have consistently called for measures to be taken by registrars in order to verify the information that is held in beneficial ownership registers. Since the first publicly-accessible beneficial ownership registers of companies were launched in Ukraine and the United Kingdom in 2015-16, civil society organisations and investigative journalism networks have pointed to errors in published data and

argued for the need to verify information to ensure its accuracy.²

Within the European Union (EU), the majority of Member States have implemented central beneficial ownership registers of companies in line with requirements of the 5th Anti-money Laundering Directive.³ The Directive highlights that “[a]ccurate identification and verification of data of natural and legal persons are essential for fighting money laundering or terrorist financing.” The Directive requires Member States to put in place mechanisms to ensure the quality of information in central beneficial ownership registers of companies:

“Member States shall require that the information held in the central register referred to in paragraph 3 [central register of legal entities] is adequate, accurate and current, and shall put in place mechanisms to this effect.” AMLD5, paragraph 4

The only mechanism specified in the Directive that shall be used to ensure adequate, accurate and current data is discrepancy reporting. This requires:

¹ See: Open Ownership. 2022. [“The use of beneficial ownership data by private entities”](#).

² Global Witness and DataKind UK. 2018. [“The Companies We Keep”](#).

³ Directive 2018/843 of 30 May 2018 on anti-money laundering and countering the financing of terrorism

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“obliged entities and, if appropriate and to the extent that this requirement does not interfere unnecessarily with their functions, competent authorities to report any discrepancies they find between the beneficial ownership information available in the central registers and the beneficial ownership information available to them.”
AMLD5, paragraph 4.

The Directive makes clear that discrepancy reporting alone must not be the only mechanism used to ensure the accuracy of data in beneficial ownership registers.

Beyond this, the Directive is silent on the other mechanisms that should be established, with Member States able to determine appropriate mechanisms to implement the provisions within their national context. The Directive does not place the above requirements on registrars specifically; rather, it leaves Member States to decide on the appropriate mechanisms to ensure that data within the beneficial ownership register in their jurisdiction is accurate and up-to-date.

Globally, revisions to the anti-money laundering standards of the Financial Action Task Force (FATF) in March 2022 now require FATF-implementing countries to “ensure that there is adequate, accurate and up-to-date information on the beneficial ownership and control of

legal persons”.⁴ Of particular relevance to this paper, as we seek to understand how Member States implement the AMLD5 requirements to ensure the accuracy of central beneficial ownership registers, is the interpretative note to FATF Recommendation 24. This expands on the notion of “accurate” as follows:

“Accurate information is information which has been verified to confirm its accuracy by verifying the identity and status of the beneficial owner using reliable, independently sourced/obtained documents, data or information. The extent of verification measures may vary according to the specific level of risk.”
(FATF Recommendations, p. 94)

Despite the clear need for information in beneficial ownership registers to be adequate, accurate, and up to date, little research exists regarding what mechanisms are in place to ensure the accuracy and reliability of beneficial ownership registers in the EU or elsewhere. This paper aims to address this gap by identifying the different strategies used by Member States to ensure that the information held in beneficial ownership registers of companies is accurate and up-to-date.

Three new data sources were collected to inform this paper. First, a review of the national legal frameworks used by

⁴ FATF. 2022. [“The FATF Recommendations: International Standards on combating money](#)

[laundering and the financing of terrorism & proliferation”](#).

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Member States to transpose AMLD5 beneficial ownership provisions was conducted in order to determine the relevant legal requirements related to information quality. Second, a survey administered to representatives of central beneficial ownership registers in Member States in order to collect information about the practices they use to ensure accuracy of information. Finally, an in-depth case study was conducted with a representative from one national register to further explore their responses and generate a broader picture of the measures in place. For a full and detailed description of the methodology, see Annex 1.

Defining information quality

“High-quality data” is understood in everyday language to be data that is fit for its intended use, e.g. in operations, decision-making and planning. This implies a number of characteristics including accuracy, relevance, timeliness and usability. In this paper, to understand the measures taken by Member States to ensure the quality of information available in beneficial ownership registers across the EU, members of the Network of Experts on Beneficial Ownership Transparency (NEBOT) sought to investigate the mechanisms in place to ensure the accuracy of the information.

The level of accuracy of beneficial ownership information can be broadly defined as the extent to which the information in a register reflects the true reality of beneficial ownership according to the relevant law.⁵ This requires that the information is both factually true and is kept up to date, since beneficial ownership can change over time.

In order to determine the relevant data to be collected for this study, the research team reviewed existing literature on quality of beneficial ownership

information. Analysis of existing research⁶ and guidance for practitioners⁷ highlights that there are several features of beneficial ownership disclosure regimes as well as attributes of the contexts in which they are implemented which influence the overall *quality* of data in beneficial ownership registers.

However, the set of factors that have a direct bearing on the *accuracy* of information is narrower. For example, information that is available only in unstructured free text format may be accurate but can be described as being of lower quality than the same information available in a standardised machine-readable format. To systematically identify the features in legal frameworks that had a direct bearing on accuracy of beneficial ownership data, the researchers used the requirements in AMLD5 as a starting point. However, given that AMLD5 offers limited guidance on the different elements that Member States should consider to ensure that information is of high quality, the researchers used the Open Ownership

⁵ Open Ownership. 2022. [“Policy Briefing: Verification of Beneficial Ownership Data”](#).

⁶ For example: Transparency International. 2019. [“Who is Behind the Wheel? Fixing the Global Standards on company ownership”](#).

⁷ For example: FATF. 2014. [“FATF Guidance: Transparency and Beneficial Ownership”](#) and Open Ownership. 2022. [“Policy Briefing: Verification of Beneficial Ownership Data”](#).

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Principles⁸ to guide identification of areas considered relevant for the analysis.

Within these Principles, effective beneficial ownership disclosure is defined as a regime that generates data

information that is accurate and actionable, and which a wide variety of users are able to use to help achieve a broad range of goals.⁹ Table 1 summarises the features identified as being most relevant.

⁸The [Open Ownership Principles](#) are an internationally-recognised framework that describes key features of effective beneficial ownership disclosure based on evidence from implementations to date and from emerging good practice. The Principles have been developed by

Open Ownership in consultation with over 50 actors across business, civil society, government, and international institutions.

⁹ Open Ownership. 2021. [“Principles for Effective Beneficial Ownership Disclosure”](#).

Table 1: Features of beneficial ownership disclosure regimes affecting information quality

Feature of disclosure regime	Relevance to data accuracy	Likelihood of relevant information in law
Verification: the extent to which measures are taken to check aspects of the data, either during or after submission	High: the extent to which an agency has a mandate to conduct verification and the extent and type of verification measures undertaken have a direct impact on data accuracy ¹⁰	High: an overall mandate can be expected in law, but specific verification methods may not be reflected in law ¹¹
Data structure: the extent to which data in a register conforms to a set schema and is interoperable with other datasets	High: digital, structured data is easier to verify ¹² and therefore more likely to be accurate	Low: issues regarding data structure and format are not expected to be included in law
Up-to-date: the extent to which data held in a register is required to be current and up to date	High: the extent to which information is required to be updated has a direct bearing on data accuracy	High: legal frameworks can be expected to contain provisions related to keeping data up to date
Sanctions and their enforcement: the extent to which sanctions exist for non-compliance, and the extent to which these are enforced	High: the presence of proportionate, dissuasive, enforced and enforceable sanctions can be expected to influence data accuracy, although the extent of influence will also depend on other factors such as general corporate compliance culture	High: legal frameworks are expected to contain information on types of sanctions

¹⁰ Open Ownership. 2022. [“Policy Briefing: Verification of Beneficial Ownership Data”](#).

¹¹ Ibid.

¹² Open Ownership. 2022. [“Structured and Interoperable Beneficial Ownership Data”](#).

Analysis: Key findings and trends across the EU

The following sections set out key findings from the research and discuss the implications for the quality of information in EU beneficial ownership registers in context of existing research and the EU AMLD framework.

Overall framework for the verification of beneficial ownership data

The extent to which an agency has a mandate to conduct verification and the extent and type of verification measures undertaken have a direct impact on data accuracy.

Overall, while 16 Member States mention verification as a requirement in their legal framework, in practice, the great majority of measures in place are limited to checking the identity of the beneficial owner when information is submitted. Although this is an important component of ensuring accurate information, it is far from sufficient to ensure the quality of information. Only a minority of Member States take additional measures to independently verify whether the declared

beneficial owner is indeed the true beneficial owner and conduct further accuracy checks on information once it is held in the register. This section presents the different mechanisms to verify information mandated by law and/or in use by registers across the EU.

1. Verification checks are mandated by law in about half of Member States

The presence of legal requirements for government authorities to verify beneficial ownership data is considered foundational to ensuring that registrars have the relevant mandate and are consequently adequately resourced to proactively ensure the quality of information in beneficial ownership registers.¹³ This is in addition to requirements that may exist for companies or entities in regulated sectors to take steps to verify beneficial ownership data.

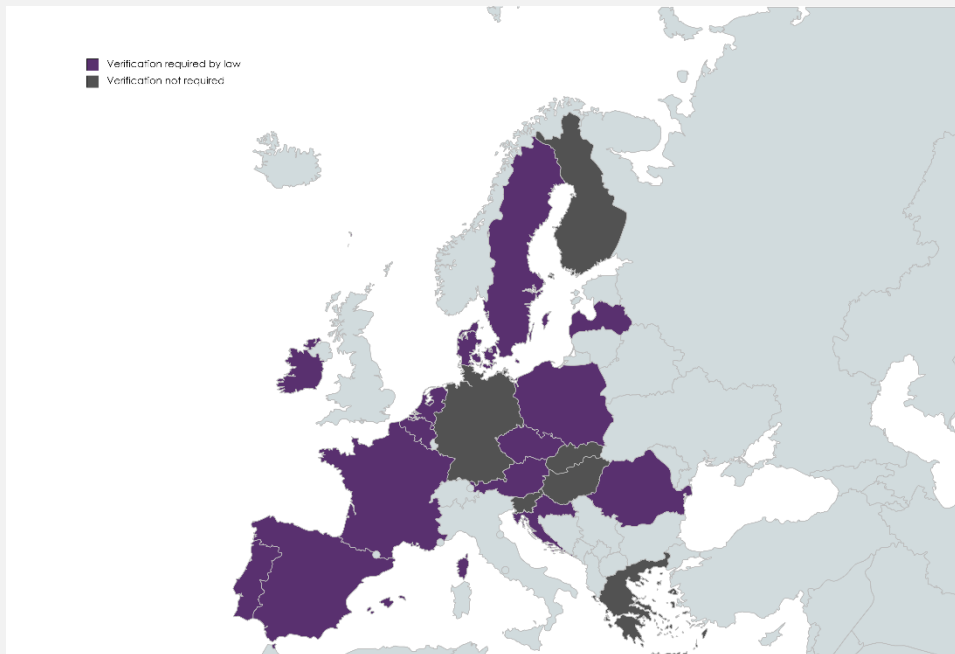
The review of the legal frameworks found that 16 Member States have at least some requirements in law for verification checks to be conducted by government authorities, although the scope of such

¹³ Open Ownership. 2022. [“Policy Briefing: Verification of Beneficial Ownership Data”](#).

checks varied widely. Nonetheless, it should be noted that other Member States may also have provisions in law for the

verification of beneficial ownership data that exist, e.g. in separate legislation outside the scope of this review

Figure 1. Countries by legal verification requirements



Source: Own elaboration based on the responses obtained in the survey regarding the legal frameworks of countries (Annex 2).

The approaches taken to requiring verification checks in law vary between Member States. In France, for instance, legislation provides for the commercial court to verify beneficial ownership data. In Malta, legislation gives registrars the power to conduct a physical on-site inspection to verify whether beneficial ownership information submitted to the register is correct.

Such variation is to be expected given the flexibility afforded by AMLD5 in how Member States can implement beneficial ownership registers as well as the variation in legal frameworks for corporate transparency. Evidence suggests that the effectiveness of any given approach will depend both on its suitability for the given national context, as well as the scope of provisions and extent of their use.¹⁴ These

¹⁴ Open Ownership. 2022. [“Policy Briefing: Verification of Beneficial Ownership Data”](#).

issues are explored further in subsequent sections of this paper.

Verification at the point information is submitted to registers

The following subsections present findings related to verification mechanisms in place at the time information is submitted to beneficial ownership registers. The subsequent section then discusses findings that relate to verification processes that apply to information once it is already held in the register.

Verifying the identity of beneficial owners

Verifying the identity of the beneficial owner is a crucial step in preventing erroneous or false declarations from being submitted to registers. By verifying the identity of the individual that is declared to be the beneficial owner, data quality is improved, as users can have confidence that the individual is a real person, and that key details, such as their date of birth and/or address, have been checked, for example against supporting documentation or existing government databases. As stated in the AMLD5, the “accurate identification and verification of data of natural and legal persons are essential for fighting money laundering or terrorist financing” (recital 22). While identity verification does not confirm that the individual is actually the real beneficial owner of the company in question, this

step reduces the scope for erroneous information to be submitted (for example, an incorrect date of birth recorded for a particular individual) and prevents information from being entered on non-existent individuals. Where accurate information such as address and date of birth are made available to all groups of people using the data, it also assists them in finding further information, for example by linking the information to other public datasets which include the same data subject.

2. Officially-issued identifiers are required for domestic beneficial owners in all Member States

Officially-issued identifiers that are issued to an individual by a government or other competent authority can be a valuable tool to help automatically verify the identity of an individual. The register survey found that all Member States for which responses were received require officially-issued identifiers for beneficial owners in at least some circumstances.

In over half of Member States, officially-issued identifiers are required in all circumstances. However, in some cases, officially-issued identifiers are only required under certain circumstances, such as when the beneficial owner is not a domestic citizen of that country.

For example, in Malta, a passport number or other state-issued identifier is required for all beneficial owners. In Sweden, an ID

number is required for all beneficial owners who are domestic citizens. In Bulgaria, domestic citizens must provide their Unified Civil Number, and foreign citizens registered with the Bulgarian authorities (e.g. with a residence permit) must submit the relevant identification number.

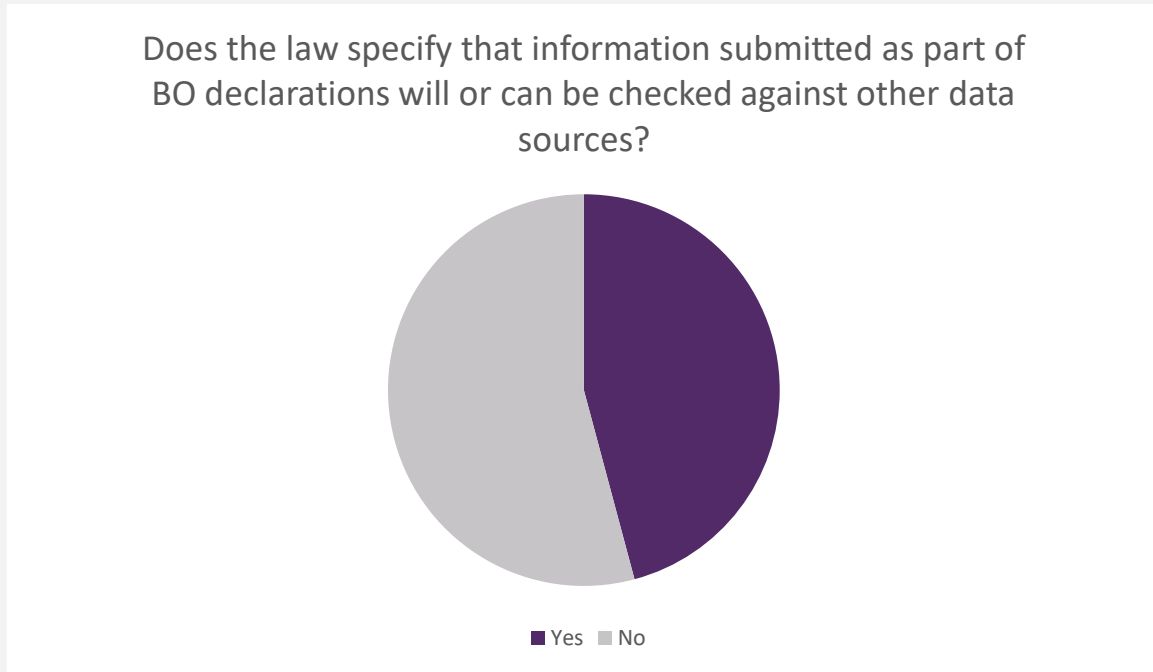
Judging by the survey responses, the tendency for requirements for officially-issued identifiers to vary depending on whether or not the beneficial owner is a domestic citizen is often linked to the use of such identifiers to confirm identity against domestic databases.

3. Most Member States check at least some identity information against other state databases

The majority of the countries analysed specify in law that the beneficial

ownership information provided to registers will be subject to verification checks (see Figure 2). Furthermore, the survey of registers revealed two main approaches taken by Member States to check identity information (such as full name, registered address and date of birth) against information already held by the state. Some Member States check the identifying information on domestic citizens who are beneficial owners using state databases that contain population or citizen records. In other Member States, submissions are only accepted from individuals or entities that are registered through a government e-service portal which requires some level of identity verification to access. In both cases, it appears from the information provided that these checks are conducted automatically.

Figure 2. Countries that specify in law that the beneficial ownership information submitted to the registers will be verified



Source: Own elaboration based on the responses obtained in the survey regarding the legal frameworks of countries (Annex 2).

Examples:

- In the Czech Republic, information on domestic citizens is checked against the [Population Registry](#) database.
- In Denmark, information on domestic citizens is checked against the [Danish National Register](#) database.
- In Greece, submissions are only accepted from individuals registered in the Tax Administration’s database.

The survey of registers found that identity information tends to be checked against state databases when beneficial owners are domestic citizens (or, in some cases,

domestic residents). This creates a two-tiered approach whereby stronger checks are conducted on the identity of beneficial owners that are domestic citizens as compared to foreign citizens. While practical and technical barriers to checking the identity of foreign beneficial owners in databases maintained by foreign states may exist, the use in some Member States of supporting documents to conduct identity checks for foreign beneficial owners (see next section) demonstrates that identity checks can still be carried out in such cases.

The issue of identity-checking for beneficial owners that are foreign nationals is particularly important as companies with foreign beneficial owners

have been flagged by some Member States, such as Austria, as being at a higher risk for money laundering/terrorist financing (ML/TF) purposes; for more detail, see the case study section. This policy would also be aligned with the verification requirements in FATF Recommendation 24, which do not distinguish between beneficial owners who are foreign vs. domestic citizens.¹⁵

4. Supporting information about the beneficial owner is required in most Member States

Supporting information can be used to help registrars verify the identity of an individual that is declared to be the beneficial owner. This is particularly useful when identity cannot be automatically verified, e.g. through using an officially-issued identifier to enable cross-checking with an existing state database.

The legal frameworks of most Member States require that supporting information is submitted on the beneficial owner, and the register survey found that in practice, 15 Member States reported requiring supporting evidence or documentation in at least some circumstances. The type of supporting information required varies. For example:

- In Denmark, a copy of the beneficial owner's passport or other official document is required.

- In Malta, a copy of the beneficial owner's passport is required, which must be certified.
- In Slovenia, the tax number of beneficial owner is required.

In other Member States, such as Luxembourg, details on what information is required are set out in separate regulations, which were not reviewed for this study.

In Member States where supporting information is only sometimes required, the survey showed that this is typically the case for foreign citizens, or in other cases where domestically-issued identifiers (for example a citizen or taxpayer number) cannot be used to verify the identity of an individual. For example:

- In the Czech Republic, supporting information is only required for foreign beneficial owners, and consists of an extract from a relevant government register, such as the population register, and proof of identity or travel document.
- In Ireland, beneficial owners without an Irish Personal Public Service Number must submit a notary-certified form with their personal details.

¹⁵ FATF. 2022. [“The FATF Recommendations: International Standards on combating money](#)

[laundering and the financing of terrorism & proliferation”](#).

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The presence of foreign citizens as beneficial owners is a known red flag for higher ML/TF risk, and the practices identified in this study demonstrate how some Member States are taking action to verify the identity of foreign beneficial owners. Whilst the legal framework, operational circumstances and ML/TF risks vary between Member States, these offer practical examples that other Member States could implement to strengthen their approach to identity verification.

Verifying information about how beneficial ownership is held

Verifying whether the person(s) declared as the beneficial owners of a company are indeed the true beneficial owners is at the heart of ensuring the accuracy of data in beneficial ownership registers. Beneficial ownership is defined only broadly in AMLD5, with national law stipulating a definition for each Member State. Therefore, the national registrar must consider the definition of beneficial ownership in place in each Member State when determining whether an individual or entity is the actual beneficial owner. This is sometimes also described as a *declarable* beneficial owner, meaning a person who meets the legal definition of beneficial owner in the jurisdiction in question,¹⁶ and can be described as

verifying the individual's status as a beneficial owner.

While in many cases the beneficial owner will directly own the company and therefore verifying their status as a beneficial owner will be straightforward, existing research acknowledges that in some instances it can be more challenging. This can be due to the complexity of certain ownership and control structures, and the multiple ways that a person may typically meet the legal definition of a beneficial owner.¹⁷ It is precisely such complex cases that are recognised as having higher ML/TF risks.

Measures to verify whether the declared beneficial owner is indeed the true beneficial owner can include mechanisms at the point of submission, but further mechanisms can also be used once data is held in the register (see later section). The sections below outline key findings from the paper in relation to steps that are taken in Member States to verify the status of the beneficial owner at the point data is submitted to a register.

5. Less than half of Member States require information on the full ownership chain

Where beneficial ownership is held indirectly through one or more intermediary entities, collecting

¹⁶ Open Ownership. 2020. "[Beneficial Ownership in Law: Definitions and Thresholds](#)".

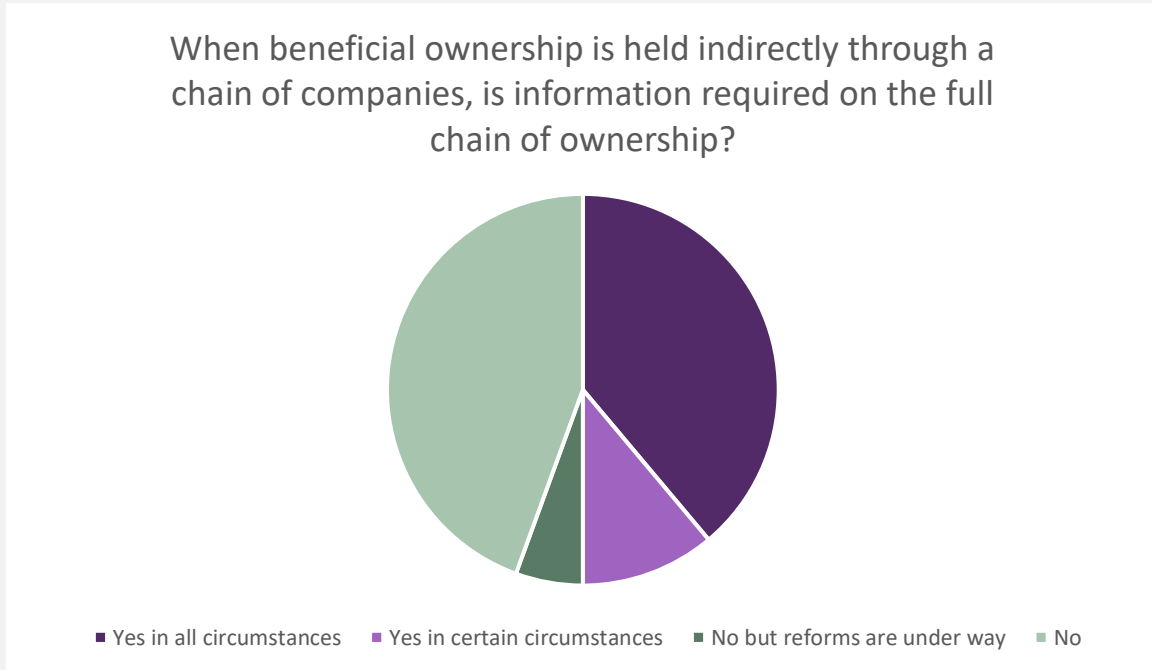
¹⁷ Knobel, Andres. 2022. "[Complex Ownership Structures: Addressing the Risks for Beneficial Ownership Transparency](#)". Tax Justice Network.

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information to understand the full chain of ownership is critical to understanding how beneficial ownership is held, and therefore to verifying whether the declared

beneficial owner is indeed the true beneficial owner. Fewer than half of Member States were found to collect this information (see Figure 3).

Figure 3. Countries that require beneficial ownership for the full chain of ownership



Source: Own elaboration based on the responses obtained in the survey of registers (Annex 4).

For Member States that do collect this information, this study found variations in the type of information required on how beneficial ownership is held when making a beneficial ownership declaration. For example:

- In Latvia, information on all intermediary companies in an ownership chain is always required where beneficial ownership is held indirectly.
- In Sweden, when Swedish companies are in an ownership chain, they are identified using their company number. However,

foreign companies in an ownership chain are only identified by name.

- In Bulgaria, information on the full ownership chain is required except when all companies in the chain are incorporated in Bulgaria.

Respondents reported that information on full ownership chains is not collected in Cyprus, Finland, Hungary, Luxembourg, Malta, Romania, or Slovenia, although reforms are underway to require this in Malta.

In Greece, information on the ownership chain is not collected, but the respondent

reported that it “is retrieved automatically.” This is an interesting example of use of automated systems to connect entries. However, the author’s assumption is that due to technical constraints this is likely to occur only when all companies in the ownership chain are incorporated in Greece.

Overall, the above findings highlight significant room for improvement in collecting information on ownership chains across the EU. Although this information is key to help verify the declared individual(s)’ status as a beneficial owner, it should be noted that the ability of different register users to do this is dependent on whether they can access this information. For example, if this information were to be collected but only made available to law enforcement and not included in the publicly-available data in the register, this would prevent the public from using this information to help verify the accuracy of information in the register. However, the question of whether the Member States that collect this information make it available to all users of the register was outside the scope of this study.

Evidence shows the importance of information on full ownership chains in investigating complex cases of corruption

and money laundering.¹⁸ Whilst the technical features of some registers, such as Sweden’s, appear to allow for domestic companies within an ownership chain to be identified, the prominence of transnational ownership chains in corruption cases highlights the utility of this information in supporting beneficial ownership registers to deliver anti-corruption and AML impact.

Other mechanisms to support data quality at the time of submission

Verifying information about the person submitting the declaration

6. Supporting information for the person submitting the declaration is not required by law in most Member States, but at least half require it in practice

Declarations about beneficial ownership may generally be made by a person other than the beneficial owner. Requiring information on the person submitting a beneficial ownership declaration can therefore be an important additional check to reduce the risk of false or inaccurate submissions.¹⁹ However, the legal frameworks of only five Member States require supporting information for

¹⁸ Van der Does de Willebois, Emile; Halter, Emily M.; Harrison, Robert A.; Park, Ji Won; Sharman, J. C. 2011. [“The Puppet Masters: How the Corrupt](#)

[Use Legal Structures to Hide Stolen Assets and What to Do About It”](#). World Bank.

¹⁹ Open Ownership. 2022. [“Policy Briefing: Verification of Beneficial Ownership Data”](#).

the person that represents the legal entity when submitting the beneficial ownership declaration. For example:

- In Croatia, a copy of the identification document is required for the person submitting the declaration.
- In Denmark, all users submitting a declaration must either be registered with the Danish Business Authority and digitally sign their application; or, where a declaration is submitted by a professional third party, this party must confirm their registration in the anti-money laundering register.

The survey of registers shows that in practice, 12 of the 14 Member States which responded to this survey question do take steps to verify the identity of the person submitting the declaration, even where requirements to do so are not present in law. Most commonly, these checks take place using an electronic submission system to which persons are pre-authorized or registered as users:

- In Cyprus, the person submitting the beneficial ownership declaration must do so via the government e-login portal, which authenticates their identity.
- In Lithuania, a certified digital signature is required for the person submitting the declaration.

Some registers responded that the identity of the person submitting the declaration on behalf of the company is always verified, but that the mechanism for doing so can vary. For example:

- In the Czech Republic, the person submitting the declaration's details can either be confirmed by checking their details on the Commercial Registry, or via a notarised statement from a lawyer.
- In France, proof of identity is required for the person making the declaration, along with proof of identity of an agent and proof of power of attorney where the declaring person is an agent with power of attorney.

Hungary reported that no officially-issued identifiers or supporting information are required for persons submitting beneficial ownership declarations. However, eight of the Member States left this question blank or gave details about requiring information about beneficial owners rather than persons submitting the declaration.

7. All Member States surveyed use electronic forms

Electronic submission forms for beneficial ownership declarations are common across Member States, and these create opportunities to improve data accuracy by reducing or eliminating the ability for errors and omissions. One key way to do

this is by constraining the information that is permitted within a certain field, for example, date of birth, to a response that is plausible – for example, only accepting input that is in a recognised format such as DD-MM-YY, and not in the future or unrealistically far back in the past. Such technical measures are valuable in reducing the likelihood that mistakes can be made in submissions, decreasing “noise” in the dataset and making it easier to conduct analysis to identify suspicious entries and potentially deliberate errors.

All Member States surveyed reported that where electronic forms are used within the submission of beneficial ownership declarations, the responses to certain fields are limited to plausible values. For example:

- In the Czech Republic, the percentage ownership field cannot total more than 100%.
- In Ireland, the electronic form prevents users from entering a date of birth that is in the future.

However, this research did not systematically assess the extent to which the electronic forms used by Member States help to eliminate errors and omissions in practice.

8. Power to refuse a declaration: Registers in all but two Member States surveyed have at least some power to refuse a declaration

The power to refuse a declaration, for instance when it is incomplete or the registrar has reason to believe that it is incorrect, can be a valuable tool in deterring false declarations and ensuring that the data that does reach the register is more likely to be accurate.

The review of the legal framework in Member States finds that such powers vary widely, from general powers to reject a submission where it is not aligned with law, to powers to reject a declaration where it is deemed incomplete. While the survey found no powers in law to refuse a declaration in Hungary and Slovenia, the review was limited to aspects of legislation providing for a beneficial ownership register under AMLD5, and it is possible that these Member States have legal powers in place within separate legislation. Examples of the legal powers found to be in place include:

- In Finland, the law grants power to the registrar to reject the submission of a beneficial ownership declaration where it is not aligned with the law.
- In Cyprus, the law gives the Registrar of Companies powers to reject an entry where it is incomplete or does not comply with regulations.

The survey of registers highlighted additional measures in place to refuse submissions where they are deemed incorrect. For example, in Ireland, a declaration cannot be submitted unless the personal data for the beneficial owner has passed an automatic validation check against information held in the state population database. The author assumes that this applies only to beneficial owners who are domestic citizens.

A key consideration that arises from the above is to what extent such powers are used in practice where they exist. This was not explored in the register survey for this study and could be a useful topic for further research.

Verification after data has been submitted to a register

Once data is held in a beneficial ownership register, further checks can be undertaken to identify and rectify possible errors, as well as identify and investigate suspected falsehoods. The following sections outline the findings of this study regarding measures that exist in law and in practice for government authorities, including but not limited to the agency holding the beneficial ownership register, to check the accuracy of data that is held in the register.

9. Authorities in half of Member States surveyed have a legal mandate to check the accuracy of data on beneficial ownership registers after its submission

The legal frameworks of 12 Member States surveyed allow for authorities to conduct additional checks or other activities to ensure the accuracy of beneficial ownership data held in the register. It is possible that other Member States may also have such provisions which were out of scope of this study.

In some cases, the mandate lies with the agency that maintains the register, whereas in others it is held by another government agency. For example:

- In Croatia, the mandate lies with the Tax Administration, which is responsible for direct and indirect supervision of the data stored in the Register of Beneficial Owners. Specifically, this body must determine the accuracy and completeness of the beneficial ownership reports in the register.
- In Slovenia, the Bank of Slovenia and Securities Market Agency, among others, hold power to verify the accuracy of the beneficial ownership information in the register.

In practice, the register survey found that in two-thirds of Member States, the registrar or another responsible agency

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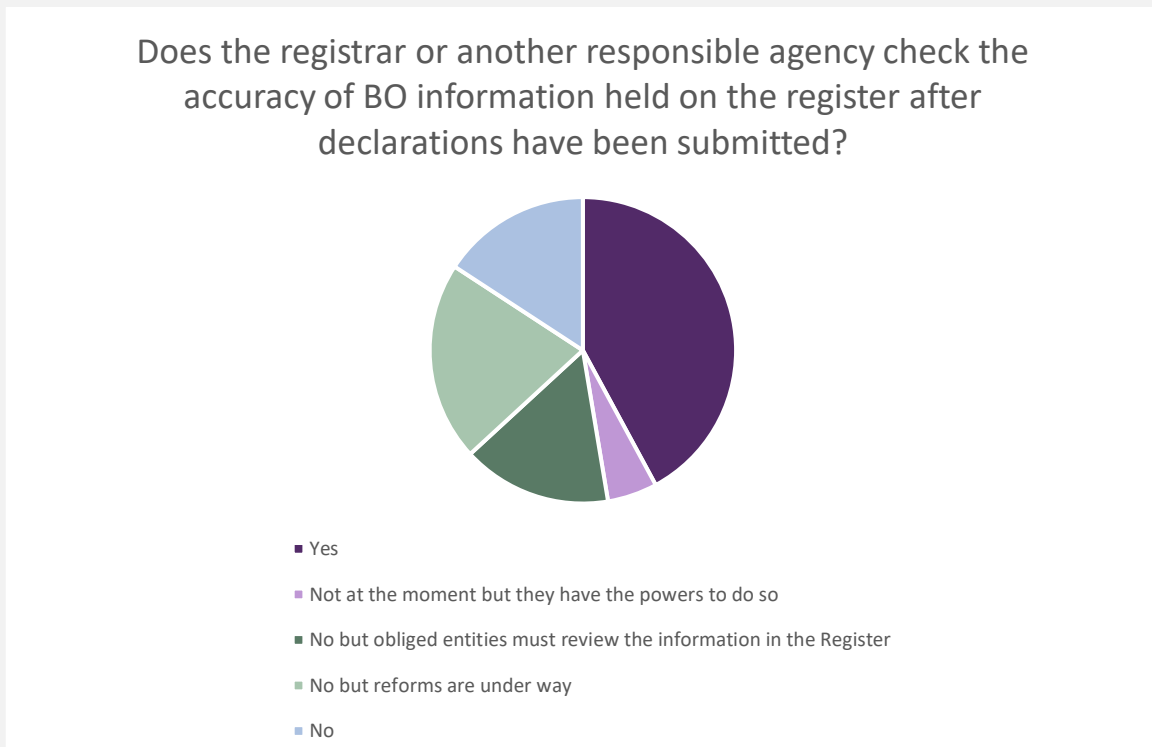
takes action to check the accuracy of beneficial ownership information held in the register. The actions taken vary significantly, for example:

- In Portugal, the legitimacy of the legal entities is verified automatically through a connection to the commercial registry database. Similarly, the identification of the individual making the declaration is automatically verified through the secure digital authentication system in place. Additionally, manual checks are conducted when non-conformity reports are received. There are also randomised checks.

- In Latvia, competent authorities verify the accuracy of the beneficial ownership information when discrepancy reports are filed by obliged entities. Until the investigation is concluded, a warning is attached to the extract, which is visible to other competent authorities and to obliged entities.

In some countries, while authorities legally have the power to conduct additional checks, no actual mechanisms have been established so far. This is the case, for example, in the Czech Republic, where the court has the mandate to conduct checks and inspections in the register data but has not yet used its powers.

Figure 4. Countries that check the accuracy of beneficial ownership information stored in the register after it has been submitted



Source: Own elaboration based on the responses obtained in the register survey (Annex 4).

Discrepancy reporting

Under AMLD5, discrepancy reporting is required as one of the measures Member States take to ensure the accuracy of data in beneficial ownership registers. The following section outlines the study's findings with respect to discrepancy reporting.

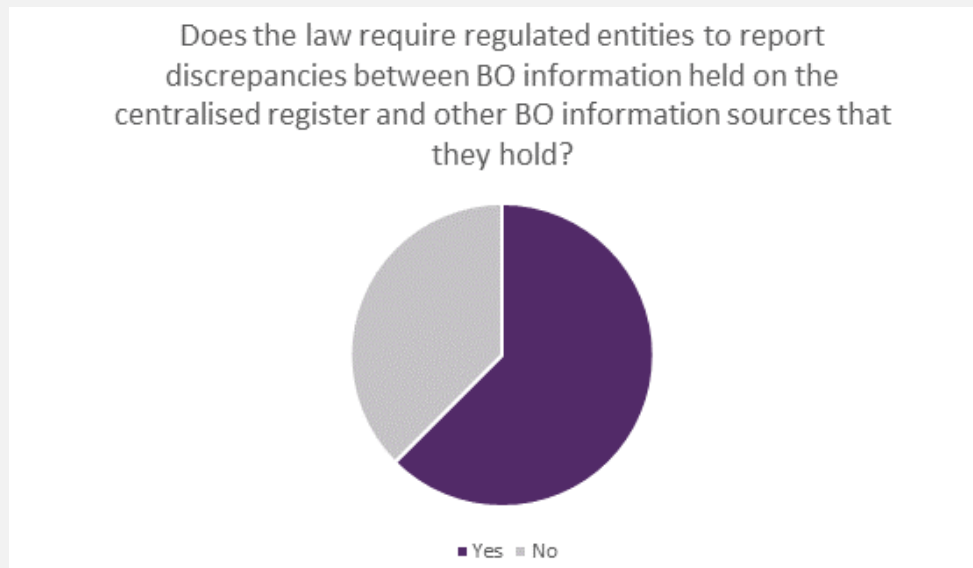
10. Discrepancy reporting by obliged entities is mandated by law in about two-thirds of the Member States surveyed

The law in 14 Member States surveyed requires regulated entities, such as banks,

to report to authorities any discrepancies they uncover between beneficial ownership data on the central register and beneficial ownership information they have stored, which could have been obtained either from the entities themselves or from other sources.

In some Member States, discrepancy reporting by obliged entities appears as the sole mechanism used to verify the data after its submission. This is the case in Romania, for example.

Figure 5. Countries where regulated entities are required by law to report discrepancies related to beneficial ownership information



Source: Own elaboration based on the responses obtained in the survey regarding the legal frameworks of countries (Annex 2).

The extent to which the use of discrepancy reporting contributes to reducing inaccuracies and omissions from beneficial ownership registers will depend on how it is applied in practice. The register survey showed a variety of practices. For example:

In the Czech Republic and Austria, a two-stage process is followed, with the obliged entity first contacting the client to flag the discrepancy. If it cannot be resolved (e.g. by the client updating information in the beneficial ownership register or explaining the reason for the discrepancy), a notice may be issued to the registrar to report the discrepancy.

In Ireland, members of professional bodies are required to report any errors or

omissions in beneficial ownership data in the register within 30 days. Reported discrepancies are treated as a priority by the registrar, which then issues up to three formal notices to the legal entity concerned. According to figures provided in the register survey, in 2022, 55% of discrepancies were resolved after the first notice. In 80% of cases, the discrepancy has been resolved after the third and final notice.

Issues such as whether a legal obligation exists for regulated entities to check the central beneficial ownership register during the course of their due diligence (as distinct from the obligation to report a discrepancy when one is found), as well as the authorities' course of action following the receipt of a discrepancy report, will

also impact how effectively discrepancy reporting acts as a mechanism to improve information accuracy. These issues were outside the scope of the primary data collected for this study, but merit further investigation.

Measures to keep information in beneficial ownership registers up to date

In addition to taking measures to ensure information accuracy, AMLD5 requires Member States to implement measures to ensure that data held in central beneficial ownership registers is kept up to date. This section discusses the findings of this study in relation to measures in place in law and practice in order to achieve this.

12. Three-quarters of Member States stipulate a time period within which beneficial ownership information must be submitted for newly-registered entities

When a new company is incorporated, this study found that Member States take a

variety of approaches to ensuring that beneficial ownership information is added to the central beneficial ownership register. In some Member States, such as Latvia and Slovakia, beneficial ownership information is submitted as part of the incorporation process. However, more commonly, beneficial ownership information must be submitted separately, after the company is incorporated. In such cases, the law typically specifies a time period within which this information must be submitted.

The median time period specified in law within which beneficial ownership information must be submitted for a newly-registered entity is 30 days. Greece, Ireland and Spain are outliers as the only Member States with a reporting time period greater than one month. However, Czech law simply states “without undue delay”, which the respondent described as meaning a matter of “days, or maximum weeks” in the practice of Czech law.

Table 2. Timeframe per country to register beneficial ownership information

Countries	Time period stipulated by law within which newly-registered entities must submit beneficial ownership information to the register
Austria	4 weeks
Belgium	No stipulated time period
Croatia	30 days
Cyprus	30 days
Czech Republic	Without delay (<i>period of days, or maximum weeks</i>)
Denmark	No stipulated time period
Finland	No stipulated time period
France	No stipulated time period
Germany	Immediately
Greece	60 days
Hungary	End of month
Ireland	Five months
Latvia	Immediately
Lithuania	5 working days
Luxembourg	1 month
Malta	No stipulated time period
Netherlands	No stipulated time period
Poland	7 days
Portugal	Immediately
Romania	Immediately
Slovakia	Immediately
Slovenia	8 days
Spain	When submitting the annual tax returns
Sweden	4 weeks

Source: Own elaboration based on the responses obtained in the survey regarding the legal frameworks of countries (Annex 2).

13. When beneficial ownership changes, three-quarters of Member States stipulate a time period within which information must be updated

For many companies, their beneficial owners will remain the same over time. However, for some proportion of

companies in a register, beneficial ownership will change within any given year, and certain companies may have frequent or successive changes in ownership. Frequent changes in beneficial ownership have been suggested to be of particular interest from a ML/TF risk perspective. Therefore, it is important to consider mechanisms in place to require

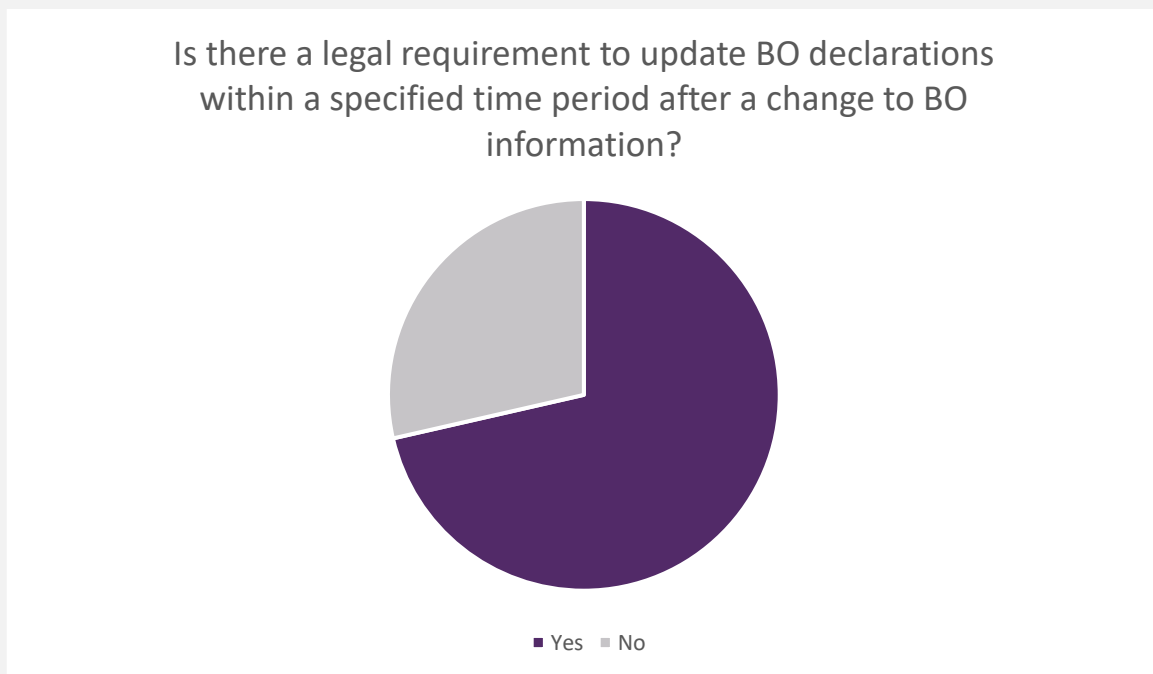
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changes in beneficial ownership to be reported to registers.

In three-quarters of Member States, the law specifies that when beneficial ownership changes, updated information must be submitted to the register within a particular timeframe. The absence of such a requirement in law in the remainder of Member States suggests that legal frameworks in these Member States

(Belgium, Denmark, Finland, Netherlands, Romania, Spain) could be strengthened by adding such a provision. However, further analysis would be required to understand legal provisions in place in legislation not reviewed for this study as well as actual practices to determine whether adding such a provision would be likely to improve data accuracy in any given context.

Figure 6. Countries where there is a legal requirement to update beneficial ownership information within a specified period after any changes occur



Source: Own elaboration based on the responses obtained in the survey regarding the legal frameworks of countries (Annex 2).

The most common (median) time period stipulated was 14 days, although 30 days occurred nearly as often. The responses ranged from “immediately” to 30 days. Some Member States define the start of the time period as the date that the change in beneficial ownership occurred

(e.g. Croatia, Lithuania), whereas others define it as from the date the declaring company becomes aware of the change in ownership (e.g. Cyprus, Malta). Regardless, this study shows a clear norm of requiring changes to be reported within 14 or 30 days.

14. The law requires all changes to beneficial ownership to be reported in only three-quarters of Member States

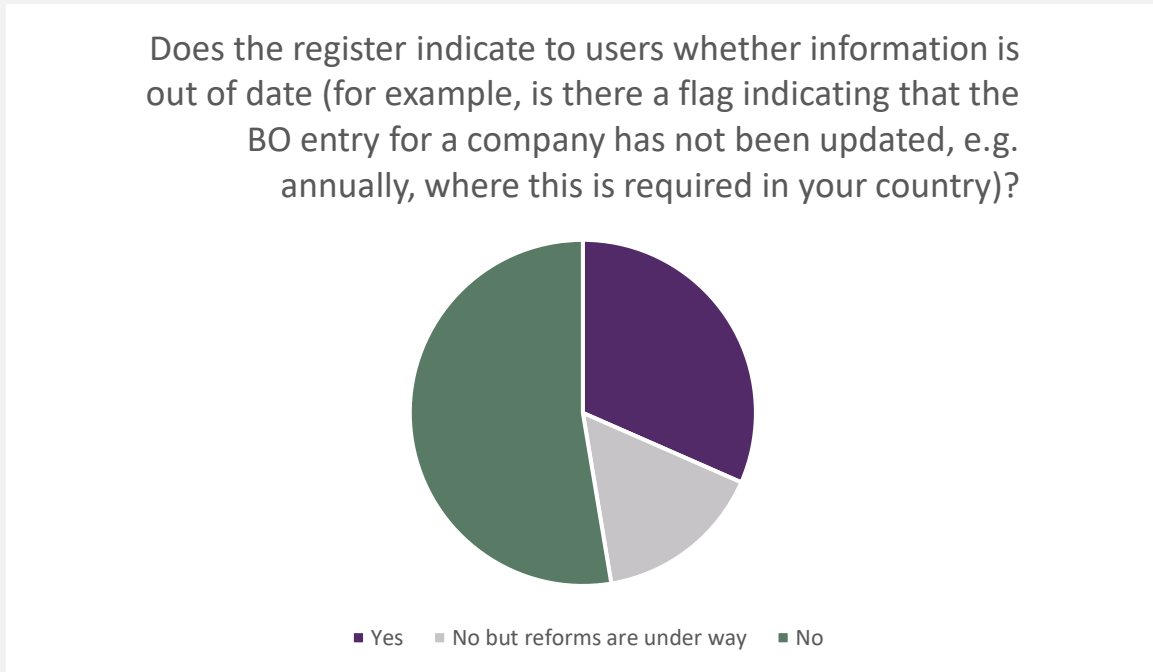
Analysis of grand corruption investigations highlights the importance of requiring that all changes in beneficial ownership are reported to the register, for example to close the possible loophole of using quick, successive changes in ownership to hide ownership of illicit funds. Such a provision exists in around three-quarters of Member States. In Belgium, France, the Netherlands, and Slovakia, the law does not contain a provision mandating that all changes to beneficial ownership should be reported to the register.

From the data collected for this study, it is not possible to draw a firm conclusion that other Member States could improve the accuracy of their beneficial ownership registers by introducing such a measure, although it is plausible that this is the

case. This is because it is expected that the interpretation and application of legal provisions will vary across Member States; in some, for example, an explicit stipulation may not be required, as a general provision to report changes in ownership would be deemed sufficient.

Therefore, to shed light on the extent to which information in beneficial ownership registers is up-to-date in practice, the register survey asked respondents whether the beneficial ownership register indicates to users where beneficial ownership information has not been updated in line with expectations. Only one-third of survey respondents indicated this was currently the case, although some Member States mentioned that reforms were currently underway to do this. In practical terms, the two-thirds of Member States that do not currently indicate where data has not been updated could consider providing this information to users.

Figure 7. Countries whose beneficial ownership registers' extracts indicate how up-to-date the information is



Source: Own elaboration based on the responses obtained in the register survey (Annex 4).

Sanctions for non-compliance, and their enforcement

The presence in law of sanctions for non-compliance with beneficial ownership disclosure requirements – such as for non-submission of a declaration, late submission, or submission of false or incomplete information – is viewed as an important foundation for ensuring accurate and up to date information for all companies that are required to disclose information to the register. This study

reviewed the extent to which sanctions are present in law, but also sought data on the extent to which sanctions, where present, are actively being used to support compliance. Research suggests that beyond the presence of sanctions in law, the extent to which they are proportionate and dissuasive will also influence their effectiveness as an incentive to reduce false, incomplete or missing submissions.²⁰ However, as proportionality and dissuasiveness vary across jurisdictions and assessing these would require additional data sources, this was

²⁰ Open Ownership. 2022. [“Designing Sanctions and their Enforcement for Beneficial Ownership Disclosure”](#).

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unfortunately not able to be considered within this study.

15. In all Member States reviewed, the law contains sanctions for non-compliance

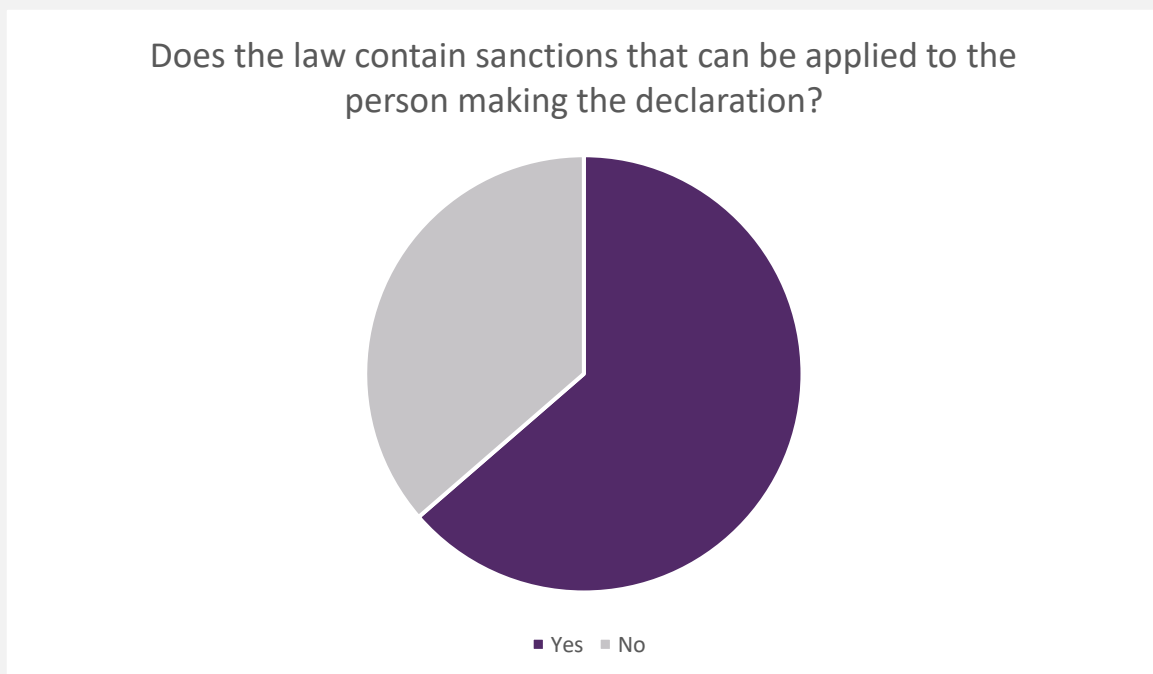
Sanctions against the declaring company exist in all Member States included in the study.

In about 40% of Member States, sanctions can also be applied against the person

making the declaration, although the scope of these sanctions vary. For example:

- In Croatia, sanctions apply only if the individual is a registered officer of the responsible company.
- In Denmark, any individual can be sanctioned if false information is submitted either intentionally or through gross negligence.

Figure 8. Countries that can impose sanctions for non-compliance with beneficial ownership disclosure requirements on the person making the declaration



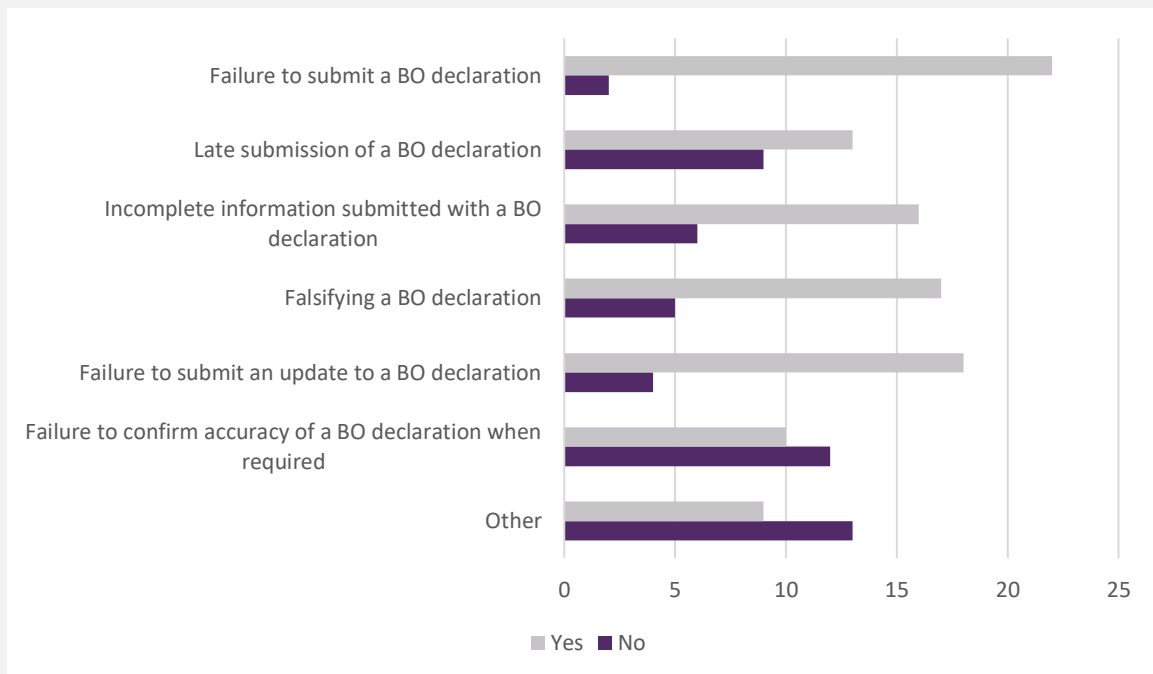
Source: Own elaboration based on the responses obtained in the survey regarding the legal frameworks of countries (Annex 2).

Just under half of Member States were found to have sanctions that could be applied to the beneficial owner, and only one-third had sanctions that could be applied to registered officers.

The most common sanctionable offence is for failure to submit a beneficial ownership declaration. Sanctions for incomplete information, falsifying information and failure to update a declaration also exist in three-quarters of

Member States. Two-thirds of Member States with sanctions also include sanctions for late submission.

Figure 9. Sanctionable offenses



Source: Own elaboration based on the responses obtained in the survey regarding the legal frameworks of countries (Annex 2).

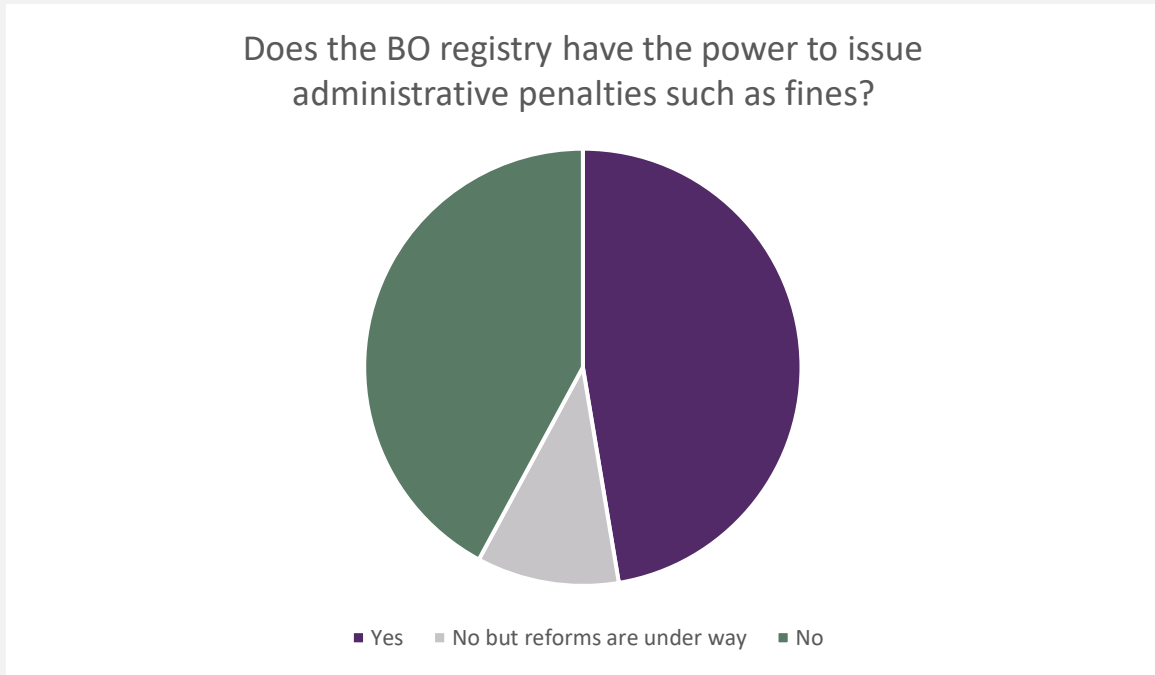
16. Administrative sanctions are the sole penalty for non-compliance in two-thirds of Member States, and monetary penalties have a broad range

The range and nature of sanctions that are appropriate to ensure that central beneficial ownership registers contain adequate, accurate and current beneficial ownership information can be expected to vary somewhat between Member States due to differences in legal frameworks and related types and severity of sanctions

applied elsewhere in the regulation of corporate compliance.

Two-thirds of Member States have only administrative sanctions in place, with around one-third having both criminal and administrative sanctions. Ireland was the only Member State found to only have criminal sanctions in place without administrative sanctions also present. Almost two-thirds of the respondents to the register survey reported that the beneficial ownership register held powers to issue administrative penalties.

Figure 10. Countries where the beneficial ownership register has power to issue administrative penalties such as fines

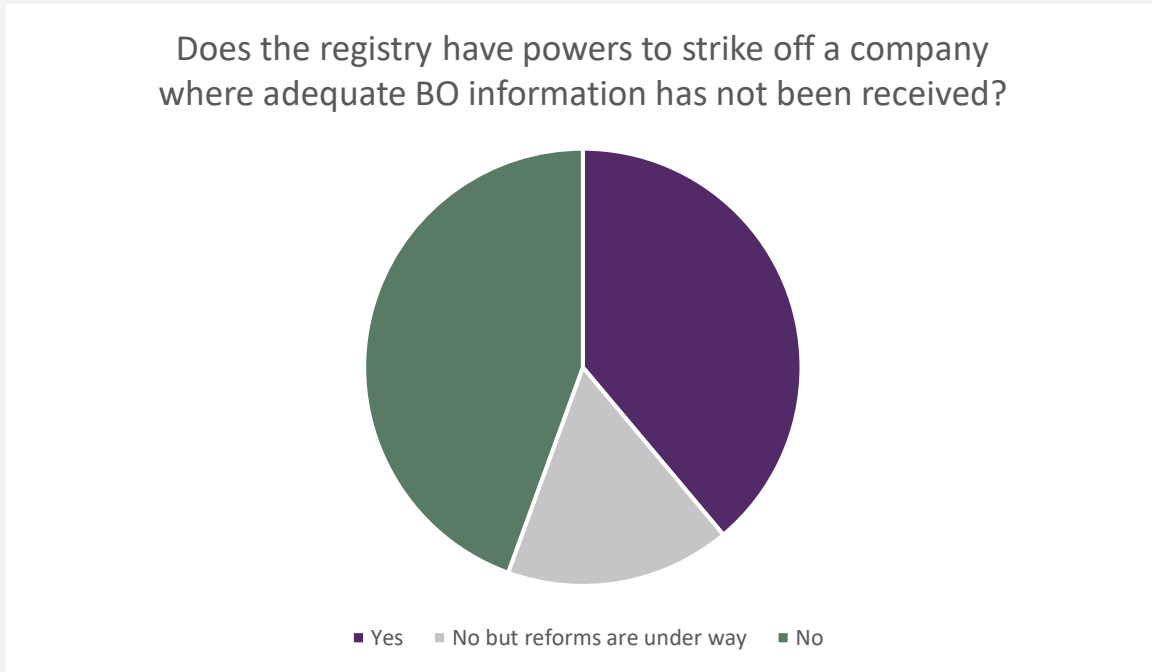


Source: Own elaboration based on the responses obtained in the register survey (Annex 4).

In around half of Member States, the sanctions were limited to monetary

penalties, with the other half of Member States having both monetary and non-monetary penalties, such as the ability to dissolve a company.

Figure 11. Countries whose beneficial ownership registers have the power to strike off a company



Source: Own elaboration based on the responses obtained in the register survey (Annex 4).

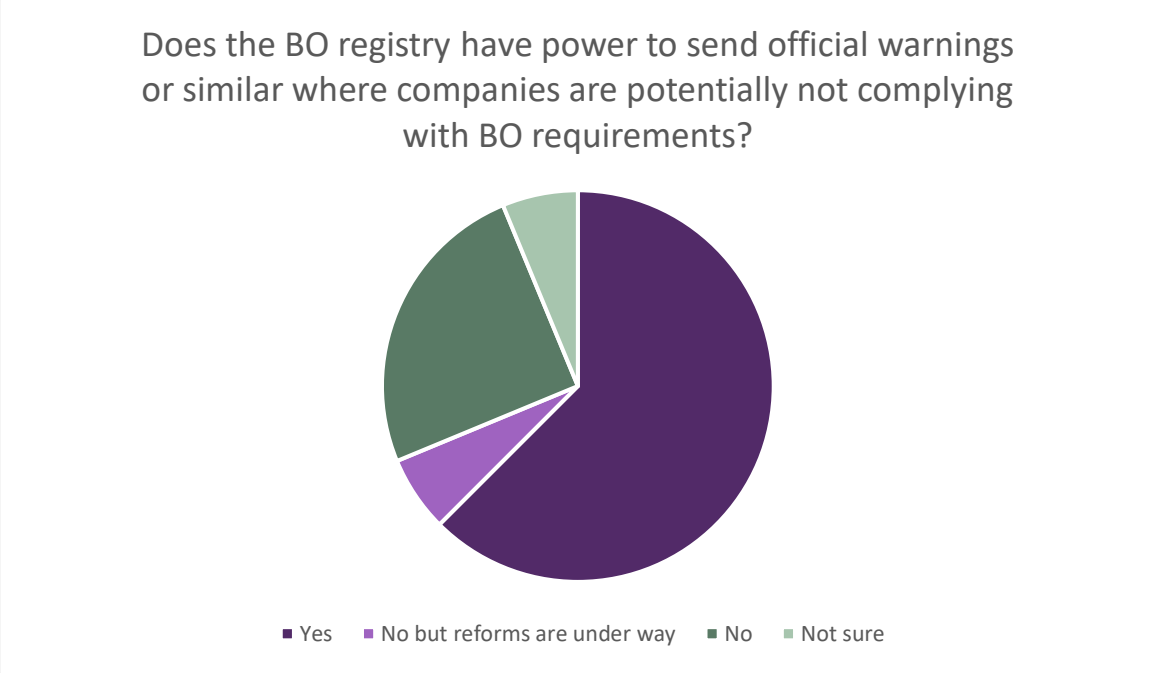
From the survey responses that included details of the amounts of monetary sanctions, in most cases the legal framework specified a wide range of potential amounts. For example:

- In Slovenia, monetary sanctions range from EUR 6 000 to 60 000.
- In Luxembourg, sanctions range from EUR 1 250 to 1 250 000.
- In the Czech Republic, only a maximum sanction is specified, of

up to CZK 500 000 (approximately EUR 20 500).

Finally, the study examined whether beneficial ownership registers held powers to issue official warnings in cases of potential non-compliance. The survey found that only two thirds of registers hold such powers; however, it is possible that in Member States whose registers do not hold these powers, another agency may have the ability to issue official warnings.

Figure 12. Countries whose beneficial ownership registers have power to send official warnings



Source: Own elaboration based on the responses obtained in the register survey (Annex 4).

Case study: Austria

The Austrian Register of Beneficial Ownership (henceforth to be referred as the ‘Register’) was set up by the Beneficial Owners Register Act (2018) to prevent money laundering and terrorist financing. It contains information on the beneficial owners of companies, foundations, and trusts. Currently, around 387 250 companies are registered.

The Register’s Authority, which operates within the Ministry of Finance, has been updating the functionalities of the register to improve access and ensure that the data is effectively used by competent authorities and obliged entities. For instance, information is available in machine-readable format for certain competent authorities and obliged entities. They also have access to a “compliance package” containing all relevant documents submitted by the legal entity or trust which support the identification of the beneficial owner. But it is in relation to accuracy of the information that the Austrian register stands out as implementing interesting and innovative approaches.

Adequate identification of beneficial owners

To start with, the register authority prioritised measures to increase the chances that legal entities report adequate beneficial ownership information. Austria adopted a decree explaining its definition of beneficial ownership and invested in guidance materials to support legal entities in identifying their beneficial owners. This includes case studies and hypothetical organisation charts and ownership structures.

The Register Authority also allows certain professionals²¹ to report on behalf of the entities. According to the Register’s Authority, as of February 2022, 85% of reports were filed by tax professionals on behalf of their clients.

Improving data collection and cross-referencing

To ensure that reports are completed and follow the Register’s standards, Austria’s approach makes use of data held in other state databases. The Register is interconnected with Austria’s Central Register of Residents, and when entities

²¹ Notably: lawyers, notaries, Certified Public Accountants (CPAs), tax advisors, accountants, bookkeepers, and payroll accountants.

are reporting beneficial owners whose primary residence is in Austria, it is sufficient to report their first name, surname, and date of birth. This information is then cross-checked with the Central Register of Residents, ensuring that the individuals exist and that their data is accurate. For non-residents, it is mandatory that a copy of an official photo ID is provided, the goal being to make it more difficult to report non-existent individuals as beneficial owners in reporting forms.

The Register is also interconnected with other official registers, which, for example, allows for data on legal entities exempt from reporting to be reconciled with the Register of Companies, the Register of Associations, and the Supplementary Register and semi-automatically be added to the Register, as well as kept up to date on an ongoing basis.

Regular updates and semi-automatic penalties system

Entities must report their beneficial owners within 4 weeks of being registered in the Business Register, and in addition must conduct an annual review of their beneficial owners. If the reports are not submitted within the prescribed timeframe, the Tax Office, which works in cooperation with the Register, will send a

letter to notify the responsible party that they must resolve this situation within a 6-week period or face a fine of EUR 1 000. If after being fined the report has still not been filed, another similar warning is issued, providing an additional 6 weeks to resolve the situation, or else the party will face an additional fine of EUR 4 000. These reports are generated automatically, reducing the burden on register staff and enhancing the efficiency of the system.

According to the Register's Authority, this measure is also highly effective. The threat of the fines results in 97% of companies reporting their beneficial ownership. In cases where these coercive penalties do not prove sufficient and entities still do not report their beneficial owners, the Anti-Fraud Office takes over and, if the omission is proven to be intentional, the entity can be charged up to EUR 200 000.²² There was however no information made available to the research team about the number of fines that have been issued so far and on the number of cases referred to the Anti-Fraud Office.

Risk-based supervision

Since auditing every single report in the Register would not be feasible, the Register's Authority conducts risk-based supervision. The supervision starts with a risk assessment of legal entities and

²² As per the Register's Authority, after getting a warning from the Anti-Fraud Office stating that the fiscal proceedings have been opened, the

undertakings tend to file their report and thus regularise their situation.

arrangements following the detailed conclusions of Austria's National Risk Assessment (NRA).²³ Therefore, each report is assigned a specific amount of risk points (the higher the number, the higher the risk), which account for the risk of an entity/arrangement being misused for money laundering/terrorist financing purposes, but also for the report being potentially incorrect.

A monthly sample is generated, using a weighting system to proportionally select more higher risk than lower risk cases, although some low risk cases are still selected. The Authority's review also includes ad hoc cases selected by the Register's Authority,²⁴ which include but are not limited to the cases reported by obliged entities for discrepancy (see above).

Reports in the sample are then verified manually by using publicly-available data (e.g. the Austrian Business Register) and private databases (such as Orbis). After reviewing the information and contrasting it against the report, if the Register's Authority doubts the accuracy of information in the beneficial ownership

declaration, it proceeds to conduct an individual audit based on specific information and documentation that is requested from the responsible party.²⁵

Discrepancy reporting

In accordance with the EU AMLD, the Register is to be inspected by obliged entities, who are to report discrepancies. Upon entering new business relationships, obliged entities are required to verify, using a risk-based approach, the beneficial owners of their clients against the information provided previously to the Register. If they encounter any discrepancies, obliged entities are to first speak directly to their clients and ask them to correct their reports.²⁶ If the clients failed to clarify the discrepancy and correct the entry, the obliged entity must report the discrepancies to the Register. This approach was viewed as helping to maintain the quantity of discrepancy reports received by the Register at a manageable level, ensuring the Register's Authority has the capacity to review and follow up on them.

²³ The NRA is the basis upon which risk ratings are given to each legal form automatically. To learn more about the risk assessment, consult Austria's [National Risk Assessment](#).

²⁴ According to the Register's Authority, ad hoc selection of cases took place recently concerning companies that could be at risk of being used by Russian oligarchs in consideration of the recent sanction lists against the Russian Federation for the illegal invasion of Ukrainian territory.

²⁵ Coercive penalties of up to EUR 30 000 are also available to enforce the provision of documents within a strict timeframe of 4 weeks.

²⁶ When there are conflicting opinions regarding the beneficial owners between the obligated entities and their clients, it is usually the case that they refer to the Register's Authority to obtain an unofficial opinion on the subject.

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After a discrepancy is reported, an automatic communication is sent to the entity in question, stating that their report has been flagged as incorrect. In such cases, the party has six weeks to review and correct their reports,²⁷ and if this does not occur, the Register's Authority will audit their case.

Human resource capacity and cooperation with other agencies

To support the working of the Register and the sharing of suspicious cases as well as enhance knowledge-sharing between competent authorities, the Register's Authority actively cooperates with other authorities within Austria, such as the Financial Intelligence Unit and the Tax Authorities.

The Register Authority currently has six employees who work under the Ministry of Finance. Their tasks range from the technical development of the Register to the auditing of cases and legal proceedings, to the budget for its functioning. Acknowledging its small size, the interviewee highlighted that the Register can use the structures of the Austrian fiscal administration, such as the Tax Authority, which implements coercive penalties, and the Anti-Fraud Office, which implements fiscal penalties. The Register

Authority also relies on the Federal Computing Agency for its technical set-up.

The outsourcing of certain areas of the Register and its cooperation with other government agencies is viewed as enabling the Authority to do its work in an efficient way, since this avoids the duplication of functions between various authorities, thus saving taxpayer funds.

Furthermore, through cooperating with other agencies, the Register Authority promotes information-sharing, which is viewed as enhancing its ability to work on cases. For example, the Register provides suspicious activity reports to the national Financial Intelligence Unit to investigate whenever they find cases within the Register that could be linked to money laundering/terrorist financing.

The Register also aims to achieve a similar level of cooperation with foreign competent authorities administering their respective beneficial ownership registers, given the number of entities and arrangements with international components.

Two key takeaways from the approach taken by the Austrian Register to ensure accuracy of data are:

- (i) the interconnection of registers, which allows for the cross-checking of

²⁷ If the report is corrected, the obligated entities have an obligation to check whether the discrepancies have been addressed.

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information to make sure the beneficial owners do exist, that company data is accurate, and in general make it more difficult for false/inaccurate information to be submitted to the Register;²⁸

(ii) the cooperation with other government agencies to leverage existing resources to support the Register's operation rather than duplicating those within the Register.²⁹

More information on the Austrian Register of Beneficial Owners can be found on its [English-language website](#).

²⁸ Information gathered in other official registers in Austria (such as the Central Resident Register and the Business Register) is fed into the Register.

²⁹ This allows the Register to outsource certain functions to other competent authorities: the

coercive penalties are carried up by the Tax Authorities and the fiscal proceedings by the Anti-Fraud Office. Additionally, the technical set-up of the Register is carried out by the Federal Computing Office.

Recommendations

The analysis of the primary data collected during the course of this study, viewed within the context of existing research and EU policy, highlights the following recommendations for EU Member States and EU institutions:

1. Mandate verification of beneficial ownership information in law

Member States should establish in law a requirement to verify beneficial ownership data held in registers, ideally setting out the main outcome that verification mechanisms shall achieve and the key data points that shall be checked. For example, EU law should mandate that verification processes confirm the identity of the beneficial owner as well as their status, and report on the outcome of these checks.

2. Verify the identity of both domestic and foreign beneficial owners

Member States should implement measures to verify the identity of beneficial owners that are foreign citizens as well as domestic nationals. This may require different methods to those used for beneficial owners that are domestic citizens.

3. Collect information about the full ownership chain

The EU and Member States should implement measures to collect information on the full ownership chain where beneficial ownership is held indirectly through a chain of entities or arrangements.

4. Member States should require beneficial ownership data for newly-registered entities to be submitted within a clearly-defined time period.

While the length of this time period may depend on the national context, 14 to 30 days is common practice within the EU.

5. Member States should implement proportionate, dissuasive sanctions for non-compliance with beneficial ownership disclosure requirements, using support from automated mechanisms to improve efficiency.

Member States should implement proportionate and dissuasive sanctions for non-compliance and should consider using automated mechanisms to initiate and monitor administrative sanctions (for example, issuing warning letters), thus

increasing the efficiency with which registers can apply sanctions.

6. Member States should conduct automated verification checks on all entries in beneficial ownership registers, and combine these with a risk-based approach to conduct more extensive checks on certain entries.

Member States should apply automated checks to the data fields for which this is possible, ensuring as far as possible that these cover all entries made in the register. In addition, Member States should conduct further verification which may include manual checks using a risk-based approach, with additional checks being undertaken on higher-risk submissions.

Conclusion

The new evidence presented in this paper shows that the majority of EU Member States have at least some mechanisms in place to ensure the accuracy of data in beneficial ownership registers. The study has identified many examples of best practices that can be viewed as innovative and leading the way internationally, and to which other countries within and beyond the EU can look for guidance as they seek to ensure the accuracy of beneficial ownership information in registers.

However, when viewing the findings for the EU as a whole, the evidence in this paper demonstrates that the application of measures to ensure data accuracy is patchy, with most measures reviewed in this study not being present in all or even most Member States. Therefore, when considering beneficial ownership data across the EU, significant gaps remain with regard to measures to ensure the accuracy of beneficial ownership data as required by AMLD5. In particular, this paper identifies three key areas where measures to ensure data quality can be improved:

Verifying the identity of foreign beneficial owners

Fewer and less-robust checks were found to be undertaken in order to verify the identity of beneficial owners that are

foreign citizens versus the case when beneficial owners are domestic citizens. This is unsurprising, given the reliance in the EU on automated identity checks that validate identity information against other state databases that contain information on domestic citizens. However, this finding is still important, since the presence of foreign beneficial owners has been identified as a red flag for ML/TF risk. Although there are practical challenges when verifying identity information concerning foreign citizens – such as a potential inability to cross-check information against a population database in a foreign state – this study shows that some level of identity-checking is possible and is already happening in practice in some Member States. Therefore, other Member States should look to these examples and seek to implement comparable measures appropriate for their context. This would help strengthen the EU's overall framework to counter ML/TF.

Verifying information on how beneficial ownership is held

Whereas identity checks were commonplace, at least for domestic beneficial owners, verification checks to establish the truthfulness of a beneficial ownership declaration – i.e. verifying

whether the declared beneficial owner is in fact the beneficial owner – were found to be far less common. Again, this is an important although unsurprising finding. Existing research identifies knowledge and resource challenges with respect to verifying information on how beneficial ownership or control is held. However, this issue again has a direct impact on ML/TF risk across the EU: the presence of complex ownership structures has been identified as an increased risk, so verifying accuracy in precisely these challenging cases can be expected to have the most impact on reducing ML/TF risk. The evidence presented in this study identifies solid practices in operation in some Member States, which other Member States should look to and implement according to their context, thus strengthening the EU's overall defences.

Use of discrepancy reporting as a supplementary mechanism to ensure the accuracy of data

Discrepancy reporting can be an important tool to help ascertain the accuracy of beneficial ownership information in the registers. However, in the absence of further legal requirements, mandates and resources given to authorities, there is a risk that discrepancy reporting becomes the only additional check undertaken after the data is submitted to the register. The practices in some of the Member States surveyed shows the importance of having clear processes to deal with discrepancies

and appropriate systems to respond to errors and material discrepancies in a timely manner. Equally important is providing guidance to obliged entities and others required to submit reports to ensure they have a good understanding of what constitutes a discrepancy and which steps should be taken. Without these measures, there is a risk that authorities will be overburdened with reports and will face challenges in meaningfully reviewing and addressing both the errors and material issues reported.

Overall, this paper finds that while almost all Member States have some mechanisms in place to ensure the accuracy of data, many of the measures currently in operation are limited to verifying the identity of beneficial owners who are domestic citizens. The widespread lack of measures to verify declared individuals' status as a beneficial owner shows that there is much more to be done in order for all Member States to comprehensively deliver on the commitments in AMLD5 to ensure that the beneficial ownership information in central registers is adequate, accurate and current. The policy recommendations presented in the previous section offer concrete guidance on areas to prioritise at the national and EU level in order to address these issues in a manner that can continue to strengthen the EU's defences against money laundering and corruption.

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Annexes

Annex 1: Detailed methodology

This study employed a three-part methodology aimed at:

1. Understanding the *de jure* status of quality and verification mechanisms in EU Member States used to ensure information accuracy and up-to-dateness in order to better understand how provisions of the EU AMLD related to quality of beneficial ownership information have been transposed;
2. Understanding the *de facto* implementation of verification and data accuracy mechanisms in Member States with active beneficial ownership registers; and
3. Supplementing the above information with a more detailed case study on practices within a particular Member State selected based on the initial results from part 2.

Review of legal frameworks

In order to generate an overview of the legal measures in EU Member States to ensure that beneficial ownership information is of high quality and, in particular, is accurate and current, a review of relevant aspects of the legal frameworks in EU Member States was conducted. A questionnaire was developed to assess how provisions of the EU AMLD on the accuracy and timeliness of beneficial ownership information have been transposed, and the extent to which legal frameworks for beneficial ownership disclosure in EU Member States included specifications relating to verification of information, timeliness, and sanctions (see Annex 2).

The questionnaire was constructed based on the features detailed under the three relevant Open Ownership Principles (verification, up-to-dateness, and sanctions), with additional questions added based on feedback from the Network of Experts on Beneficial Ownership Transparency (NEBOT) members. The questionnaire was distributed via Microsoft Forms to Transparency International (TI) chapters in 20 EU Member States, and additional research was carried out by NEBOT members and Transparency International researchers. In total, the legal frameworks of 24 Member States were analysed. Contacts at TI chapters had a good working knowledge of legal frameworks related to anti-corruption in their jurisdiction; nevertheless, guidance was included in order to define key terms. To keep data collection manageable,

respondents were asked to answer the questions based on a review of primary and secondary legislation that directly provides for beneficial ownership disclosure. Where laws for more than one beneficial ownership register existed, respondents were asked to submit information only for the register covering the broader economy which was implemented as a result of AMLD5.

Survey of practices in registers in EU Member States

To understand the nature and extent of measures in place to ensure data quality within beneficial ownership registers in Member States, a survey was conducted. A set of questions was developed based on the same three areas identified for the legal framework review in order to facilitate comparison between the *de jure* and *de facto* situation, with additional questions on issues of a practical nature such as the enforcement of sanctions that exist in law. Again, the questionnaire was reviewed by NEBOT members, and was validated by network members who are themselves staff members at beneficial ownership registers. The questionnaire was distributed to contacts at beneficial ownership registers across all Member States with the assistance of DG FISMA, and respondents from registers in 18 Member States responded. Participants completed the questionnaire using Microsoft Forms.

Case study with beneficial ownership register staff

Following the initial analysis of the legal framework review and register survey, the representative from one of the beneficial ownership registers, Austria, was selected for a follow-up interview in order to provide a detailed case study. The selection was based on the register's survey responses, which indicated a range of interesting verification practices in operation. The research team conducted an interview by video call on August 1, 2022, asking a series of open-ended questions to enable the respondent to speak in more detail about the mechanisms used to ensure data quality in their jurisdiction.

Member States included in the study

For this study, the legal frameworks of 24 Member States were reviewed, and survey responses were received from representatives of beneficial ownership registers from 18 Member States. A list of countries covered under each of the above surveys is provided in Annexes 3 and 5, respectively. These findings were analysed to identify key trends and implementation gaps across EU Member States, as well as examples of best practices used to improve the accuracy of beneficial ownership registers.

Annex 2: Questionnaire for review of the legal framework

1. Verification

This section covers legislative provisions that relate to the verification of BO information. The questions cover measures taken to verify information at the time it is submitted to the register, as well as measures to check information once held in the register.

1.1 Does the law stipulate that information submitted within BO disclosures should or must be verified?

Please note that “verification” corresponds to any checks or processes to be taken by any stakeholder (public authority, registrar, obliged entities, etc.) whose aim is to ensure that the beneficial ownership information is accurate.

This may be mentioned in primary legislation without further details, and may relate to steps taken to check information at the time of submission and/or to steps taken to check information after it has been submitted.

Yes - verification is a requirement | **Yes** - verification is recommended but not a hard requirement | **No**

If yes, please provide link(s) to the legislation and paste relevant excerpts below.

Verification at point of submission

1.2 Does the law specify that supporting information on the **beneficial owner(s)** is required when BO declarations are made (e.g. BO’s passport or national identity number)?

Yes | **No**

1.3 If yes, what supporting information is required? Please, paste relevant text below.

1.4 Does the law specify that information submitted as part of BO declarations will or can be checked against other data sources?

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This provision may be found in BO specific legislation, however its absence from this legislation does not mean that such checks will not be mandated through alternative legislation.

Yes | No

If yes, paste relevant text below.

1.5 Does the law require that electronic signatures or biometric data from **beneficial owner(s)** are submitted with a BO declaration?

Yes | No

If yes, paste relevant text below.

1.6 Does the law specify that supporting information on the **person/entity submitting the BO declaration** is required when these are made (e.g. national identity number, tax identification number)?

Yes | No

If yes, paste relevant text below.

1.7 Does the law require that electronic signatures or biometric data from the **person/entity submitting the BO declaration** are submitted?

Yes | No

If yes, paste relevant text below.

1.8 Does the law require some or all BO declarations to be independently verified prior to submission, for example by a notary?

Yes | No

If yes, paste relevant text below.

Verification after submission

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1.9 Does the law mandate or permit the registrar or other responsible agency to check for accuracy of BO information held on the register after declarations have been submitted, for example by conducting periodic reviews of a sample of entries on the register?

Yes | No

If yes, paste relevant text below.

1.10 Does the law mandate the registrar or other agency to undertake additional checks based on identified risks or red-flags?

Yes | No

If yes, paste relevant text below.

1.11 Does the law require regulated entities (such as banks) to report discrepancies between BO information held on the centralised register and other BO information sources that they hold?

Yes | No

If yes, paste relevant text below.

1.12 Does the law require competent authorities (such as law enforcement, financial intelligence units) to report discrepancies between BO information held on the centralised register and other BO information sources that they hold?

Yes | No

If yes, paste relevant text below.

1.13 Other than the reporting mechanism referred to in the previous questions, does the law provide for mechanisms through which the public can report errors and discrepancies found in information held on the register?

Yes | No

If yes, paste relevant text below.

2. Up to date

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This section covers legislative provisions that relate to keeping BO information held on registers up to date.

2.1 Does the law stipulate a time period within which newly registered entities must submit BO information to the register?

Yes | No

2.2 If yes, what is this time period? Please, paste the relevant text below.

2.3 Is there a legal requirement to update BO declarations within a specified time period after a change to BO information?

Yes | No

2.4 If yes, what is this time period, and is there a justification given for it? Please, paste relevant text below.

2.5 Are entities required to confirm that their BO information remains accurate on a regular or periodic basis?

Yes | No

If yes, paste relevant text below.

2.6 If yes, how often are they required to do so?

2.7 Does the law stipulate that all changes to beneficial ownership must be reported to the register?

Yes | No

If yes, paste relevant text below.

3. Sanctions

This section covers legislative provisions that relate to sanctions that exist for non-compliance with BO disclosure requirements.

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3.1 Does the law contain sanctions for noncompliance with BO disclosure requirements?

Yes | No

If yes, answer Q3.2-3.8

If answering No to Q3.1, move directly to Q4.1.

3.2 Does the law contain sanctions that can be applied to the entity that is required to make the BO declaration?

Yes | No

If yes, paste relevant text below.

3.3 Does the law contain sanctions that can be applied to the person making the declaration?

Yes | No

If yes, paste relevant text below.

3.4 Does the law contain sanctions that can be applied to the beneficial owner(s)?

Yes | No

If yes, paste relevant text below.

3.5 Does the law contain sanctions that can be applied to the registered officers of the company?

Yes | No

If yes, paste relevant text below.

3.6 Do sanctions exist for the following types of non-compliance:

- a. Failure to submit a BO declaration **Yes | No**
- b. Late submission of a BO declaration **Yes | No**
- c. Incomplete information submitted with a BO declaration **Yes | No**
- d. Falsifying a BO declaration **Yes | No**
- e. **Failure to submit an update to a BO declaration Yes | No**

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- f. **Failure to confirm accuracy of a BO declaration when required** Yes | No
- g. Other [please specify]

3.7 Do administrative and / or criminal sanctions exist?

Yes – administrative sanctions only | Yes – criminal sanctions only | Yes – administrative and criminal sanctions | No

If yes, paste relevant text below.

3.8 Do sanctions include monetary and / or non-monetary penalties?

Yes – monetary penalties only | Yes – non-monetary penalties only | Yes – monetary and non-monetary penalties | No

If yes, paste relevant text below.

4. Further information

4.1. Are you aware of any piece of legislation that may hinder the operation of verification mechanisms (e.g., banking secrecy rules preventing banks from reporting discrepancies)?

Yes | No

If so, please provide a summary and, if possible, link to the relevant legislation.

4.2. If the disclosure forms that companies must use to submit a new BO declaration are publicly available, please provide a link where we can view or download this.

Annex 3: List of countries from which the legal review data was collected

Austria	Latvia
Belgium	Lithuania
Croatia	Luxembourg
Cyprus	Malta
Czech Republic	Netherlands
Denmark	Poland
Finland	Portugal
France	Romania
Germany	Slovakia ³⁰
Greece	Slovenia
Hungary	Spain
Ireland	Sweden

³⁰ Two respondents filled out the survey with regards to Slovakia.

Annex 4: Questionnaire to review verification practices

1. Identification questions

1.1. Member State **[drop-down menu]**

1.2. Name of agency **[free text]**

2. Verification

This section covers processes that relate to the verification of BO information. We use the term “verification” to refer to any checks or processes that are undertaken by any stakeholder (public authority, registrar, obliged entities, etc.) with the aim of ensuring that the beneficial ownership information held on the BO register is accurate.

The questions in this section cover measures taken to verify information at the time it is submitted to the register, as well as measures to check information once held in the register.

2.1. Verification at the point of submission

The following questions relate to checks that are undertaken at the time information is submitted to the registry, either automatically as part of a digital submission process, or manually.

2.1.1 Where electronic submission forms are used, does the submission form ensure that responses to certain questions conform to plausible entries?

Examples: using drop down menus to select a country from a predetermined list; constraining the permitted responses to the field for percentage ownership to prohibit total ownership from exceeding 100%; date of birth field must not be in the future etc.)

Yes | No | Not sure

2.1.2 If answering yes to the previous question, please outline which fields of information these apply to. **[free text]**

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2. 1.3 When BO declarations are submitted to the registry, are any officially-issued identifiers (such as national identification number, taxpayer number, passport number etc) required for the beneficial owner(s) in some or all circumstances?

Officially issued identifier refers to any number or alphanumeric sequence that is used to identify or refer to an individual or company within an official government system. Examples include identity card number, passport number, taxpayer identification number etc.

Yes - in all circumstances | Yes - in certain circumstances | No | No - but reforms are underway | Not sure

2.1.4 If answering yes to the previous question, please list each officially-issued identifier that is required during the submission of a BO declaration. Where identifiers are only required under certain circumstances (e.g. if declaration is made by a newly registered company; if the BO is a domestic citizen) please outline the circumstances when this is required. **[free text]**

2.1.5 When BO declarations are submitted to the registry, is supporting documentation or evidence required (such as copy of the BO's passport, notarised statement of ownership etc.) required in some or all circumstances?

Yes - in all circumstances | Yes - in certain circumstances | No | No - but reforms are underway | Not sure

2.1.6 If yes, please explain what information is required. **[free text]**

2.1.7 When beneficial ownership is held indirectly, for example through a chain of companies, is information required on the full chain of ownership?

Yes - in all circumstances | Yes - in certain circumstances | No | No - but reforms are underway | Not sure

2.1.8 If yes, please explain what information is required. **[free text]**

2.1.9 Are any fields of information submitted (e.g. address, date of birth) or pieces of supporting documentation mentioned in your response to the previous questions used to check information against other databases or data sources? For example, is domestic address checked against a database of valid addresses?

Yes | No | No - but reforms are underway | Not sure

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2.1.10 If yes, please list all such checks that are conducted, noting any differences in checks conducted when BOs are domestic vs foreign citizens. **[free text]**

2.1.11 When BO declarations are submitted to the registry, are any officially-issued identifiers (such as taxpayer number, passport number etc.) and/or any supporting information (such as copy of identity card) required from the person/entity that is submitting the BO declaration where they are not the beneficial owner?

Yes - in all circumstances | Yes - in certain circumstances | No | No - but reforms are underway | Not sure

2.1.12 If yes, please list each officially-issued identifier and supporting evidence that is required. Where these are only required under certain circumstances, please outline the circumstances when this is required. **[free text]**

2.1.13 Does the registry have power to refuse a BO declaration, and if so under what conditions? **[free text]**

1.14 Are any other accuracy checks or verification measures undertaken at the time declarations are submitted to the register that have not been mentioned above? **[free text]**

2.2. Verification after submission

The following questions relate to checks that are undertaken of BO data once it is held on the register.

2.2.1 Does the registrar or another responsible agency check the accuracy of BO information held on the register after declarations have been submitted? For example, by conducting periodic reviews of a sample of entries on the register or analysing entries to identify red flags such as suspicious company structures.

Yes | No | No - but reforms are underway | Not sure

2.2.2. If yes, please outline the accuracy checks conducted, and the agency that is responsible for these. **[free text]**

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2.2.3. Under the 5th EU AMLD, national law in EU Member States should require obliged entities (such as banks) to report discrepancies between BO information held on the centralised BO register and other BO information sources that they hold. Please outline the mechanisms and procedure for how this takes place in your country. Please include:

How obliged entities report discrepancies

Whether the register authority investigates the discrepancy reported, or passes to another competent authority

Details of any timeline to take action following the discrepancy reported

Whether an alert/ notice is put in that entry on the register

Whether the register authority provide any feedback to obliged entities after the discrepancy has been resolved [free text]

2.2.4. When information about a discrepancy is reported, what action does the BO registry take? **[free text]**

2.2.5. How many reports of discrepancies have been received in the last 12 months? **[free text]**

2.2.6. Is there a mechanism for competent authorities (such as law enforcement, financial intelligence units) to report discrepancies between BO information held on the centralised register and other BO information sources that they hold?

Yes | No | No - but reforms are underway | Not sure

2.2.7. If yes, please outline the mechanisms and procedure for how this takes place. **[free text]**

2.2.8. Other than the reporting mechanisms referred to in the previous questions, are there other mechanisms through which the public can report errors and discrepancies found in information held on the register, and are these used?

Yes | No | No - but reforms are underway | Not sure

2.2.9. If yes, give relevant details below. **[free text]**

2.2.10. What challenges does the registry have with putting verification mechanisms in place? Do these relate to e.g., the lack of a mandate to do so, insufficient resources, technical issues, etc.? **[free text]**

3. Up to date and auditable information on beneficial ownership

This section covers information relating to the timeliness of information held on the BO register, and the extent to which historical records are maintained.

3.1 How many companies are registered on the BO register (or, where this is part of the national company registry, how many companies are on the company register)? Please include in your answer any explanatory notes, e.g. no. active vs dormant / dissolved companies. **[free text]**

3.2 How many companies does the BO register contain BO information for? Please include in your answer any explanatory notes, e.g., no. companies that have submitted that they have no registrable BO. **[free text]**

3.3. Does the register indicate to users whether information is out of date (for example, is there a flag indicating that the BO entry for a company has not been updated, e.g. annually, where this is required in your country)?

Yes | No | No - but reforms are underway | Not sure

3.4 If yes, paste relevant details below. **[free text]**

3.5 What actions, if any, does the registry take to ensure that information on the register is kept up to date? For example, are reminders or warnings sent for late submissions? **[free text]**

3.6 What challenges does the registry have with ensuring information is kept up to date? Do these relate to e.g., the lack of a mandate to do so, insufficient resources, technical issues, etc.? **[free text]**

4. Sanctions

This section covers the use of sanctions that exist for non compliance with BO disclosure requirements, and the registry's role in enforcing sanctions.

4.1 What is the role of the agency that implements the BO registry in applying sanctions for non-compliance? Where the BO registry sits under the authority of a particular Ministry, for example the Ministry of Justice, please detail the role of the BO registry as well as the role of the relevant Ministry. **[free text]**

2.2 Does the BO registry have the power to issue administrative penalties such as fines?

Yes | No | No - but reforms are underway | Not sure

4.3 If yes, please outline relevant details below. **[free text]**

4.4 If no, does another authority have such power? **[free text]**

4.5 Within the past 12 months, please provide any information you are able to on the extent to which the BO registry or other agency has issued administrative sanctions. **[free text]**

4.6 Does the BO registry have power to send official warnings or similar where companies are potentially not complying with BO requirements?

Yes | No | No - but reforms are underway | Not sure

4.7 If yes, please outline relevant details below. **[free text]**

4.8 Does the BO registry have a mandate to provide information to the judiciary or other competent authorities to enforce criminal sanctions for non compliance with BO requirements (where these exist)?

Yes | No - the BO registry does not have this mandate, although criminal sanctions exist | No - no criminal sanctions exist for non-compliance | No - but reforms are underway | Not sure

4.9 Is information on compliance (e.g. compliance rates) documented?

Yes | No | No - but reforms are underway | Not sure

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4.10 If yes, paste relevant information about the compliance rate with BO requirements in your country. **[free text]**

4.11 Is information on sanctions and their enforcement (e.g. prosecutions) documented and published?

Yes | No | No - but reforms are underway | Not sure

4.12 If yes, paste relevant details below. **[free text]**

4.13 Does the registry have powers to strike off a company where adequate BO information has not been received?

Yes | No | No - but reforms are underway | Not sure

3.14 If yes, paste relevant details below. **[free text]**

5. Further information

5.1 Are there other challenges your agency experiences when seeking to ensure data held on the BO registry is accurate that have not been yet mentioned? **[free text]**

5.2 What changes do you think would be most helpful in overcoming the challenges you outline in the previous questions? **[free text]**

5.3 If the disclosure forms that companies must use to submit a new BO declaration are publicly available, please provide a link where we can view or download this. **[free text]**

5.4 Would you be available for a follow-up interview? **Yes | No**

5.5 If yes, could you please provide your contact details (name and e-mail address)? **[free text]**

Annex 5: List of countries that responded to the survey on the register's verification of beneficial ownership

Austria	Latvia
Bulgaria	Lithuania
Cyprus	Luxembourg
Czech Republic	Malta
Finland	Portugal
France	Romania
Greece	Slovakia ³¹
Hungary	Slovenia
Ireland ³²	Sweden

³¹ Two respondents filled out the survey with regards to Slovakia.

³² Two respondents filled out the survey with regards to Ireland.

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