global witness

Hard Data on Lessons Learned from The UK Beneficial Ownership Register

The UK Register and Global Witness' Analysis

It is well documented how anonymous companies facilitate everything from corruption and money laundering to transnational organized crime, human trafficking, and terrorism.[i] In order to combat these problems, the United Kingdom introduced the world's first public, open register of the real owners (e.g., beneficial owners) of its companies in 2016.

In 2018, Global Witness, with its partner DataKind UK, conducted the first comprehensive data analysis of the new register, which makes company ownership public and available in an open data format. Our findings were published in a report, ***The Companies We Keep***. We also conducted a follow up analysis in 2019, to take advantage of an additional year of reporting data.

Our analysis found that, while there are still significant improvements to be made to the register, the UK register is working and is already yielding vital clues about the nature of company ownership in the UK, the ease of compliance for UK companies, and value for of beneficial ownership data for law enforcement and others.

Providing Beneficial Ownership Information is a Straightforward Task For Most UK Companies

- In 2018, about 3.5 million UK companies reported information on their beneficial owners.[ii]
- Of these, the average number of owners of reporting UK companies (roughly 3.5 million) **was 1.13.**
- In 2018, the mode (most common) number of owners for reporting companies was **one.**
- In 2018, of the companies reporting owners**, 99% of them declared they had six owners or less**. Well over half of these companies reported having **two owners or fewer**.

These findings suggest that for the overwhelming majority of UK companies, compliance with the new register is straightforward and identifying a company's owners is easily done.

Collection of Beneficial Ownership Information Helps Enhance Law Enforcement Inquiries

- Between April 2016 and 2017, Companies House (The UK government agency that administers the register) filed only 426 Suspicious Activity Reports (SARs) on activities associated with companies.[iii] One year later, that number spiked to **2,264 reports – a more than 500 percent increase**.
- Similarly, inquiries from law enforcement to Companies House for help in investigations increased from an average of **11 requests per month to 125 per month in the last three years.** While that increase has slowed, it continues to grow by more than 50%.

These findings suggest that collection of beneficial ownership information may not only provide additional valuable information to law enforcement, but is associated with increased monitoring and information sharing that can enhance investigations and oversight.

The UK Registry May Already Be Helping to Deter Suspicious Activity

- In June 2017, the UK registry transparency rules expanded to include **Scottish Limited Partnerships (SLPs**).
- SLPs have become notorious in recent years for their association with corruption, organized crime and tax evasion.
- Until the introduction of the PSC regime, there was no structured data on the beneficial owners of SLPs via Companies House – possibly one of the reasons that they were so attractive to suspicious actors.
- However, since SLPs opened up, rates of incorporation of SLPs have **plummeted to their lowest level for 7 years, 80% lower in the last quarter of 2017 than its peak levels of incorporation at the end of 2015.**
- Our follow up analysis this year confirms that incorporate rates for SLPs remain at historically low levels.

These findings suggest that even modest company ownership reporting requirements may help discourage individuals from using corporate vehicles to conduct suspicious and potentially unlawful activities.

The US is Still Open for (Shady) Business

The UK register has shortcomings that need to be addressed – such as reporting loopholes, the need for more verification of company data, and enforcement of its reporting requirements. However, three years out, it appears that the register has made it more difficult for criminals and the corrupt to launder dirty cash using UK companies, while imposing a minimal burden on UK small business, and perhaps adding some benefit for them as well.

The UK has also required its Overseas Territories (E.g., BVI, Cayman Islands, Bermuda – major centers of company formation and company secrecy) to begin collecting beneficial ownership information and make it public as well. Yet, as beneficial ownership transparency emerges as a global norm, the US is unfortunately still open for illicit activity, putting our businesses, communities and overall security at risk.

Fortunately, there is a solution. Rep. Carolyn Maloney (D-NY) and Rep. Peter King (R-NY) have recently introduced the Corporate Transparency Act of 2019 [H.R.2513], which would require US companies to disclose their beneficial owner(s) to the Financial Crimes Enforcement Network (FinCEN) when they incorporate and keep their ownership information up to-do-date. Establishing company ownership disclosure in the US would be a vital tool to help law enforcement combat terrorism, criminal activity and other threats, while imposing little undue burden on businesses and their owners.

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For more information on Global Witness' analysis of the UK's beneficial ownership register, please contact Mark Hays (mhays@globalwitness.org) or Allie Robins (arobins@globalwitness.org)

[i] The Great Rip Off, https://www.globalwitness.org/en/campaigns/corruption-and-money-laundering/great-rip-off/

[ii] This was out of roughly 4.1 million companies required to report under the new requirements. Some companies reported that they had no owner that met the definition of beneficial owner under the new law.

[iii] Under UK law, Companies House – which also directly incorporates companies, as well as oversees company formation – must file SARs to comply with UK anti-money laundering regulations. The US does not currently require company formation agents to conduct such due diligence.