

# Global Best Practices on Beneficial Ownership Disclosure

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# 1. Introduction

- **Corporate transparency** – tool to fight financial crime, including money laundering and related offenses such as bid rigging, price fixing, corruption and conflicts of interest in public procurement.
- **Beneficial ownership (BO)** - natural person who ultimately, directly or indirectly owns or controls the company or other legal entity or arrangement
- The concept originates from anti-money laundering (AML) and counter-terrorist financing (CTF) policies, developed and promoted primarily by the Financial Action Task Force (FATF).
- FATF promotes multi-pronged approach to collection of BO data:
  - Company approach;
  - **Registry** or alternative mechanism;
  - Any other supplementary source of information.



## 2. Scope



Initial verification  
of the BO data

Changes and  
regular  
authentication of  
the BO data

Keeping historical  
records

Involvement of  
the professionals

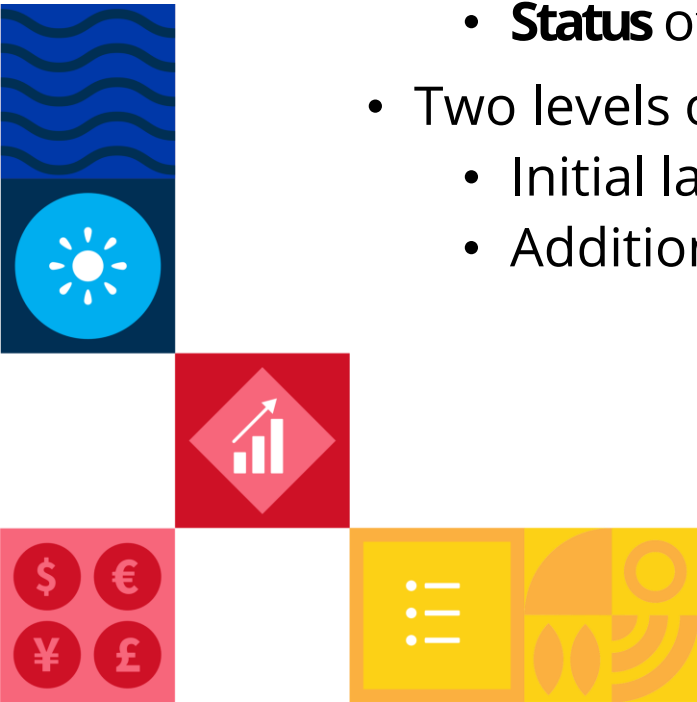
Use BO register +  
verification of the  
data by third  
sector

Dissuasive  
sanctions



# 3.1. Registration and initial verification

- Having more checks when an entity is created makes it easier to keep the registry accurate later (registration cannot be finished without BO data – Denmark, Slovakia).
- Verification should focus on two areas:
  - **Existence and identity** of the beneficial owner.
  - **Status** of the beneficial owner.
- Two levels of verification:
  - Initial layer applied to all entities; **automated**.
  - Additional layer on the **risk-based** approach.



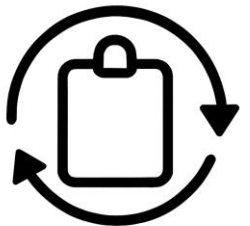
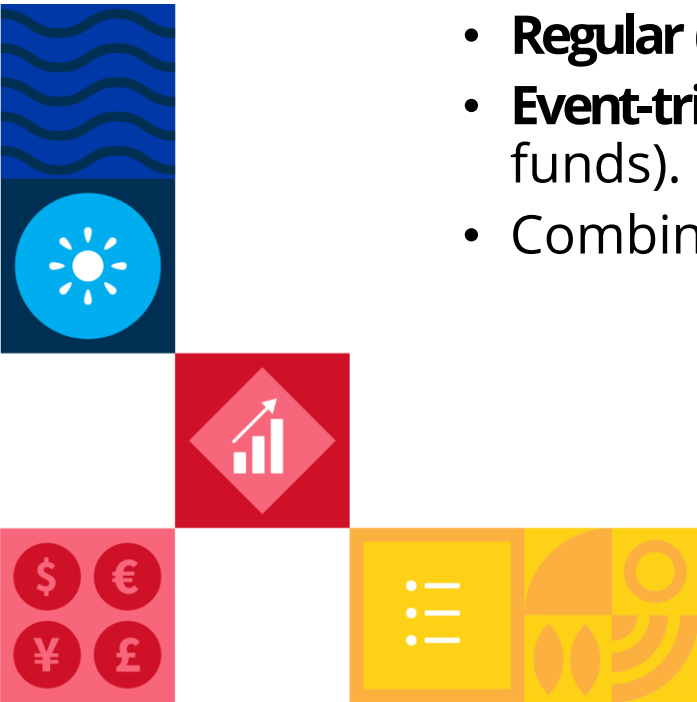
## 3.2. Registration and initial verification

<b>Enhanced Initial Registration Checks</b>	<ul style="list-style-type: none"><li>• Complete and accurate BO details during company registration.</li><li>• Registration forms with predefined options.</li></ul>
<b>Dual-Layer Verification Process</b>	<ul style="list-style-type: none"><li>• Initial automated verification to identify basic errors.</li><li>• Secondary risk-based layer for high-risk cases.</li></ul>
<b>Automated Verification via Data Interconnection</b>	<ul style="list-style-type: none"><li>• Linking official data sources.</li><li>• Compliance with data protection regulations.</li></ul>
<b>Risk-Based Verification for Complex Cases</b>	<ul style="list-style-type: none"><li>• Additional checks for companies based on pre-defined red flags.</li><li>• Streamlining checks for simple cases (micro companies).</li></ul>
<b>Strengthened Statutory Powers of the Registry</b>	<ul style="list-style-type: none"><li>• Broad legal authority of the BO register.</li><li>• Staff trained in corporate law and economy.</li></ul>



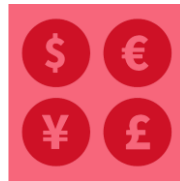
# 4.1. Registration of changes and regular authentication of the BO data

- It is crucial for the effectiveness of the system to:
  - **Record any changes** to BO data.
  - Continuously **authenticate** BO data.
- Based on the type of the register (general or special/sectoral), authentication might be:
  - **Regular** (e.g., annual).
  - **Event-triggered** (e.g., conclusion of the new contract, receipt of the public funds).
  - Combination of regular and event-triggered authentication.



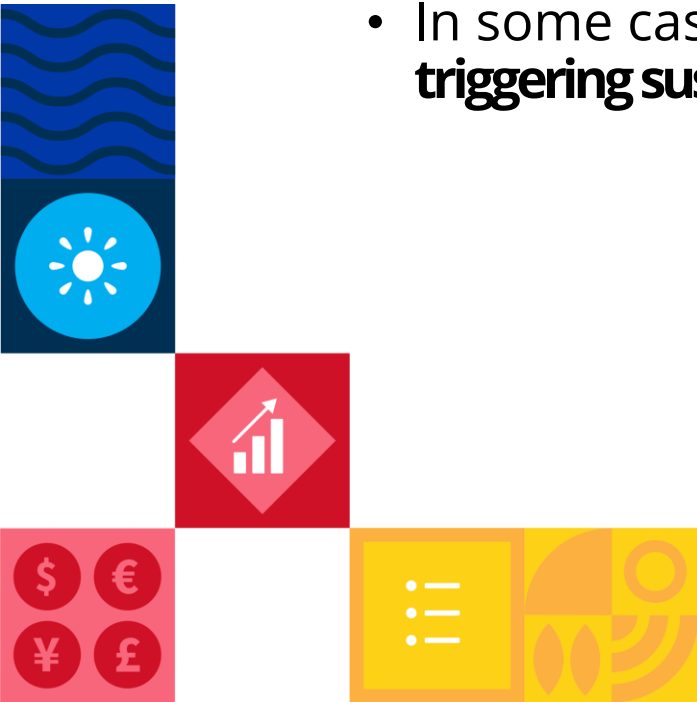
## 4.2. Registration of changes and regular authentication of the BO data

<b>Timely Reporting of BO Changes</b>	<ul style="list-style-type: none"><li>• Strict deadlines for notifying changes.</li><li>• Dissuasive sanctions for non-compliance.</li></ul>
<b>Regular Annual Authentication</b>	<ul style="list-style-type: none"><li>• Regular re-confirmation or update of the BO data.</li><li>• Recommended frequency is once a year.</li></ul>
<b>Event-Triggered Authentication</b>	<ul style="list-style-type: none"><li>• Additional authentication tied to specific events.</li><li>• Can be combined with regular annual authentication.</li></ul>
<b>Use of Documents/Charts to Create a “Snapshot” of the Structure in Time</b>	<ul style="list-style-type: none"><li>• Information about full ownership and management structure.</li><li>• In the form of document, chart or any other suitable form.</li></ul>
<b>Risk-Based Approach</b>	<ul style="list-style-type: none"><li>• Identification of entities that may require more frequent or in-depth authentication to effectively allocate resources.</li></ul>



# 5.1. Keeping historical records

- **Access to historical BO information** is absolutely essential for achieving the goals of BO registration.
- Since investigations into corruption, money laundering, and other financial crimes often take a significant amount of time, it is important to be able to verify registered data **at a specific point in time**.
- In some cases, changes in BO registrations over time can serve as a red flag, **triggering suspicion**.





## 5.2. Keeping historical records

### Maintenance of the Historical BO Records in the BO register

- Verification of the information at specific points in time, which is critical for investigating corruption, money laundering, and other financial crimes.
- Changes over time can also serve as red flags.

### Requirement for the Entities to Retain Detailed Historical Data

- Entities must retain historical BO data.
- Even if an entity is dissolved, former managers must retain BO records and related documentation for specified period of time.

### Comprehensive Access to Historical Data

- BO register shall allow access to all historical BO information from the first registration.
- Comprehensive tracking enables a detailed review of changes in BO data over time.



# 6.1. Involvement of the professionals

- Two possible ways of involvement:
  - **AML-obliged entities** reporting discrepancies.
  - **Special Authorized Persons** (Slovak Special BO Register).
- Considerations for discrepancy reporting:
  - Access by reporting entities to BO data held in the registry.
  - Materiality of discrepancy to optimize the resources.
  - Adjudicating discrepancy reports in fair and efficient manner and feedback system.
  - Record keeping.
  - Privacy considerations.



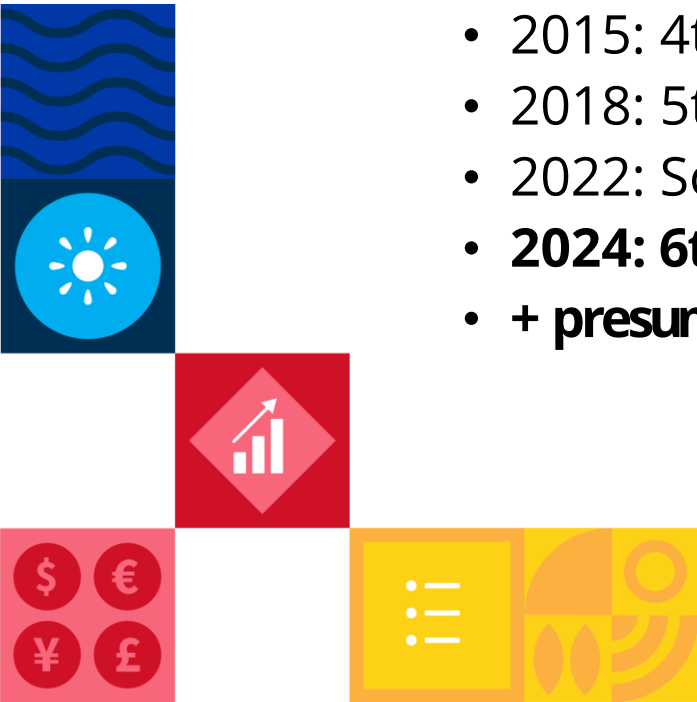
## 6.2. Involvement of the professionals

<b>Timely Notification of Discrepancies by AML-obliged entities</b>	<ul style="list-style-type: none"><li>• Mechanism for electronic reporting of any discrepancies between the BO data obtained during CDD/KYC and the data in the central BO register.</li></ul>
<b>Risk-Based Materiality Assessment</b>	<ul style="list-style-type: none"><li>• Clear criteria for what constitutes a material discrepancy to ensure that only significant differences trigger follow-up investigations, thereby optimizing resource allocation.</li></ul>
<b>Third-Party Verification</b>	<ul style="list-style-type: none"><li>• Empower financial institutions, DNFBPs, and other stakeholders to act as gatekeepers by verifying BO data.</li></ul>
<b>Robust Record-Keeping and Privacy Safeguards</b>	<ul style="list-style-type: none"><li>• Strict record-keeping requirements for all discrepancy reports.</li><li>• Data privacy considerations.</li></ul>



# 7.1. Accessibility of the BO register

- **Unrestricted public access** is promoted by the majority of relevant players in the AML field.
- **Third sector and journalists** are the most frequent actors in flagging issues with BO registrations.
- Development in the EU:
  - 2015: 4th AML Directive (legitimate interest).
  - 2018: 5th AML Directive (free access).
  - 2022: Sovim Ruling (free access invalidated).
  - **2024: 6th AML Package (legitimate interest**
  - **+ presumptions of its existence).**



## 7.2. Accessibility of the BO register

<b>Immediate and Unrestricted Access for Authorities and AML-obliged or Purpose- Authorized Entities</b>	<ul style="list-style-type: none"><li>• Fully accessible BO register to all competent authorities to support the detection and investigation of discrepancies and financial crimes.</li></ul>
<b>Timely Access for Beneficial Owners</b>	<ul style="list-style-type: none"><li>• Everyone should have the ability to verify whether they are registered as beneficial owners.</li></ul>
<b>Timely Access for Foreign Authorities</b>	<ul style="list-style-type: none"><li>• Access should be established for foreign authorities to facilitate international investigations.</li></ul>
<b>Timely Access for Third Sector, Journalists and Academia</b>	<ul style="list-style-type: none"><li>• Seamless access to the BO register.</li><li>• Critical role in uncovering criminal activity.</li></ul>
<b>Timely Access for the General Public</b>	<ul style="list-style-type: none"><li>• Registration for record-keeping purposes</li><li>• May be subject to a fee to partially cover the costs of the register.</li></ul>
<b>Digital and Structured BO Registers on Secure IT Platforms</b>	<ul style="list-style-type: none"><li>• Efficient data management, reduced costs, integration with other data sources, and supports large-scale analysis and policy evaluation.</li></ul>



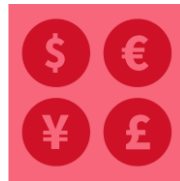
# 8.1. Dissuasive sanctions

- Civil, administrative and criminal sanctions are possible.
- Two types:
  - Financial.
  - Non-financial.
- **Non-financial sanctions** have particularly dissuasive effect, e.g., dissolution, suspension of shareholder rights, disqualification from the ability to participate on public procurement or hold position in a company etc.
- Two main considerations:
  - **Effectiveness** of enforcement.
  - **Accountability** in enforcement.



## 8.2. Dissuasive sanctions

<b>Clear Enforcement Authority and Broad Powers</b>	<ul style="list-style-type: none"><li>• Authority responsible for enforcing BO registration.</li><li>• Broad powers.</li></ul>
<b>Accountability and Transparency</b>	<ul style="list-style-type: none"><li>• Sufficient resources for enforcement.</li><li>• Publishing investigation outcomes to enhance accountability and transparency.</li></ul>
<b>Combination of Financial and Non-Financial Penalties</b>	<ul style="list-style-type: none"><li>• Mix of sanctions, including fines, administrative actions (e.g., suspension of voting rights).</li><li>• Loss of eligibility for the public procurement or the dissolution.</li></ul>
<b>Linking Penalties to Economic Benefit</b>	<ul style="list-style-type: none"><li>• Tie financial sanctions to the economic advantage gained from non-compliance.</li><li>• Proportionate and deterring.</li></ul>



## 8.3. Dissuasive sanctions

### **Graduated Penalties for Continued Non-Compliance**

- Repeated failures trigger harsher sanctions.
- Automatic basis.

### **Sanctions for Key Individuals**

- Penalties imposed on responsible individuals, such as members of a statutory body or professionals to ensure personal accountability.

### **Strengthened Enforceability of the Sanctions by reputable Guarantor**

- Guarantee of the payment of the fine in case of shell companies without assets, foreign nationals outside your jurisdiction or “straw men” with no assets.





# Thank you for your attention!



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