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TRANSPARENCY AND EXCHANGE OF INFORMATION FOR TAX PURPOSES

Beneficial Ownership and Tax Transparency – Implementation and Remaining Challenges

OECD and Global Forum Report to G20 Finance Ministers and Central Bank Governors

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OECD

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Abbreviations and acronyms

AEOI	Automatic Exchange of Information
AML/CFT	Anti-Money Laundering and Countering the Financing of Terrorism
CARF	Crypto-Asset Reporting Framework
CDD	Customer Due Diligence
CRS-AEOI	Automatic Exchange of Financial Account Information
DNFBP	Designated non-Financial Businesses and Professionals
EOI	Exchange of Information
EOIR	Exchange of Information on Request
FATF	Financial Action Task Force
FI	Financial Institution
Global Forum	Global Forum on Transparency and Exchange of Information for Tax Purposes
OECD	Organisation for Economic Co-operation and Development
Terms of Reference	Terms of Reference to monitor and review progress towards transparency and exchange of information on request for tax purposes

1 Executive summary

The issue of transparency of beneficial ownership has gained relevance over the last years: it plays a significant role in tax transparency, the integrity of the financial sector and law enforcement efforts. Tax evasion, corruption, money laundering and other illicit financial flows can all flourish in the shadows of opaque ownership. By using intricate chains of companies, foundations, partnerships, trusts, and similar entities across jurisdictions, the true identity of those who ultimately control the assets – the beneficial owners – remains obscured. This anonymity can be further amplified through mechanisms like bearer shares, nominee shareholders and directors, and the strategic use of entities such as shell companies and inactive corporations. As a result, the ability of tax authorities and other law enforcement agencies to identify the true beneficial owners is significantly hampered.

This report builds upon the G20's commitment to combatting tax evasion and illicit financial flows through increased transparency on beneficial ownership of legal entities, legal arrangements and bank accounts. In 2013, the G20 called on the Global Forum on Transparency and Exchange of Information for Tax Purposes (the Global Forum) to draw on the Financial Action Task Force (FATF) definition of beneficial ownership to define the requirements under its second round of reviews under the Transparency and Exchange of Information on Request (EOIR) standard. The Automatic Exchange of Information (AEOI) standards also include the concept of beneficial ownership, similar to the definition in the FATF Recommendations, as a cornerstone in the reporting of financial accounts and crypto-assets transactions.

In 2016, the G20 called on the Global Forum and the FATF to develop proposals for improving the implementation of international transparency standards, particularly on the availability of beneficial ownership information of legal persons and legal arrangements, and its international exchange. The 2016 G20 call anticipated the benefits of robust implementation of beneficial ownership standards. To answer this call, the Global Forum developed in 2016 a three-component plan. This action plan guided the Global Forum on ensuring a widespread implementation of the beneficial ownership standards for EOI purposes. Challenges and areas where further improvement is needed have been identified through the implementation of the action plan.

The first component of the action plan focused on peer review of beneficial ownership requirements. The peer review results were satisfactory with respect to beneficial ownership information on bank accounts. However, regarding beneficial ownership of legal entities and arrangements under the EOIR standard, close to 50% of the 112 jurisdictions assessed to date have severe deficiencies in their legal framework and/or in the effective implementation of their beneficial ownership framework. Challenges identified include weak legislation, data quality concerns and lack of supervision and enforcement. The results of these peer reviews demonstrated that the key elements of a robust system include (i) stronger legislative frameworks mandating a multi-pronged approach to beneficial ownership, (ii) effective supervision and enforcement to ensure the availability of accurate, adequate and up-to-date beneficial ownership information and (iii) enhanced collaboration both at domestic and international level on information exchange. On the Automatic Exchange of Information (AEOI), the requirements with respect to beneficial ownership essentially concern the reporting of information on non-resident controlling persons/beneficial owners of investment entities that are financial institutions or passive non-financial

entities (i.e. entities or legal arrangements typically used to hold financial assets and financial accounts). This is to ensure that such information is automatically available to tax administration in such instances. In this regard, the results of the legislative assessments for AEOI shows that 103 of the 111 jurisdictions assessed have fully implemented the requirements in their legislative frameworks. The initial effective reviews in relation to AEOI ensured that the scope each jurisdiction's compliance framework satisfactorily covered all relevant entities and legal arrangements, which showed around 1/3rd of jurisdictions were "on-track", and the second round of AEOI effectiveness to fully assess implementation in practice is ongoing, to be finalised by the end of 2025. The satisfactory results on the AEOI legislative assessment concur with those assessing the availability of beneficial ownership information on bank accounts under the EOIR standard.

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Under the second component on closer institutional cooperation, the Global Forum and the FATF have worked collaboratively on the issue of beneficial ownership. While the Global Forum's standard on beneficial ownership is outcome-based, the findings of the EOIR peer reviews to date show that the Global Forum and FATF work on beneficial ownership framework closely converge. The FATF identified key elements of a robust beneficial ownership framework similar to those found in EOIR peer reviews after 2016 and has recently updated its Recommendations on beneficial ownership information for legal entities (Recommendation 24) and legal arrangements (Recommendation 25). The synergy of implementation will continue to grow as the FATF embarks on reviews of how well countries adhere to the revised FATF Recommendations.

Under the third component, the Global Forum focuses on compilation and dissemination of best practices and examples of effective implementation and on providing assistance. These efforts have benefited all members, and especially developing jurisdictions. The implementation of a robust framework for beneficial ownership is critical to fight tax evasion and other illicit financial flows. The Global Forum collaborates with its partners to conduct trainings and other technical assistance activities. The Global Forum also released a toolkit, together with the Inter-American Development Bank (IDB), which was published in 2019. Given the rapid developments in the area of beneficial ownership, the results of the peer reviews and the progress made in implementation, the toolkit was subsequently updated in 2021[1] and in 2024[2]. The Global Forum also launched an e-learning course, together with the Asia Development Bank (ADB) in 2020.

Several key lessons and follow-up actions warrant consideration. While recent years have witnessed demonstrable progress in the implementation of beneficial ownership frameworks, the importance of peer review mechanism to monitor the effectiveness of the beneficial ownership frameworks cannot be overstated. The Global Forum continues to follow up on recommendations issued to members regarding deficiencies in their beneficial ownership frameworks and implementation. Furthermore, the implementation of the revised FATF Recommendations 24 and 25, in synergy with the EOIR and AEOI standards, will further bolster transparency. To ensure all jurisdictions reap the benefits, a robust approach to capacity building activities, including targeted assistance with implementation of beneficial ownership framework, is paramount.

In light of technological advances and the increasing number of jurisdictions that have a digitalised ownership registers, the OECD is exploring pathways for more efficiently leveraging beneficial ownership information that is relevant for tax purposes. Many jurisdictions have implemented, or are

[1] IDB and OECD (2021) *Building Effective Beneficial Ownership Frameworks,* available at: https://www.oecd.org/tax/transparency/documents/effective-beneficial-ownership-frameworks-toolkit_en.pdf.

[2] IDB and OECD (2024) *Building Effective Beneficial Ownership Frameworks: A Joint Global Forum and IDB Toolkit-Second Edition*, available at: https://www.oecd.org/tax/transparency/documents/effective-beneficial-ownership-frameworks-toolkit-second-edition-2024.pdf.

in the course of implementing, beneficial ownership registers with respect to legal entities and arrangements located in their jurisdiction in response to obligations imposed under various international standards. Recent amendments to the FATF's international standards on anti-money laundering and countering the financing of terrorism (AML/CFT) require that companies hold adequate, accurate and up-to-date information on their own beneficial ownership, and that jurisdictions also require beneficial ownership information to be held by a public authority or body functioning as beneficial ownership registry or an alternative mechanism. These registers are increasingly digital and provide different level of access to law enforcement agencies, other parties with a particular interest or the public at large. In the medium term, these developments may provide an opportunity to better enable tax authorities to gain fast-track access subject to agreed conditions to up-to-date information about resident taxpayers that are beneficial owners of legal entities or arrangements for tax purposes, where such information is held in foreign registries and is relevant for tax purposes. The OECD is currently exploring the technical, legal and financial feasibility of such a technology-driven potential architecture, in the context of its work on enhancing tax transparency with respect to real estate. The outcomes of this work may then also inform the potential further advances that could be made to enhance access to tax relevant information on beneficial owners of legal entities and arrangements more broadly.

2 Introduction

The availability and accessibility of beneficial ownership information on legal entities and arrangements, by law enforcement competent authorities, is crucial for ensuring tax fairness and combating financial crime. This transparency helps deter tax evasion, money laundering, terrorist financing and corruption. The Financial Action Task Force (FATF) introduced the definition of beneficial owners in its standards back in 2003. It refers to the natural person(s) behind an entity, whether a legal person or arrangement, who exercise(s) control over it. This definition has evolved over time and is now widely used by other initiatives.

In 2013, the G20 Leaders and Finance Ministers[3] called on the Global Forum on Transparency and Exchange of Information for Tax Purposes (Global Forum) to draw on the work of the FATF in connection with beneficial ownership. The Global Forum answered this call by introducing requirements to avail, access and exchange beneficial ownership information on legal entities, legal arrangements, and bank accounts, in the standard of transparency and EOIR.

The G20 reaffirmed its commitment to enhancing tax transparency regarding beneficial ownership by issuing a further request in 2016.[4] Recognising the potential synergies between anti-money laundering/counter-terrorist financing (AML/CFT) and tax transparency objectives, the G20 called upon the FATF and the Global Forum to develop proposals for improving the implementation of international transparency standards, particularly on the availability of beneficial ownership information of legal persons and legal arrangements, and its international exchange. These standards specifically pertain to the availability and international exchange of beneficial ownership information for legal entities and arrangements, and bank accounts. The Global Forum developed a three-component action plan to answer the 2016 G20 call, which was reported in October 2016 to the G20 Finance Ministers.[5] The three components of the plan covered 1) peer reviews with a particular focus on the effective implementation of

[3] Paragraph 19 of the G20 Finance Ministers and Central Bank Governors' communique of 19-20 July 2013 provides that "We ask the Global Forum to draw on the work of the FATF in connection with beneficial ownership, […]". This statement is reiterated in the G20 Leader's Declaration, September 2013, paragraph 51 which states: "We invite the Global Forum to draw on the work of the FATF with respect to beneficial ownership".

[4] Paragraph 12 of the G20 Finance Ministers and Central Bank Governors' communique of 23-24 July 2016 states: "We reiterate our call on the FATF and the Global Forum to make initial proposals by our October meeting on ways to improve the implementation of the international standards on transparency, including on the availability of beneficial ownership information of legal persons and legal arrangements, and its international exchange".

Paragraph 20 of the G20 Leaders' declaration provides that: "Financial transparency and effective implementation of the standards on transparency by all, in particular with regard to the beneficial ownership of legal persons and legal arrangements, is vital to protect the integrity of the international financial system, and to prevent misuse of these entities and arrangements for corruption, tax evasion, terrorist financing and money laundering. We call on the FATF and the Global Forum to make initial proposals by the Finance Ministers and Central Bank Governors meeting in October on ways to improve the implementation of the international standards on transparency, including on the availability of beneficial ownership information of legal persons and legal arrangements, and its international exchange."

[5] OECD (2016), *OECD Secretary-General Tax Report to G20 Finance Ministers and Central Bank Governors (Washington DC, October 2016)*, OECD Publishing, Paris, https://doi.org/10.1787/0a6fec16-en.

the beneficial ownership standard for transparency and exchange of information on request (EOIR), 2) enhanced cooperation between the FATF and the Global Forum to further ensure coherence and mutual reinforcement of their respective work on beneficial ownership, and 3) engagement with relevant bodies to compile and disseminate examples of effective implementation and provide assistance.

Within the framework of these G20's mandates, this report delves into the implementation of beneficial ownership requirements within the exchange of information (EOI) standards, with a specific focus on the EOIR Standard. Taking a global perspective, the report reflects on the results of the implementation of the 2016 three-component plan. The report examines the current state of implementation across jurisdictions as evidenced in EOIR and AEOI peer reviews, analyses the results of EOIR peer reviews on effective implementation of beneficial ownership requirements for EOIR purposes and the remaining challenges, and explores best practices in beneficial ownership transparency. Furthermore, the report discusses how recent changes in FATF Recommendations link with the EOIR reviews in terms of compatibility and synergies. Finally, the report proposes potential directions to further strengthen beneficial ownership transparency within the global tax landscape. This comprehensive analysis is expected to offer valuable insights for continued progress towards a more transparent and robust global financial system.

3 Global Standards on Beneficial Ownership

Beneficial ownership is a core component of several international initiatives[6] on transparency. These initiatives rely on the internationally and predominantly accepted definition of beneficial ownership as set up by the FATF.

In particular, transparency of beneficial ownership is required under the international standards of transparency and exchange of information for tax purposes (EOI standards):

- the Standard on Transparency and Exchange of Information on Request (the EOIR Standard)
- the Standards on Automatic Exchange of Information (the AEOI standards), i.e. the Standard on Automatic Exchange of Financial Account Information under the Common Reporting Standard (CRS-AEOI) and the Crypto-Asset Reporting Framework (CARF).

The Global Forum does not prescribe any particular mechanisms for implementing the standards on beneficial ownership, as there is no one-size-fits-all approach to achieving compliance. However, jurisdictions should act to implement a robust framework for ensuring effective availability of beneficial ownership information, to ensure that adequate, accurate and up-to-date beneficial ownership information is maintained for legal persons, legal arrangements and bank accounts.

The definition and process for identification of the beneficial owners under the EOI standards draw on the relevant 2012 FATF Recommendations. Closer cooperation between the FATF and the Global Forum led to greater synergy in the work on beneficial ownership and ensures consistency of its implementation.

In 2022 and 2023, the FATF revised the Recommendations that pertain to beneficial ownership (Recommendations 24 and 25), in response to the challenges the international community has faced in achieving beneficial ownership transparency of legal persons and legal arrangements. These developments also converge with the outcomes and findings of the second round of EOIR peer reviews of the Global Forum launched in 2016 (see Section on greater convergence between the FATF Recommendations and the EOIR standard).

Global Forum Standards and beneficial ownership information

The Global Forum has a mandate to ensure the effective implementation of international tax transparency standards amongst its members and other relevant jurisdictions. It has adopted standards for tax transparency – the EOIR and AEOI standards, and members undergo peer reviews, which assess their compliance.

[6] A non-exhaustive list of transparency initiatives includes those of the FATF, the Global Forum, the Corporate Transparency and Integrity, the Extractive Industries Transparency Initiative, the United Nations Convention against Corruption, and the Partnering Against Corruption Initiative.

Transparency and Exchange of Information on Request (EOIR)

The EOIR standard is the foundation of the international architecture for transparency and exchange of information for tax purposes and remains the most widely used form of exchange. .

The EOIR standard requires a competent authority to provide to its counterpart in another jurisdiction, upon request, any **information foreseeably relevant** for the administration or enforcement of its domestic tax laws, or for carrying out the provisions of a relevant tax agreement. The information exchanged on request includes, amongst others, legal and beneficial ownership information and bank information, as defined in the 2016 Terms of Reference.[7]

The 2016 Terms of Reference incorporate the transparency of beneficial ownership information in respect of relevant legal entities and arrangements (Element A.1), as well as in respect of bank accounts (Element A.3). It also requires that the competent authority for exchange of information for tax purposes has access to beneficial ownership information (Element B.1).

The 2016 Terms of Reference adopt the FATF's definition of beneficial owner by explicitly indicating that "The FATF defines the term "beneficial owner" as the natural person(s) who ultimately owns or controls a customer and/or the natural person on whose behalf a transaction is being conducted. It also includes those persons who exercise ultimate effective control over a legal person or arrangement. Reference to ultimate ownership or control and ultimate effective control refer to situations in which ownership/control is exercised through a chain of ownership or by means of control other than direct control". Although the FATF and the Global Forum have different standards, each directed to its own particular mission, there are synergies between both standards that enable jurisdictions to leverage the systems, policies and information sources they have in place to satisfy the requirements of both standards and their related criteria.

Therefore, while the FATF and the Global Forum rely on the same beneficial ownership definition, their reviews may have different outcomes due to their specific purposes. For instance, the risk-based approach which is relevant for FATF Recommendations 10 and 22 may not be suitable for tax purposes. Under the risk-based approach, the frequency of update of beneficial ownership information may depend on the level of risk of the client. For tax purposes an outcome-based approach is used as up-to-date beneficial ownership information is always needed for all relevant entities. In addition, deficiencies identified in AML/CFT reviews may not be relevant for tax purposes. For example, the FATF considers in its reviews every type of legal vehicle because any can be used for the purposes of money laundering or terrorism financing, whereas the Global Forum may not focus on entities that do not pose a danger of tax evasion, such as public-interest foundations that meet certain criteria.[8]

2016 Terms of Reference and beneficial ownership information

The 2016 Terms of Reference are divided into three parts. Each part is sub-divided into core elements that are systematically evaluated during the peer review process. The requirements in relation of beneficial ownership information are present in the 2016 Terms of Reference, across the three parts:

- A. Availability of information: this includes availability of beneficial ownership information on legal persons and arrangements (Element A.1) and availability of banking information, including beneficial owners of bank accounts (Element A.3).
- B. Access to information: this includes access to beneficial ownership information by the competent authority for EOI for tax purposes (Element B.1).

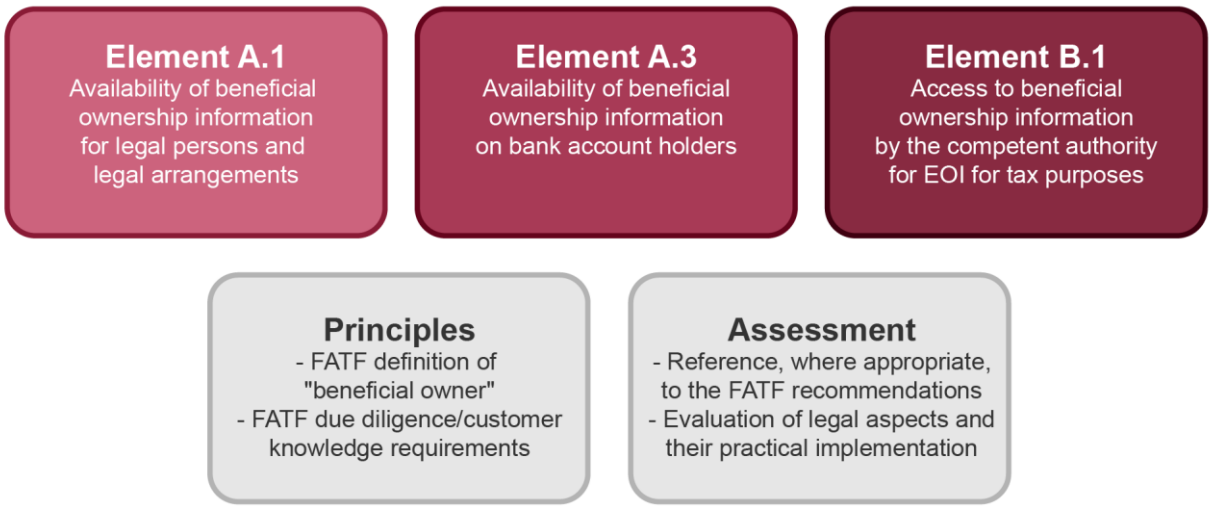
[7] OECD (2023), *Handbook for Peer Reviews on Transparency and Exchange of Information on Request: Second Round, Global Forum on Transparency and Exchange of Information for Tax Purposes*, *op. cit.*

[8] IDB and OECD (2019), *A Beneficial Ownership Implementation Toolkit*, *op. cit.*

- C. Exchange of information: this includes the exchange of beneficial ownership information, with foreign competent authorities for tax purposes.

Relevant FATF Recommendations relating to beneficial ownership are considered in the EOIR peer review process. The FATF Recommendations and guidance[9] on transparency and beneficial ownership are thus secondary authoritative sources of the EOIR standard.

Figure 1. 2016 Terms of Reference on beneficial ownership



Source: Global Forum Secretariat.

Element A.1 of the EOIR standard: Availability of beneficial ownership information for legal entities and arrangements

The availability of beneficial ownership information implies that adequate, accurate and up-to-date information on the identity of the beneficial owners of all relevant entities (i.e. legal persons and arrangements) under Element A.1 of the 2016 Terms of Reference, and for bank accounts under Element A.3 of the 2016 Terms of Reference is held by an information holder in the jurisdiction, i.e. a person having possession of or control[10] over records or information. In addition, the Terms of Reference make it clear that availability is ensured only where there are clear record-keeping obligations, and effective supervision and enforcement measures in the jurisdiction.

The Global Forum's peer review process includes a combined approach, assessing both the legal framework and the effective implementation in practice for each element. Under the EOIR standard, the beneficial ownership legal framework must cover all relevant legal persons and arrangements, be

[9] FATF (2012-2023), *International standards on Combating Money Laundering and the Financing of Terrorism & Proliferation, op. cit.*; FATF (2023), *Guidance on Beneficial Ownership for Legal Persons*, *op. cit.*; and FATF (2024), Guidance on Beneficial Ownership and Transparency of Legal Arrangements, *op. cit.*

[10] In the context of availability of information, a person might be said to have possession of records or information if he/she has physical control over it. Control is broader and includes situations where a person has the legal right or authority, or the ability to obtain documents or information in the possession of another person (2016 EOIR Terms of Reference, Element B.1, Footnote 18).

effectively implemented, and enforced in practice through supervisory activities (see Table 1. Aspects required under Element A.1 of the EOIR standard).

The EOIR standard focuses on the availability of beneficial ownership information through an **outcome-based approach**, instead of a risk-based approach. The outcome-based approach is flexible: it requires the availability of the information but does not prescribe the means to ensure its availability.

Table 1. Aspects required under Element A.1 of the EOIR standard

Aspect	Description
A.1.1 – Companies	Information should be available in order to identify the legal owners and beneficial owners of companies and any corporate bodies, as well as persons in the ownership chain. Where a legal owner acts on behalf of any other person as a nominee or under a similar arrangement, that other person should also be identified.
A.1.2 – Bearer shares	Where jurisdictions permit the issuance of bearer shares, there should be appropriate mechanisms in place that allow the owners of such shares to be identified.
A.1.3 – Partnerships	Information should be available that identifies the partners and the beneficial owners of any partnership that: • has income, deductions or credits for tax purposes in the jurisdiction, • carries out business in the jurisdiction, or • is a limited partnership formed under the laws of that jurisdiction.
A.1.4 – Trusts	Identity and beneficial ownership information should be available in respect of express trusts: • governed by the laws of the jurisdiction, • administered in the jurisdiction, or • in respect of which a trustee is resident in that jurisdiction. • Beneficial ownership includes information on the identity of the settlor, trustee(s), protector (if any), all the beneficiaries or classes of beneficiaries, and any other natural person exercising ultimate effective control over the trust.
A.1.5 – Foundations	Where jurisdictions allow for the establishment of foundations, information should be available to identify the founders, members of the foundation, council and beneficiaries (where applicable), as well as any beneficial owners of the foundation or persons with the authority to represent the foundation.

While the FATF mandatory multi-pronged approach is not a requirement under the EOIR standard, it comforts the main finding of the EOIR peer reviews according to which such an approach combining multiple sources ensures better availability of beneficial ownership information. The Global Forum Secretariat has developed dedicated technical assistance programme and developed guidance and model legislations to that end.[11]

Appropriate coverage combined with compliance, monitoring/supervision and enforcement processes are critical to ensuring that laws and regulations on beneficial ownership are observed. In addition, the Global Forum reviews seek input from peers to verify if jurisdictions under review have been able to provide beneficial ownership information when requested, where the foreseeable relevance of the request is demonstrated.

Element A.3: Availability of legal and beneficial ownership information on bank accounts

Element A.3 of the 2016 Terms of Reference requires the identification of the account holder (natural person, legal person or legal arrangement), the identification of the beneficial owner(s) of the account, as well as the maintenance of all related financial and transactional information (see Table 2). Such information must be kept for at least five years, including in case of cessation of the bank.

Beneficial ownership information must be kept up to date by taking into account all facts and circumstances that may lead to a change of the status of the natural person identified as such. Up-to-date information is also obtained by conducting CDD measures at a certain time frequency. Such frequency depends on the risk category of the client and must be explicitly time-bound, including for low-risk clients (e.g. at least every

[11] The model legislations developed by the Global Forum Secretariat are available to public authorities and bodies upon request. See https://www.oecd.org/tax/transparency/documents/documents-available-to-tax-authorities-upon-request.htm.

three years for low-risk clients, at least every two years for medium-risk clients, and at least every year for high-risk clients). The definition and identification of the beneficial owner(s) by banks must be in line with the FATF Recommendations.

Jurisdictions must be able to demonstrate that they have a robust supervision mechanism in place to ensure compliance of banks with their obligation to identify beneficial owners of their clients.

Table 2. Aspects required under Element A.3 of the EOIR standard

Aspect	Description
A.3.1 – Banking information of account holders	Banking information should include all records pertaining to the accounts as well as to related financial and transactional information, including information regarding the legal and beneficial owners of the accounts.

Element B.1: Access to beneficial ownership information

The available information must be accessible, so competent authorities for EOI for tax purposes are able to obtain it. Therefore, they should be able to obtain information relating to legal ownership and beneficial ownership, and banking information.

This requires powers to obtain the information from any person within their territorial jurisdiction who is in possession or control of such information.

Element B.1 breaks down into five aspects, as detailed in Table 3. Aspects required under Element B.1 of the EOIR standard.

Table 3. Aspects required under Element B.1 of the EOIR standard

Aspect	Description
B.1.1 – Ownership and banking information	Competent authorities should have the power to obtain and provide information held by banks, financial institutions and any person acting in an agency or fiduciary capacity (including nominees and trustees), as well as information regarding the legal and beneficial owners of companies, partnerships, trusts, foundations and other relevant entities.

More information on the EOIR Standard and beneficial ownership is available in the latest Global Forum toolkit on Building Effective Beneficial Ownership Frameworks: A joint Global Forum and IDB Toolkit.[12]

Automatic Exchange of Information

The CRS-AEOI standard[13] provides for the automatic exchange of a predefined set of financial account information between tax authorities. It requires the annual transmission of information on financial accounts held by individuals and entities, as well as information on controlling persons of certain categories of entities, to their residence jurisdiction.

The term “controlling person” has the same meaning as beneficial owner under FATF Recommendation 10 and its Interpretative Note. Therefore, FIs are required to identify the controlling persons/beneficial owners

[12] IDB and OECD (2024) *Building Effective Beneficial Ownership Frameworks: A Joint Global Forum and IDB Toolkit-Second Edition*, available at: https://www.oecd.org/tax/transparency/documents/effective-beneficial-ownership-frameworks-toolkit-second-edition-2024.pdf

[13] OECD (2017), Standard for Automatic Exchange of Financial Account Information in Tax Matters, Second Edition, OECD Publishing, Paris, https://doi.org/10.1787/9789264267992-en.

of the account holder in accordance with the FATF Recommendations. The Commentary relating to Section VIII-D-6 of the Common Reporting Standard provides that:

- The term "controlling person" must be interpreted in a manner consistent with FATF Recommendation 10 and its Interpretive Note.
- For an entity that is a legal person, the term "controlling person" means the natural person(s) who exercises control over the entity. To identify the controlling person of a legal entity, financial institutions must follow the cascading approach.
- In the case of a trust, the term "controlling person" means the settlor(s), the trustee(s), the protector(s) (if any), the beneficiary(ies) or class(es) of beneficiaries, and any other natural person(s) exercising ultimate effective control over the trust. These natural persons must always be treated as controlling persons of a trust, regardless of whether or not any of them exercises control over the trust.
- In the case of a legal arrangement other than a trust, the term "controlling persons" means natural persons in equivalent or similar positions as those for a trust, taking into account the different forms and structures of these legal arrangements.

The Global Forum has assessed the CRS legal framework of 111 jurisdictions and of these, 30 were identified as having deficiencies in relation to defining Controlling Persons in their first assessment. The most common deficiency, representing half of all those identified, is not to incorporate elements described in the Commentary to the CRS, particularly to incorporate all of the details of the requirements to identify Controlling Persons of trusts and similar arrangements. The second most common deficiency is to completely omit a definition of Controlling Person, with six jurisdictions found to have done this in their initial assessment. The balance of deficiencies has been cross referenced to deficient existing definitions in AML law (3), problems with defining thresholds of control or ownership (2), or not explicitly including text requiring interpretation in line with FATF Recommendations (4). Subsequently most of the 30 jurisdictions have amended their laws to remove the deficiencies, so that only 8 jurisdictions remain in this situation.

Crypto-Asset Reporting Framework

In response to the rapid development and growth of the crypto-asset market, the international community has sought to ensure that recent gains in global tax transparency brought about by AEOI will not be eroded. In light of the specific features of the Crypto-Asset markets, the OECD, working with G20 countries, has developed the Crypto-Assets Reporting Framework[14] (CARF), a dedicated global tax transparency framework which provides for the automatic exchange of tax information on transactions involving Crypto-Assets in a standardised manner with the jurisdictions of residence of taxpayers on an annual basis.

Furthermore, in October 2022, the G20 called on the Global Forum to take forward work on the CARF's implementation. The Global Forum established a CARF Group to carry out this work. The discussions within the CARF Group are well underway, with a focus on delivering the Global Forum's CARF commitment process by the end of 2024. The CARF Group is also working on providing guidance and tools to jurisdictions implementing the CARF.

The term "controlling person" has the same meaning as beneficial owner under the FATF Recommendations. Therefore, Crypto Assets Service Providers (i.e. any individual or entity that conducts business by facilitating exchange transactions involving crypto-assets for or on behalf of customers) are required to identify the controlling persons/beneficial owners of the relevant crypto-asset in accordance with the FATF Recommendations. Reporting crypto-asset service providers must follow the

[14] OECD (2023), *International Standards for Automatic Exchange of Information in Tax Matters: Crypto-Asset Reporting Framework and 2023 update to the Common Reporting Standard*, OECD Publishing, Paris, https://doi.org/10.1787/896d79d1-en.

methodology of identification of the beneficia owners of legal persons and legal arrangements to identify the controlling persons of certain entities that are holding crypto-assets.

An update on the work to implement the recently agreed OECD/G20 Crypto-Asset Reporting Framework (CARF) is available in the OECD report to the G20 Finance Ministers and Central Bank Governors "Bringing Tax Transparency to Crypto-Assets – An Update"[15].

A greater convergence between the FATF recommendations and the EOIR standard

The FATF recently updated its Recommendations to address challenges in achieving transparency of beneficial ownership for legal persons and arrangements. These changes, although prescriptive, do not contradict the approach taken by the Global Forum peer reviews (see section on *Overall performance in transparency of beneficial ownership information*). In many areas, the revised recommendations are more specific but follow the same directions adopted during in EOIR peer reviews.

FATF Standards related to beneficial ownership

The FATF is the international standard setting body on AML/CFT. The FATF has adopted 40 Recommendations and 11 Immediate Outcomes to assess the effectiveness of the AML/CFT frameworks. The FATF Recommendations set an international standard which comprises the Recommendations themselves and their Interpretive Notes, together with the applicable definitions in the Glossary. Seven Recommendations are related to beneficial ownership[16].

The Global Forum, which monitors and supports the implementation of the international standards on transparency and exchange of information for tax purposes, has included in these standards the concept of beneficial ownership as defined by the FATF, thus responding to a G20's call for greater synergy on beneficial ownership transparency.

Definition of beneficial owners under Financial Action Task Force Standard

The concept of beneficial ownership is defined in the FATF Glossary (see Box below). The key elements of the definition can be summarised as follows:

- A beneficial owner is always a **natural person** who controls a legal person or a legal arrangement.
- There can be one or more beneficial owners.
- The concept of control refers to the ability to take relevant decisions within the legal person or legal arrangement and to impose those decisions.
- When one or more layers of legal persons or legal arrangements are interposed between the beneficial owner(s) and the entity for which the beneficial owner(s) must be ascertained, one should always look through these layers by applying the correct methodology to identify the beneficial owner(s) of those interposed legal persons or legal arrangements in order to identify the natural person(s) who is the beneficial owner of the entity.

[15] OECD (2024), *Bringing Tax Transparency to Crypto-Assets – An Update: Global Forum Report to G20 Finance Ministers and Central Bank Governors*, OECD Publishing, Paris, https://doi.org/10.1787/b33c9aa1-en.

[16] Recommendation 10 on Customer Due Diligence (CDD), Recommendation 11 on record-keeping, Recommendation 15 on virtual assets requiring virtual asset service providers (VASPs) to apply preventive measures, including CDD, Recommendation 17 on reliance on third parties and Recommendation 22 on DNFBPs' CDD, Recommendation 24 on beneficial ownership of legal persons and Recommendation 25 on beneficial ownership of trusts and similar legal arrangements.

FATF definition of beneficial owner
The FATF Glossary[1] defines beneficial owner as follows (*notes to the definition are not included):
In the context of legal persons, beneficial owner refers to the natural person(s) who ultimately owns or controls a customer and/or the natural person on whose behalf a transaction is being conducted. It also includes those natural persons who exercise ultimate effective control over a legal person. Only a natural person can be an ultimate beneficial owner, and more than one natural person can be the ultimate beneficial owner of a given legal person.
In the context of legal arrangements, beneficial owner includes: (i) the settlor(s); (ii) the trustee(s); (iii) the protector(s) (if any); (iv) each beneficiary, or where applicable, the class of beneficiaries and objects of a power; and (v) any other natural person(s) exercising ultimate effective control over the arrangement. In the case of a legal arrangement similar to an express trust, beneficial owner refers to the natural person(s) holding an equivalent position to those referred above. When the trustee and any other party to the legal arrangement is a legal person, the beneficial owner of that legal person should be identified.

Revised Recommendation 24 on beneficial ownership of legal entities

Recommendation 24 establishes that jurisdictions should take measures to ensure the availability of adequate, accurate and up-to-date information on the beneficial ownership and control of legal persons created in that jurisdiction, as well as those that present ML/TF risks and have sufficient link with their jurisdiction.[17]

Revised Recommendation 24 explicitly mandates that countries should follow a **multi-pronged approach**, i.e. a combination of different mechanisms to ensure that the beneficial owners of legal persons can be determined in a timely manner. This multi-pronged approach requires as a minimum the combination of three approaches: 1) the entity approach, 2) the register approach or an alternative mechanism, and 3) additional supplementary measures.

- Under the **entity approach**, legal entities are required to obtain and hold adequate, accurate and up-to-date information on their own beneficial owners. The legal entities are further required to make the beneficial ownership information available to competent authorities in a timely manner, and cooperate with AML/CFT obliged persons to provide beneficial ownership information.
- Under the **register approach**, adequate, accurate and up-to-date beneficial ownership information of legal persons is held by a public authority(ies) or body(ies) (e.g. a tax authority, a financial intelligence unit, a company registry or a beneficial ownership registry) or a private body entrusted with this task by the public authority. Recommendation 24 and its Interpretive Note do not necessarily require the implementation of a central register; a jurisdiction can meet the FATF requirement through several registers (e.g. for provinces or districts, for sectors or for specific types of legal person). Jurisdictions may also use an alternative mechanism instead of the

[17] The requirement on legal persons not created in the jurisdiction was included following the 2022 FATF revision. The Interpretive Note to Recommendation 24 notes that jurisdictions can determine what is considered a sufficient link based on risk. A sufficient link can include, but is not limited to, when a company has a permanent establishment/branch/agency, has significant business activity, or has significant and ongoing business relations with an AML/CFT obliged person in the jurisdiction.

register approach, if it also provides authorities with efficient access to adequate, accurate and up-to-date beneficial ownership information.[18]

- **Additional supplementary measures that are necessary must also be used** to ensure that the beneficial owners of a legal person can be determined. These measures include for example information held by regulators or stock exchanges or obtained by financial institutions and/or DNFBPs under their CDD requirements.

Recommendation 24 and its Interpretative Note[19] strengthen the requirements on beneficial ownership in other areas, such as the attribute of beneficial ownership information, bearer shares and bearer share warrants, nominees and the qualification of accurate, adequate and up-to-date information.

Revised Recommendation 25 – Transparency and beneficial ownership of legal arrangements

Legal arrangement covers express trusts and other similar legal arrangements such as a *fiducie*, *treuhand*, *fideicomiso* and *waqf*. In contrast to Recommendation 24, Recommendation 25 does not mandate a multi-pronged approach for the availability of beneficial ownership information on trusts and legal arrangements. Recommendation 25 establishes that jurisdictions should require trustees of any express trust and persons holding an equivalent position in a similar legal arrangement, that are residents in their jurisdiction or that administer any express trusts or similar legal arrangements in their jurisdiction to obtain and hold adequate, accurate and up-to-date beneficial ownership information. The Interpretive Note to Recommendation 25[20] requires jurisdictions to consider, on the basis of risk, context and materiality, using other sources of information such as: (i) one or more registers held by one or more public authorities or bodies, (ii) other competent authority that holds or obtains information on legal arrangements (e.g. tax authority), (iii) other agents or service providers, including DNFBPs or FIs.

In terms of attributes of beneficial ownership information, the same requirement of adequate, accurate and up-to-date beneficial ownership information applies for legal arrangements as for legal persons.

On access to beneficial ownership information, authorities should have the power to obtain beneficial ownership information of trusts or legal arrangements in an efficient and timely manner. Jurisdictions should consider measures to facilitate access to such beneficial ownership and control information by FIs and DNFBPs undertaking the requirements set out in Recommendations 10 and 22.

Finally, authorities should ensure that there are clear responsibilities to comply with the requirements of the Interpretive Note to Recommendation 25, and that trustees are either legally liable for any failure to perform the duties relevant to meeting the obligations, or that there are effective, proportionate and dissuasive sanctions, whether criminal, civil or administrative, for failing to comply.

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[18] Some possible alternative approaches can be built on (i) a bank account register that identifies legal persons holding bank accounts, payment accounts and other financial services (e.g. custodial or investment accounts), (ii) a public authority holding information on the FIs/DNFBPs with which a legal person has a continuous business relationship, (iii) a system with credit bureau information which collects and maintains updated information of legal persons having borrowing relationships with FIs. For more guidance on the alternative approach, please refer to the FATF (2023), *Guidance on Beneficial Ownership for Legal Persons*, *op. cit.*

[19] FATF (2023), *Guidance on Beneficial Ownership for Legal Persons*, FATF, Paris. Available at https://www.fatf-gafi.org/en/publications/Fatfrecommendations/Guidance-Beneficial-Ownership-Legal-Persons.html.

[20] FATF (2024), *Guidance on Beneficial Ownership and Transparency of Legal Arrangements*, FATF, Paris. Available at https://www.fatf-gafi.org/content/fatf-gafi/en/publications/Fatfrecommendations/Guidance-Beneficial-Ownership-Transparency-Legal-Arrangements.html.

Relevance of FATF Recommendations and their revision for the EOIR Global Forum Standard

The revision of the FATF Recommendations 24 and 25 is relevant for the Global Forum, especially for the EOIR Standard.

At their St Petersburg meeting in 2013, the G20 leaders mandated the Global Forum to draw on the work of the FATF on beneficial ownership. In October 2014, the Global Forum decided to include a requirement that beneficial ownership information be available in respect of legal persons and legal arrangements, as well as bank accounts, in its new Terms of Reference on EOIR (2016 Terms of Reference [21]), which were subsequently approved in 2015. During the two-year work leading to the adoption of the 2016 Terms of Reference, concerns were raised by delegates about the differences in objectives between the FATF and the Global Forum. As a result, it was clarified that the Global Forum would draw on the FATF definition of beneficial ownership, continuing to follow the principle-based approach embedded in the 2010 Terms of Reference (2010 ToR), rather than a rule-based approach. It is also noted that the purpose for which the FATF materials have been produced (combating money-laundering and terrorist financing) is different from the purpose of the EOIR standard (ensuring effective exchange of information for tax purposes). These differences in the scope of reviews and in the approach used may result in differing conclusions and ratings.

Given the incorporation of the FATF's definition of beneficial ownership in the 2016 Terms of Reference, its amendments are relevant in the context of EOIR peer reviews. Other changes made in relation to beneficial ownership information may be taken into consideration to interpret and apply the standard where appropriate.

[21] 2016 Terms of Reference to monitor and review progress towards transparency and exchange of information on request for tax purposes.

4 Global Implementation: EOIR Peer Review Progress and Challenges

To answer the 2013 G20 call, the Global Forum revised the EOIR Terms of Reference, against which jurisdictions are assessed. The 2016 Terms of Reference introduced requirements of availability of beneficial ownership information on legal entities and arrangements (under Element A.1), and on bank accounts (under Element A.3), access of jurisdictions' competent authorities to beneficial ownership information (under Element B.1), and the ability to exchange beneficial ownership information through domestic laws and international EOI mechanisms (under Element C.1).

Under the first component of its three-component action plan to answer the G20 Finance Ministers in 2016, the Global Forum focused on the effective implementation of the legal and beneficial ownership requirements during its reviews against the EOIR and AEOI Standards (see section Automatic Exchange of Information which provides a short analysis of the legal assessments). At that time, the Global Forum was about to start the second round of EOIR reviews under the 2016 Terms of Reference. Since then, the peer review exercise has helped transform the global tax landscape in terms of implementation of beneficial ownership requirements.

This section of the report focuses on the global implementation of the EOIR Standard as it relates to availability, access and exchange of legal and beneficial ownership information on legal entities, legal arrangements and bank accounts, under the EOIR Standard.

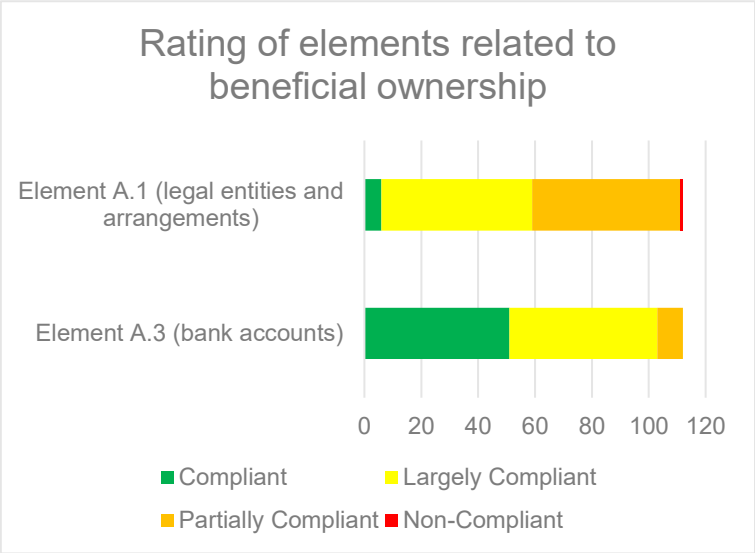
Overview of the peer review results on the standard of Transparency and Exchange of Information on Request

Under the ongoing EOIR Peer Reviews, the Global Forum has paid close attention to beneficial ownership aspects, while assigning ratings for these elements. These ratings have a weight in the overall rating assigned to a jurisdiction, which is a powerful incentive for jurisdictions to improve their tax transparency framework.

More than 110 jurisdictions[22] have now been fully reviewed in the second round of EOIR peer reviews since 2016 and the ratings assigned generally show positive results, with 88% of the jurisdictions reviewed deemed "Compliant" or "Largely Compliant", 10% assessed as "Partially Compliant" and only 2% as "Non-Compliant".

[22] Including two non-member jurisdictions considered to be of relevance to the work of the Global Forum.

Despite these satisfactory overall results, close to half of the assessed jurisdictions received a Partially Compliant rating on Element A.1, which assesses the beneficial ownership requirements on legal entities and arrangements. Even those that have received the more satisfactory "Largely Compliant" rating for this element have been found to face some challenges in ensuring the availability of beneficial ownership information fully in line with the standard. About one third of the 748 recommendations issued in the second round of the EOIR peer reviews focus on ensuring the availability of information on beneficial owners of relevant entities and arrangements and bank accounts.



Jurisdictions have adopted different approaches for ensuring the availability of beneficial ownership information (many relying on their AML legal and regulatory framework, increasingly complementing them with the establishment of centralised beneficial ownership registries). Nevertheless, the ongoing EOIR peer reviews continue to identify gaps in the legal framework for ensuring the availability of beneficial ownership information. Most common issues identified in the legal framework have pertained to:

- issues in the definition of beneficial owner that does not sufficiently take into account the different types of structures and decision process in different types of entities and arrangements
- lack of clear guidance on the application of the beneficial ownership definition
- inadequate scope or lack of complete coverage of all types of legal entities and arrangements under the legal requirements for ensuring the availability of beneficial ownership information
- inadequate or incomplete requirements for ensuring adequate, accurate and up-to-date beneficial ownership information
- absence of commensurate and dissuasive sanctions for non-compliance.

These gaps in the legal framework reflect the still evolving understanding among authorities across jurisdictions about the myriad aspects of beneficial ownership and the challenges posed for ensuring its availability in line with the EOIR standard.

Further, the reviews have also found that in many jurisdictions there is considerable scope to improve the effective implementation of the existing legal requirements around beneficial ownership. Supervisory oversight has been varied across jurisdictions and has substantially depended on the sophistication of the law enforcement agencies in the jurisdictions (in terms of their understanding of the concept), as well as the availability of resources for supervisory and enforcement oversight. Issues of effective implementation continue to be identified among jurisdictions rated Largely Compliant, Partially Compliant and Non-Compliant with Element A.1. Only 5% of the jurisdictions have so far been rated Compliant with Element A.1, which clearly demonstrates that further progress is needed.

Element A.3 of the 2016 Terms of Reference requires jurisdictions to ensure that banking information is available for all account holders, including on the legal and beneficial owners of the accounts. For this element, assessed jurisdictions are doing much better. This is because the requirement of knowing the beneficial owners has been implemented since 2003 under the FATF Standard (now Recommendation 10

of the 2012 FATF Standards). Banks across jurisdictions are familiar with customer due diligence requirements and, in general, made progress in their understanding of compliance functions. The supervisory authorities (usually the Central Banks) have demonstrated a comprehensive understanding of the beneficial ownership concept and have generally been found to be more effective in their awareness raising and enforcement efforts around beneficial ownership requirements.

Overall, 46% of the assessed jurisdictions received a Compliant rating, 46% received a Largely Compliant rating, and 8% only received a Partially Compliant rating for Element A.3. No jurisdictions have been assessed as non-compliant under this element.

Current and future monitoring of beneficial ownership implementation

Once assessed, jurisdictions must continue their efforts and address the recommendations received during their assessment.

The Global Forum continues to examine the efforts being made by jurisdictions in addressing the recommendations made in their EOIR Review Reports. So far, this has been done in two ways –

i. permitting jurisdictions to seek a supplementary (in-depth) review to re-assess the progress made and have it reflected on the ratings

ii. requesting all jurisdictions to submit regular follow-up (monitoring) reports.

In general, jurisdictions with an overall Partially Compliant rating or lower have sought supplementary reviews. Since 2016, 12 such requests have been considered and approved, of which 8 jurisdictions have already been reviewed. Of them, four jurisdictions demonstrated sufficient progress on Element A.1 to obtain an upgrade of rating for the Element to Largely Compliant. Much of this improvement has resulted from the steps these jurisdictions took to address the gaps in their legal framework in respect of beneficial ownership and to put in place improved supervisory frameworks. The other 4 jurisdictions have reported improvements in their legal framework on beneficial ownership but are yet to implement the changes in an effective way.

Besides what has been noted from supplementary reports, jurisdictions have also been reporting actions they have taken to address the recommendations under an annual follow-up process that has been ongoing since 2017. In the annual follow-up process for the year 2023, an analysis of the submissions made by the jurisdictions showed that more than 60% of the 748 recommendations issued in the second round of EOIR peer reviews are on Elements A.1 and A.3. Of these, a further 60% pertain to beneficial ownership – either deficiencies in the legal framework, or the implementation of this framework in practice. However, on an encouraging note, jurisdictions reporting in the 2023 annual follow-up exercise self-reported having addressed more than 50% of all recommendations under Elements A.1 and A.3 and being in the process of addressing another 37% of the recommendations.

A significant proportion of the reported actions have been steps taken to address the recommendations and ensure the availability of beneficial ownership information through an effective and well implemented legal framework. It is yet to be determined whether all these actions have been sufficient and effective. They nonetheless reflect a commitment towards transparency.

The process also provides an opportunity for any member jurisdiction to provide their feedback on the exchange with any peer. This allows jurisdictions indicating for instance problems they might face receiving beneficial ownership from any peer. Once the inputs and self-assessments have been analysed, the jurisdiction is provided with directions where appropriate.

Technical aspects related to the availability of beneficial ownership information

This section covers the approaches used by jurisdictions to implement the beneficial ownership requirements under the EOIR Standard. It also concludes that the results of peer reviews confirm that jurisdictions that apply a multi-pronged approach (more than one approach) achieve better results in complying with the beneficial ownership requirements under the EOIR Standard.

Approaches found in peer reviews

The EOIR standard requires that jurisdictions have in place a system that effectively ensures the availability of complete, accurate and up-to-date beneficial ownership information for all relevant legal entities, but is not prescriptive on the way to achieve this result. There are four approaches seen in peer reviews on the beneficial requirements under the EOIR Standard, which are also explained in the 2024 Toolkit on Building Effective Beneficial Ownership Frameworks - An update to the Joint Global Forum and IDB Toolkit.[23]

The experience derived from Global Forum peer reviews shows that, using a combination of complementary approaches, i.e. a multi-pronged approach, allows for greater transparency and completeness in beneficial ownership coverage and can serve to detect inconsistencies and inaccuracies in any one of the information sources.

Figure 2 Approaches for beneficial ownership implementation

AML/CFT Approach	Entity Approach	Central Register Approach	Tax Administration Approach
• Information is maintained by financial institutions and other AML-obliged persons under CDD obligations	• Information is kept by the entities themselves	• A register of beneficial owners is held by a public authority	• Information is kept by the tax authority

AML/CFT approach

The AML/CFT approach refers to jurisdictions relying on information already collected by persons subject to AML/CFT legislation (i.e. FIs and AML-obliged persons and their related CDD obligations. Jurisdictions usually have an existing AML/CFT framework in place,[24] which may be complemented by other approaches to ensure the availability of comprehensive beneficial ownership information for all relevant legal entities in line with the EOIR standard (see Figure 3).

[23] Ibid 12.

[24] In total, more than 200 countries and jurisdictions have committed to implement the FATF's Standards and they are assessed with the help of nine FATF Associate Member organisations and other global partners, the IMF and World Bank. For more information, https://www.fatf-gafi.org/en/the-fatf/what-we-do.html.

Figure 3. Beneficial ownership information held by AML/CFT obliged persons

The AML/CFT framework is usually the main source of beneficial ownership information under Element A.3 of the EOIR standard (i.e. availability of beneficial ownership information on bank account). The AML/CFT framework has long also been one of the main sources of beneficial ownership information under Element A.1.

An exclusive reliance on the AML/CFT framework with AML/CFT obliged persons as the unique source of beneficial ownership information could meet the requirements of the EOIR standard, but there are usually gaps in coverage of legal entities and arrangements and supervision.

However, the AML/CFT approach may not ensure full compliance with the EOIR standard where:

- there is no obligation for all relevant legal entities to have a continuous business relationship with an AML/CFT obliged person subject to CDD obligations
- the CDD and record-keeping obligations are not strong enough
- the competent authority for exchanging of information for tax purposes has no access to this source of information
- an effective supervision of compliance with CDD obligations is not in place, especially when the approach relies on CDD measures applied by professionals that are less agile than banks with the concepts.[25]

In these situations, beneficial ownership information may not be available in all cases.

An example of an effective AML/CFT approach in a jurisdiction could be where all relevant legal entities have the obligation to maintain an account with a bank in the said jurisdiction, which the tax administration can easily trace for EOIR purposes. All banks in that jurisdiction should also be subject to CDD obligations in line with the FATF Recommendations and be subject to effective supervision.

Entity approach

The entity approach relies on the entities themselves (legal persons and arrangements such as companies, partnerships, foundations, trusts) to:

[25] Many jurisdictions do not require that all entities and arrangements have a local bank account. For beneficial ownership to be available on all of them, the system in place relies on other professionals like lawyers, accountants, corporate service providers, etc. These professionals often became AML-obliged persons later than banks and their supervisors have not always developed enforcement strategies.

- identify their beneficial owners
- maintain accurate and up-to-date information on their beneficial owners.

Jurisdictions usually establish this requirement in their company law that covers relevant legal persons and arrangements within their territory. Some jurisdictions have introduced this obligation in the AML/CFT framework (e.g. to ensure consistency in the definition of beneficial ownership and methodology for the identification of the beneficial owners).

The entity approach is relevant in order to meet Element A.1 of the 2016 Terms of Reference[26].

Implementing the entity approach as a unique source of beneficial ownership is not common and the effectiveness of the system is not necessarily ensured. Usually, the entity approach complements the AML/CFT approach, in particular by addressing the coverage gap of the AML/CFT approach vis-à-vis the EOIR standard. Most jurisdictions having opted for this approach did it recently and their efficiency of the system in practice and its enforcement could not be tested. They received recommendations to monitor their effectiveness in line with the standard.

Central Register Approach

This approach refers to jurisdictions having established a centralised system for maintaining beneficial ownership information on all relevant legal persons and arrangements. Under this approach, legal entities must identify their beneficial owners and file this information upon creation, periodically and/or every time there is a change, within a central beneficial ownership register supervised by a designated public authority, often the Registrar of Commerce.

The use of the central register approach allows for the availability of beneficial ownership information under Element A.1 of the 2016 Terms of Reference[27]. The central register approach usually facilitates access to beneficial ownership information by law enforcement authorities, including the tax authority, which often have a direct access to the database.

The central register approach builds on the entity approach, as the reporting entities in general must identify, verify, update and maintain information on their beneficial owners, and keep documentary evidence and underlying documentation. It is therefore in the vast majority of the cases an extension of the entity approach, which ensures better supervision of the obligations to maintain beneficial ownership information and its access by authorities. In practice, the central register approach complements the AML/CFT approach and strengthens the entity approach, in particular by addressing existing gaps vis-à-vis the beneficial ownership standard: the scope gap of the AML/CFT approach and the supervision difficulties of the entity approach.

[26] In addition, this approach is prescribed by the FATF following the updates to Recommendation 24. In FATF Recommendation 25, the entity approach is not fully transposed to an obligation on legal arrangements themselves and it prescribes that beneficial ownership information be obtained and held by the trustee of the trust (or by the person holding an equivalent position in a similar legal arrangement).

[27] It is envisioned in FATF Recommendations 24 and 25. In particular, the updates to Recommendation 24 and its Interpretive Note prescribes the establishment by jurisdictions of a central register approach together with an entity approach to ensure the availability of beneficial ownership information. In addition, the Interpretive Note to Recommendation 25 encourages countries to set up other sources of information on trusts, trustees, and trust assets (in addition to trustees and AML/CFT obliged persons), such as, among others, a central register of trusts or trust assets.

Tax Administration Approach

This approach refers to jurisdictions relying on the tax authority for collecting and maintaining beneficial ownership information. Relevant legal persons and arrangements identify their beneficial owners and report them to the tax authority when registering and when filing the annual tax return.

The use of the tax authority approach allows for the availability of beneficial ownership information under Element A.1 of the 2016 Terms of Reference[28]. This approach also facilitates access to beneficial ownership information by the tax authority and other law enforcement authorities.

The tax authority approach is usually an extension of the entity approach, as the reporting persons are the entities which need to identify, verify, update and maintain information on their beneficial owners, and keep underlying documentation.[29]

It can also be a variation of the central register approach when the tax authority will maintain centrally beneficial ownership information that is accessible to other public authorities. In other jurisdictions, it is a separate approach, as the information is not centralised but kept with the tax file of each entity or arrangement.

As the central register approach, the tax administration approach therefore ensures better supervision of the beneficial ownership obligations and access to beneficial ownership information for exchange purposes. In practice, the tax authority approach complements the AML/CFT approach, in particular by addressing existing gaps on the scope of the entities covered. Being the responsibility of the tax authority, the supervision and the enforcement of the beneficial ownership requirement can rely on its experience and the effectiveness of its supervision.

Widespread use of the multi-pronged approach

Jurisdictions implement the requirements for beneficial ownership information of bank accounts through the existing AML/CFT frameworks.

Most jurisdictions also rely on the AML/CFT frameworks in their strategies to comply with the requirements relating to beneficial ownership information of relevant legal entities and arrangements (**AML approach**).

Increasingly, jurisdictions are combining it with other approaches which include –

- requiring legal entities and arrangements to keep their beneficial ownership information (**entity approach**)
- setting up a centralised beneficial ownership register (**register approach**).

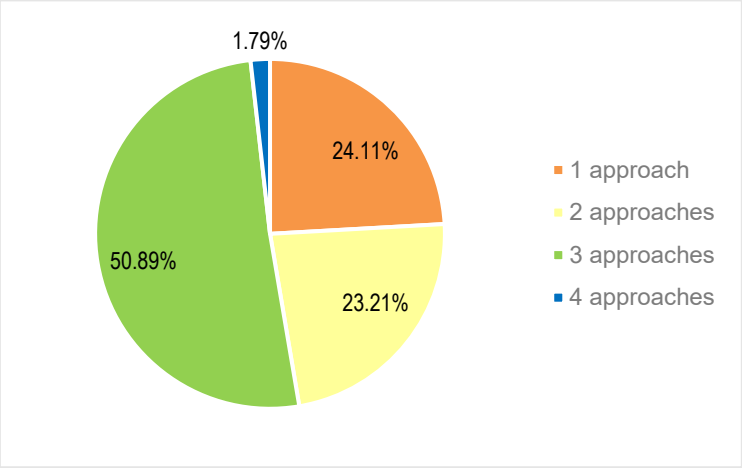
Out of the 112 jurisdictions fully reviewed in the current round of EOIR reviews, the **majority** (85 jurisdictions equivalent to 75.9%) used **two or more approaches** for the availability of beneficial ownership information, while 24.11% (27 jurisdictions) relied only on one approach (AML/CFT) (see Figure 4. Percentage of jurisdictions using one or more approaches for the availability of beneficial ownership information of legal entities and arrangements). These results refer to the situation of the

[28] It is also a way to comply with FATF Recommendations 24 and 25. A tax authority approach is also a way to meet the requirement of Recommendation 24 to have a central register held by a public authority or body. Also, the Interpretive Note to Recommendation 25 encourages countries to set up other sources of information on trusts, trustees and trust assets (apart from the trustee and AML/CFT obliged persons), one of the possibilities being authorities which collect information on assets and income related to trusts (e.g. the tax authority).

[29] In rare cases, as a starting point, the tax administration pre-populated the register, mainly using information already available on the chain of legal owners. As this method would capture beneficial ownership through ownership but not through control by other means than ownership, the tax administration requires that the entities rectify the entries in case some beneficial owners have been left out.

jurisdictions at the time of their review. The follow-up process of the Global Forum revealed that several jurisdictions that have been reviewed in the early years (2017-2018) have strengthened their framework by adding the entity and/or register approach to the AML approach.

Figure 4. Percentage of jurisdictions using one or more approaches for the availability of beneficial ownership information of legal entities and arrangements



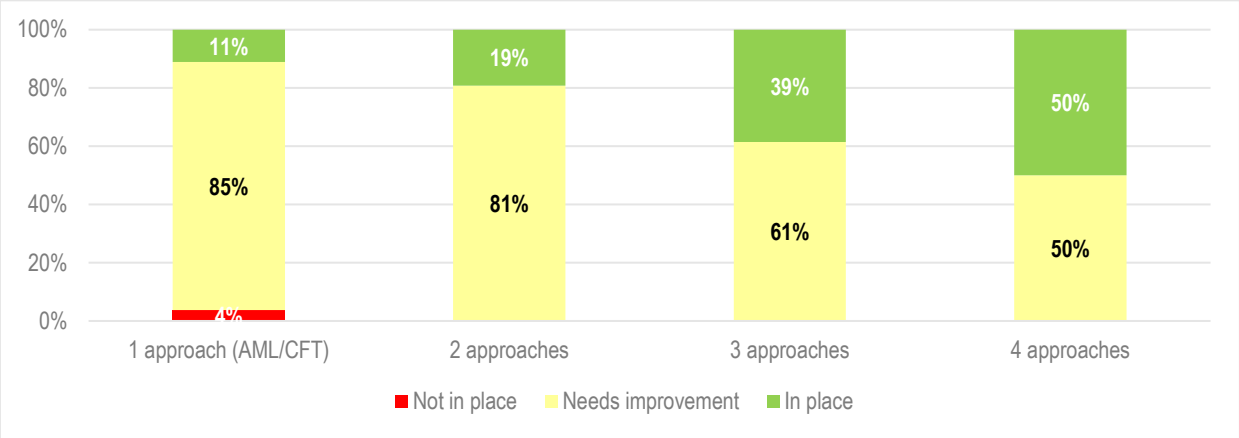
Source: Global Forum Peer Reviews.

Using a **multi-pronged approach,** i.e. using a combination of the entity and register approach, supported by the AML approach, generally leads to better results in the Global Forum reviews (see Figure 5 and Figure 6) as it provides more complete coverage of all legal persons and arrangements, and deficiencies or gaps identified in one approach are compensated by the other approach.

The multi-pronged approach is less efficient when the different approaches work in isolation than when they are applied together. A mere application of measures and approaches in isolation, without synergies, can lead to confusion caused by conflicting provisions. It can affect the overall availability of accurate, adequate and up-to-date beneficial ownership information, and thus, in the determinations and ratings received.

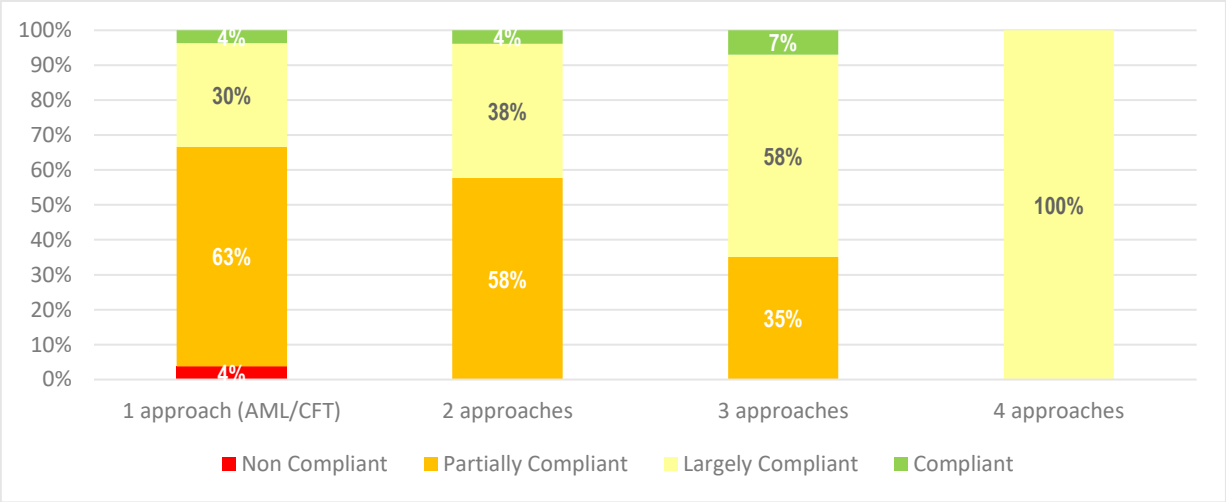
Hence, a combination of the approaches usually leads to better implementation of the standard, when there is an interaction among the approaches and the various stakeholders implementing them. Typically, reviews found that the most efficient systems were the ones where the persons subject to the AML approach have an obligation to compare the results of their CDD measures with the information available in a central register. This can allow them to identify errors in their CDD results, or lead to a report of discrepancies. The discrepancy reports are then analysed by the supervisory authorities that can request a correction of the information registered and apply sanctions, where relevant. The same applies when a jurisdiction implemented a central register and the tax approach, as the tax authorities usually would have access to the register and can detect mismatches between the sets of information.

Figure 5. Element A.1 – Number of approaches used and determination of the legal framework



Source: Global Forum Peer Reviews

Figure 6. Element A.1 – Number of approaches used and rating of the practical implementation



Source: Global Forum Peer Reviews

Figure 6 clearly shows that jurisdictions having opted for a multi-pronged approach get much better results on their assessment of their legal framework. This is because, as stated above, the various components of the system compensate for each other's weaknesses.

Figure 7 shows very little proportion of Compliant ratings. This is primarily due to the recency of the reforms to the legal and regulatory framework. A Compliant rating is available only to jurisdictions that demonstrate a full implementation of the standard. This is not possible when a jurisdiction recently amended its legal framework and cannot yet demonstrate a full implementation and efficiency of the framework in practice. This largely explains the high proportion of jurisdictions having received a Largely Compliant rating despite having adopted a multi-pronged approach. Conversely, the less comprehensive the legal framework is, the higher is the risk of receiving an unsatisfactory rating, as illustrated by the increasing proportion of Partially Compliant ratings, as the number of approaches adopted diminishes.

Overall performance in transparency of beneficial ownership information

The Global Forum peer reviews show that the legal frameworks and the level of practical implementation of transparency for beneficial ownership on bank accounts (Element A3) is more advanced and satisfactory as compared to that for the availability of beneficial ownership information on all relevant legal entities and arrangements (Element A.1).[30]

Legal and regulatory framework

To ensure availability of beneficial ownership information on legal entities and arrangements or bank accounts, the legal and regulatory framework implemented by a jurisdiction should –

- adopt a consistent definition and methods for identification of beneficial owners
- include obligations for updating beneficial ownership information
- establish record keeping obligations, including for at least five years after an entity or arrangement ceases to exist
- provide for sanctions in case of failure
- access to beneficial ownership information by tax authorities (or other authority in charge of exchange of information for tax purposes).

Availability of legal and/or beneficial ownership information on legal entities and arrangements (Element A.1) has been a **challenge** for a majority of the reviewed jurisdictions (81 jurisdictions equivalent to 72.32%) (Figure 7. Determinations of the Legal and regulatory framework – Elements A.1 and A.3) with deficiencies identified in their legislative frameworks. In the first round of reviews (2010-2016), material weaknesses had been found with respect to bearer shares, one of the instruments historically allowing concealment of ownership. Bearer shares have been mostly abolished or modified to enable the identification of their owners. The same is being done with nominee shareholding. Jurisdictions that allow for such arrangements are amending their legislation to ensure nominees disclose the fact they are not acting on their own behalf and disclose the identity of their nominator where needed.

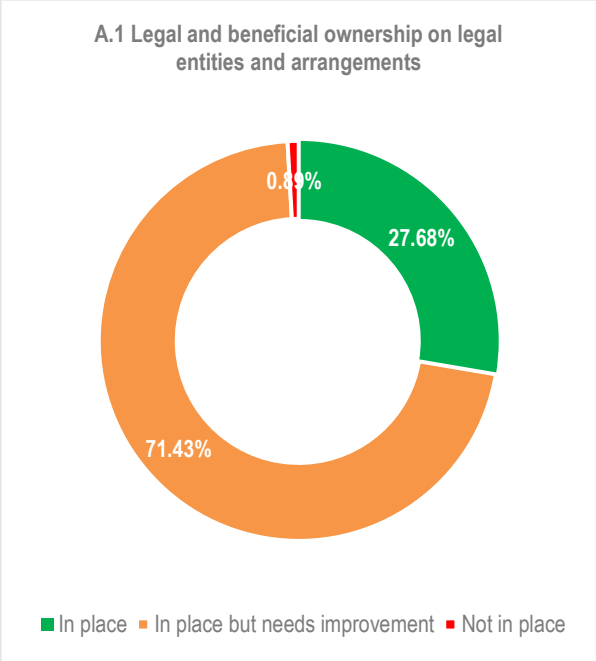
About 90% jurisdictions do not permit the issuance of bearer shares, or have adequate arrangements for identifying their owners[31]. Since 2009, nearly 40 jurisdictions have made changes in their rules to achieve this outcome and the majority of outliers are in the process of addressing the problem

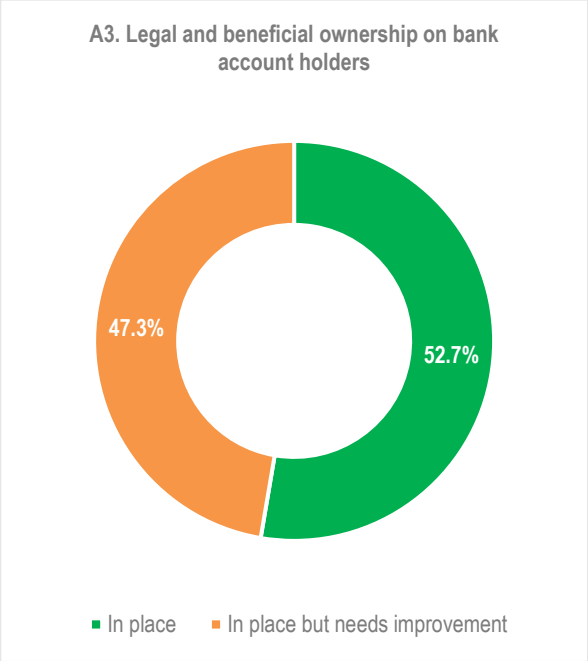
Availability of beneficial ownership information of bank accounts (Element A.3) is more **assured** as more than 50% of the reviewed jurisdictions (59 jurisdictions) have robust legislative frameworks in place, and only small areas of improvement were identified in the rest.

[30] The analysis in the report is based on a snapshot of the jurisdiction's situation prevalent at the time of the review, which may not correspond with the current situation.

[31] OECD (2019), *Global Forum on Transparency and Exchange of Information for Tax Purposes 10th Anniversary Report*, OECD, Paris, https://www.oecd.org/tax/transparency/documents/global-forum-10-years-report.pdf.

Figure 7. Determinations of the Legal and regulatory framework – Elements A.1 and A.3





Source: Global Forum Peer Reviews.

Deficiencies identified under Element A.1 may be replicated under Element A.3 where the jurisdiction relies on the AML/CFT framework for meeting the requirements related to availability of beneficial ownership information for legal entities and arrangements as well as bank accounts.

Gaps identified in legislative frameworks of reviewed jurisdictions include:

- **Gaps in coverage of legal entities and arrangements –**The approaches implemented by jurisdictions may not cover all legal entities and arrangements. This is particularly the case when the jurisdiction relies only on the AML/CFT approach, as not all relevant entities and arrangements have a continuous business relationship with an AML-obliged person.
- **Inconsistent definition of beneficial owner –** The EOIR standard relies on the FATF's definition of beneficial owner, which captures aspects on ultimate ownership and ultimate control, over a legal entity/ arrangement by a natural person.
- **No/Unclear method for identification of beneficial owners** – Along with a definition of beneficial owner, jurisdictions are required to have clear rules in place stipulating the method for identifying beneficial owners of different types of legal entities and arrangements. Recommendations have been issued where there is no such method available, there is lack of clarity on how the method is to be applied or the method does not take into account the form and structure of the entity/ arrangement in question. This deficiency may lead to not all beneficial owners being identified.
- **Absence of updating requirements** – The standard requires that up-to-date beneficial ownership information be available for legal entities and arrangements and for bank accounts. An absence of explicit updating requirements, including periodic validation, for the beneficial ownership information held by the legal entity itself, in the centralised beneficial ownership register or with the AML-obliged persons raises concerns regarding compliance with this aspect of the standard.
- **Lack of retention requirements** – Beneficial ownership information of a legal entity or arrangement or a bank account is expected to be available not only while the entity/ arrangement exists or the bank account is active, but also for at least a period of five years after the legal entity

or arrangement ceases to exist or ceases to operate in the jurisdiction, or the bank account is closed. Lack of explicit retention requirements has led to recommendations. This concern may be mitigated by the availability and retention of information in a centralised register, which is adequately supervised to ensure that accurate and latest information is available therein.

- **Insufficient sanctions** – Adequate enforcement mechanisms, including effective and proportionate sanctions must be available in order to ensure compliance with obligations laid down in the law related to maintaining and retaining beneficial ownership information as expected under the standard. When the sanctions are too low or the procedure to apply them is too complex, this has led to concerns regarding the dissuasiveness of the sanctions.

Practical implementation of the beneficial ownership requirements

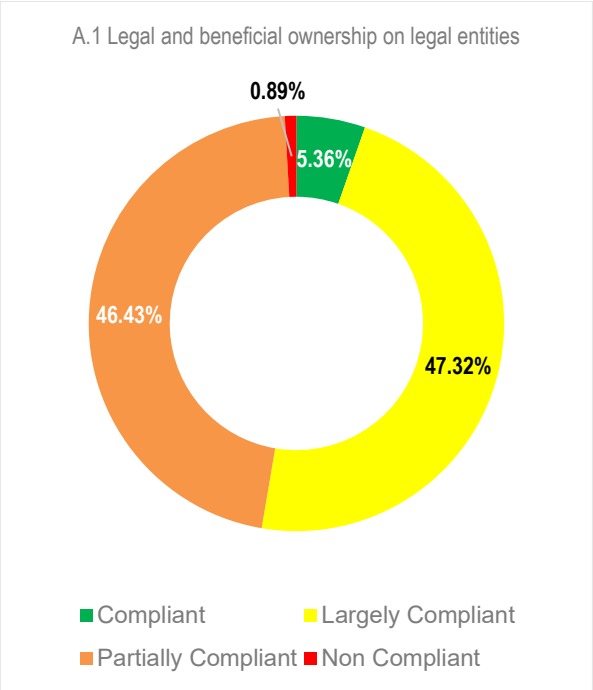
The practical implementation of requirements related to beneficial ownership information of legal entities and arrangements (Element A.1), and of bank accounts (Element A.3) largely follows the **same trend** as the satisfactoriness of the legal and legislative framework (see Figure 8).

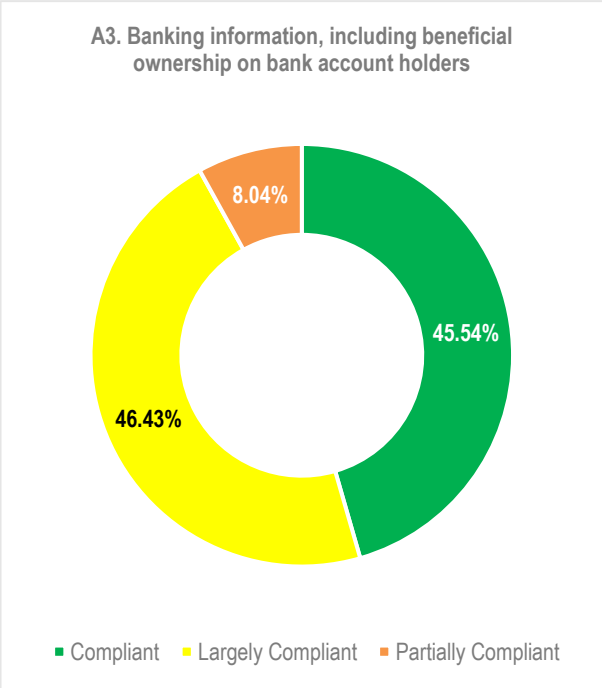
Practical implementation of requirements related to beneficial ownership information of legal entities and arrangements has shown a **satisfactory** level of compliance with the standard (i.e. at least "Largely compliant") in a little **over 50%** of the reviewed jurisdictions (59 jurisdictions). The main area of improvement remains the effective implementation and supervision of the beneficial ownership requirements related to legal entities and arrangements as these requirements are often recent and jurisdictions encounter challenges in implementing and enforcing them.

Many jurisdictions have also implemented new frameworks to avail of beneficial ownership information prior to their EOIR peer review assessment. In these cases, the new framework could not be assessed in practice, as the supervision activities had not started. The concerned jurisdictions received a recommendation to ensure the proper implementation of the new requirements. As the full assessment of the system in place was impossible, the jurisdictions could not receive a rating higher than Largely Compliant.

Familiarity, experience and **well-established** systems for compliance with the AML/CFT obligations regarding beneficial ownership information of bank accounts has resulted in **92%** of the reviewed jurisdictions (103 jurisdictions) being rated either "Largely Compliant" or "Compliant" on Element A.3.

Figure 8. Practical implementation of legal framework – Elements A.1 and A.3





Source: Global Forum Peer Reviews.

The evaluation of practical availability of ownership information under the 2016 Terms of Reference focuses on effective implementation of the legal provisions through supervision, audit activity, and corporate compliance initiatives. The levels of supervision, compliance and enforcement are crucial indicators for assessment purposes, which are determined through an evaluation of the following aspects:

- **Frequency of supervision** – The frequency of supervisory activity must be commensurate with the size and risk profile of the obliged entity. Concerns have arisen where no or limited supervisory activity was carried out in respect of entities or professionals that are an important source of beneficial ownership information. Lack of clarity on the outcomes of the supervisory activity conducted may further compound the problem.
- **Depth of supervision** – Supervisors should verify that the identification of beneficial owners is properly carried out in practice and that the beneficial ownership information is adequate, accurate and up to date, as required under the standard. Aspects considered include the resources dedicated to supervision and their experience on the topic, as well as whether compliance is assessed in depth on a case-by-case basis. The supervision is considered too superficial for instance where an AML supervisor checks that the licensed entity has a CDD policy in place but does not check whether this policy is implemented correctly through the verification of a sample of client files. Supervision is also too superficial if controls do not cover the three required characteristic of the information, for instance if a Registrar checks that the identity of the beneficial owners matches with the population database, but does not check that the company has documented the reasons to identify this person as the beneficial owner.
- **Imposition of sanctions and penalties** – Enforcement of the requirements constitutes another factor to assess the practical availability of information. It is expected that jurisdictions apply penalties and sanctions in all cases where non-compliance is detected or take other concrete efforts to enforce compliance. Non-application of enforcement measures despite low levels of compliance or reported deficiencies has led to recommendations being issued.

- **Exchange of beneficial ownership information** – Positive experience in exchanging beneficial ownership information is not considered sufficient to compensate for legal or practical gaps. Nevertheless, details relating to how a jurisdiction obtained beneficial ownership information for exchange purposes may provide relevant context for the evaluation of the availability of beneficial ownership information. Similarly, inability to respond to requests may signal issues in availability or access to beneficial ownership information.

Conclusions and Remaining challenges

Since 2016, the peer reviews of 112 jurisdictions to date have demonstrated good progress in jurisdictions' beneficial ownership frameworks. While the criteria for effective beneficial ownership frameworks are now clearly established, continuous monitoring will be key to ensure successful implementation effective implementation of beneficial ownership frameworks for EOIR purposes.

Criteria for effective beneficial ownership frameworks

Clearly delineated legal obligations for identification, maintenance and retention of beneficial ownership information, combined with proportionate and dissuasive sanctions for non-compliance form the foundation for a robust system for availability of beneficial ownership information.

Building synergies among the various approaches adopted is key for ensuring availability of **quality** beneficial ownership information, as adopting a multi-pronged approach does not automatically lead to better results. Centralised beneficial ownership registers form a cornerstone of the multi-pronged approach and are increasingly being established by jurisdictions. Synergising real time access to beneficial ownership information in the registers for law enforcement authorities and other stakeholders with **discrepancy reporting obligations** contributes to improving the quality of the information held in these registers.

Effective monitoring and supervision under all approaches is critical to the success of the system. Designated authorities must have adequate resources, powers and mandate to supervise and enforce compliance with obligations relating to availability of beneficial ownership information. This ensure not only that the information is kept as required (and central registers populated) but also that the information kept is of the requested quality, i.e. adequate (the right persons are identified), accurate (their identification is precise and complete) and up to date (information is updated where needed and validated periodically).

The authorities competent for EOI purposes must have access to the beneficial ownership information to be able to exchange it when requested by partners. This has been a concern when the beneficial ownership information is only held by AML-obliged persons, who are not obliged to or may even be prohibited from sharing the information held with them. With the growing popularity of centralised beneficial ownership registers, the scope of the concern is diminishing as the competent authority (often tax authorities) have direct and full access to the information held in such registers.

Continuous monitoring for enhanced progress

All through the second round of EOIR Peer Reviews, the understanding of the Global Forum itself on beneficial ownership has evolved. This has been facilitated by ongoing analysis of the legal frameworks around beneficial ownership across jurisdictions and the practical challenges that arise in their effective implementation. Armed with this understanding, the Global Forum is uniquely placed to pursue the goals of tax transparency further.

From 2025, the Global Forum will be deploying a new set of efficient, effective and targeted processes for the implementation of the EOIR standard. The annual follow-up process has been strengthened into an Enhanced Monitoring Process that will result in publishable outcomes (including the progress being made

by jurisdictions), a possibility for downgrade of ratings in cases of persistent inaction to address recommendations, and the ability to undertake In-depth Reviews where warranted. In-depth reviews are available to jurisdictions that wish to demonstrate they have taken sufficient actions to see their ratings upgraded. They can also be activated to respond to signs of backsliding by jurisdictions, the findings of which will replace the findings and ratings which had been assigned to a jurisdiction in any earlier review.

In addition to the monitoring and in-depth review processes, the Global Forum also agreed that it could launch “thematic reviews” across member jurisdictions to examine one or more aspects of a standard that require further attention. If need be, the Global Forum may decide in future to conduct a thematic review related to the beneficial ownership requirements.

5 Dissemination and capacity-building activities

Under the third component of the 2016 three-component action plan to answer the G20 2016 call on widespread implementation, the focus was placed on "Facilitating effective implementation through compiling and disseminating examples of effective implementation and providing assistance". The Global Forum Secretariat developed activities and tools to ensure that developing countries comply with the beneficial ownership requirements. Meeting these requirements is beneficial in the fight against tax evasion and other illicit financial flows. In addition, such compliance has a synergetic effect with meeting requirements under the FATF standard on beneficial ownership.

Capacity-building and outreach activities

The Global Forum Secretariat has invested resources to support the implementation of effective beneficial ownership frameworks.

- Training events: since 2016, the Global Forum has conducted 26 trainings focused on the beneficial ownership requirements for EOIR purposes, allowing the training of 3 000 officials. These events aimed at raising awareness, building capacities, and supporting implementation efforts and reforms. With the publication of a revised toolkit on the implementation of beneficial ownership in 2024 (see below), a series of comprehensive multi-stakeholder workshops are planned to present the latest developments on beneficial ownership, underline the relevance of this information for fighting tax evasion, money laundering, corruption and other illicit financial flows and discuss practical implementation issues. In July 2024, the first event was organised for Asia-Pacific jurisdictions by the Asian Development Bank (ADB) and the Global Forum Secretariat, with the participation of experts from regional FATF-style bodies and civil society organisations, and gathered 62 participants from 29 jurisdictions.
- E-learning: the Global Forum Secretariat launched an e-learning course, together with the ADB in 2020 to help tax officials understand the concept of beneficial ownership and its relevance to address tax evasion cases.
- Bilateral technical assistance: supporting the development of a sound legal and regulatory framework and its implementation in practice to ensure transparency of beneficial ownership information has been a central focus. For instance, for the period 2020-2023, the Global Forum Secretariat provided bilateral assistance on the legal and practical implementation of the beneficial ownership standard for EOIR purposes to 25 jurisdictions in average every year. This translated in the same period into 13 jurisdictions making improvements to their beneficial ownership framework on average every year.

The implementation of the beneficial ownership requirements is not yet mature in many jurisdictions and comprehensive support remains available to jurisdictions exploring the implementation of such requirements or the strengthening of their current approach. In 2023, for instance, at least 27 developing

country members have adopted legal or administrative changes to implement or improve the implementation of the tax transparency standards. Eighteen of them strengthened the availability of beneficial ownership information.

Case study: focus on the successful Fiscal Transition Support Programme in West Africa

Since September 2020, under a programme funded by the European Union, the Global Forum Secretariat has been supporting the Economic Community of West African States (ECOWAS) and the West African Economic and Monetary Union (UEMOA) implement and benefit from key components of tax transparency.[32]

With the ongoing support of the ECOWAS and UEMOA Commissions and in close cooperation with their representatives, the Global Forum Secretariat has collaborated with experts from the 16 West African States,[33] to develop a Community tax instrument dealing respectively with beneficial ownership. This instrument effectively adapts the most recent international standards to regional needs and circumstances, providing West Africa with tailored and effective tools in the fight against tax evasion and other IFFs. Indeed, the Directive C/DIR.2/07/23 on the harmonisation of rules on beneficial ownership of legal entities within ECOWAS Member States enables the identification of the individuals who ultimately own or control a legal person or a legal arrangement such as a trust. The Directive imposes strict obligations to identify beneficial owners and requires the establishment of a register, kept by the national authorities, containing the identity of beneficial owners. Timely access to the information contained in the register by all relevant domestic authorities is also ensured. This Directive provides ECOWAS Member States with an appropriate Community framework for collecting and maintaining vital information to combat tax fraud and evasion, money laundering, financing of terrorism, and other illicit activities, whether in a domestic or cross-border context.

The ECOWAS Council of Ministers adopted the Directive at their 90th ordinary session on 6-7 July 2023 in Bissau (Guinea-Bissau). ECOWAS Member States must transpose the Directive into domestic law by 1 January 2027.

This technical work was accompanied by related training programmes.

With the programme's extension until December 2024, the next steps will include technical support to the ECOWAS and UEMOA Commissions to monitor the implementation of this regional instrument, to develop a guide on beneficial ownership and to raise awareness on the newly adopted beneficial ownership obligations.

[32] OECD (2023), *Combating tax evasion, avoidance, and illicit financial flows to mobilise domestic resources in West Africa*, OECD, Paris, https://www.oecd.org/tax/transparency/documents/combating-tax-evasion-avoidance-and-illicit-financial-flows-to-mobilise-domestic-resources-in-west-africa.pdf.

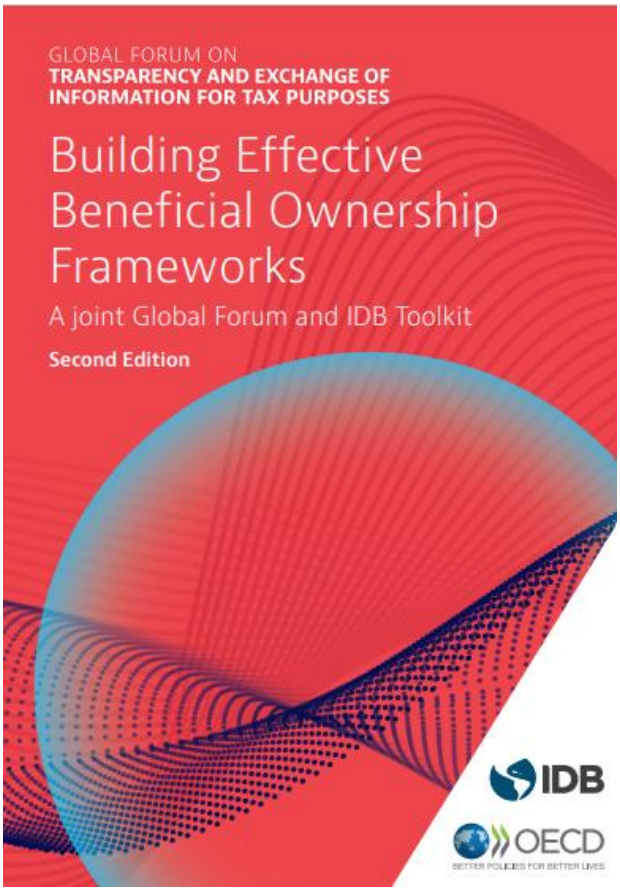
[33] West African States comprise the following 15 ECOWAS Member States (Benin, Burkina Faso, Cabo Verde, Côte d'Ivoire, The Gambia, Ghana, Guinea, Guinea Bissau, Liberia, Mali, Niger, Nigeria, Senegal, Sierra Leone and Togo) and Mauritania.

Toolkits including examples of effective implementation

Since 2019, the Global Forum Secretariat and the Inter-American Development Bank (IDB) have collaborated in publishing toolkits to foster understanding of beneficial ownership as contained in the international transparency standards.

In 2019, "A Beneficial Ownership Implementation Toolkit"[34] was published to support jurisdictions' effort in ensuring transparency of this critical information. Building on the lessons learned from the peer review processes, the toolkit "Building Effective Beneficial Ownership Frameworks"[35] was published in 2021 presenting possible approaches for implementing an effective system to ensure the availability of beneficial ownership information and highlighting the benefits of a multi-pronged approach. Using these tools, the Global Forum Secretariat and the IDB have continuously raised awareness on the critical role of ensuring transparency of beneficial ownership information, built capacities through training events and provided technical assistance to implementing jurisdictions.

Subsequently, the standard of beneficial ownership has been strengthened further and jurisdictions' experience and implementation have matured. In this context, in May 2024, the Global Forum Secretariat and the IDB published an update[36] to the 2021 toolkit to include the latest changes made by the Financial Action Task Force (FATF) to Recommendations relevant for ensuring the transparency of beneficial ownership information, as well as the results of the peer reviews reports approved after 2021. The 2024 update of the toolkit provides detailed explanations of the international transparency standard on beneficial ownership based on additional practical guidance and on empirical evidence collected throughout the second round of peer reviews carried out by the Global Forum.



Each jurisdiction must carry out its own internal assessment of the best approaches for implementing and improving their systems, taking into account the legal, policy, and structural frameworks already in place. This toolkit will continue to be updated over time, so as to capture further developments in relevant standards and best practices on beneficial ownership.

[34] IDB and OECD (2019), *A Beneficial Ownership Implementation Toolkit*, available at https://www.oecd.org/tax/transparency/beneficial-ownership-toolkit.pdf

[35] IDB and OECD (2021) *Building Effective Beneficial Ownership Frameworks,* available at: https://www.oecd.org/tax/transparency/documents/effective-beneficial-ownership-frameworks-toolkit_en.pdf.

[36] IDB and OECD (2024) *Building Effective Beneficial Ownership Frameworks: A Joint Global Forum and IDB Toolkit-Second Edition,* available at: https://www.oecd.org/tax/transparency/documents/effective-beneficial-ownership-frameworks-toolkit-second-edition-2024.pdf

Co-operation with the FATF and other international organisations

The effective implementation of international standards on transparency can be enhanced by the relevant international bodies working closely together, maximising the opportunities to ensure their work is mutually supportive. This is particularly the case with respect to legal and beneficial ownership information, which is a key part of both the Global Forum's and the FATF's standards.

Under component 2 of the action plan to answer the G20 2016 call, it was proposed to ensure closer institutional cooperation between the FATF and the Global Forum. Following this proposal, the FATF and the Global Forum obtained observer status to each other's plenaries. The OECD is an observer to the FATF and the Global Forum Secretariat attends FATF plenary and working group meetings . In 2016, the FATF became an observer to the Global Forum. In addition, the Global Forum agreed that it could invite the FATF Secretariat to attend working group meetings where their input on specific issues is sought. This engagement has been useful in keeping up to date with the work of each entity. In particular, the Global Forum was part of the project teams working on the revision of FAFT Recommendations 24 and 25.

Other international organisations have collaborated with the Global Forum to promote effective implementation of the beneficial ownership standards for EOI purposes. As mentioned above, the Global Forum collaborated with IDB on a beneficial ownership toolkit and ADB on a beneficial ownership e-learning course. The Global Forum has also organised training and/or delivered technical assistance with several partners (e.g. ADB, ATAF, CIAT, IDB, WB). This collaboration will continue in 2024 and beyond with a series of workshops planned in Latin America and Africa this year following the successful event co-organised with ADB in July 2024.

6 Possible Future Directions

As this report outlines, very significant progress has been made on international tax transparency and exchange of information in recent years. The incorporation of the beneficial owner concept developed by the FATF into the tax transparency work has played an important role in the effectiveness of the tax transparency standards. In this regard, the EOIR standard requires the availability of information on the beneficial owners of legal entities and arrangements and of bank accounts for exchange upon request. In addition, the AEOI Standard has not only strengthened the availability of beneficial ownership information on financial accounts, investment vehicles and capital-linked insurance products held through legal entities and arrangements, but has also ensured the annual, automatic exchange of such information with the tax administration of the jurisdiction of residence of the beneficial owners. Given the rise of crypto-assets as an alternative asset class, the CARF will bring a similar level of transparency to crypto-asset markets as the CRS did to financial markets, with automatic exchanges expected to start in 2027.

Nevertheless, beyond the area of financial assets (e.g. real estate) transparency could potentially still be enhanced, including by ensuring the efficient access to tax-relevant beneficial ownership information.

In this context, it is significant that many jurisdictions have implemented, or are in the course of implementing, beneficial ownership registers with respect to legal entities and arrangements located in their jurisdiction to implement the EOIR standard and/or in response to obligations imposed under various international standards. The recent amendments to the FATF's international standards on anti-money laundering and countering the financing of terrorism require that companies hold adequate, accurate and up-to-date information on their own beneficial ownership, and that jurisdictions also require beneficial ownership information to be held by a public authority or body functioning as beneficial ownership registry or an alternative mechanism. Such developments are currently taking place, amongst others, in the European Union, Japan, the United Kingdom, by means of the Person of Significant Control (PSC) register, and the United States, where reporting requirements of the Corporate Transparency Act (CTA) were issued in September 2022 and are expected to go into effect this year.

For these reasons, a possible approach to better enable tax authorities to gain fast-track access to relevant up-to-date information about resident taxpayers that are beneficial owners of legal entities or arrangements for tax purposes, including in a cross-border context, is to leverage the progress already made on the creation of beneficial ownerships registers of legal entities and arrangements, in particular in the company law and anti-money laundering domain.

Building on the report[37] delivered for the July 2023 meeting of the G20 Finance Ministers and Central Bank Governors, the OECD is currently exploring the technical, legal and financial feasibility of such a technology-driven potential architecture in the context of real estate that would allow tax authorities to obtain fast-track access subject to agreed conditions to the information contained in beneficial ownership registers. In this respect, the report on "Strengthening Tax Transparency on Real Estate" highlights a number of key items that could be taken into consideration to assess the scope and feasibility of an architecture based on an efficient access to information in beneficial ownership registers, where real estate is held through legal entities and arrangements. The outcomes of this work may then also inform the

[37] OECD (2023), *Enhancing International Tax Transparency on Real Estate: OECD Report to G20 Finance Ministers and Central Bank Governors*, OECD Publishing, Paris, https://doi.org/10.1787/37292361-en.

potential further advances that could be made to enhance access to tax relevant information on beneficial owners of legal entities and arrangements more broadly.

GLOBAL FORUM ON TRANSPARENCY AND EXCHANGE OF INFORMATION FOR TAX PURPOSES

Beneficial Ownership and Tax Transparency – Implementation and Remaining Challenges

This report examines the critical role of beneficial ownership transparency in combating tax evasion and illicit financial flows. With reference to the G20 mandates in this area, the report delves into the progress made in implementing the beneficial ownership requirements set out in the standards on transparency and exchange of information for tax purposes. Offering a global perspective, the report assesses the current state of implementation across jurisdictions, analyses the peer review results on effective implementation for Exchange of Information on Request , together with best practices for strengthening beneficial ownership transparency in the global tax landscape. The report also highlights capacity building activities to assist jurisdictions in building robust beneficial ownership frameworks and concludes with possible future directions.This report was prepared by the OECD and Global Forum on Transparency and Exchange of Information for Tax Purposes to inform the discussions at the July 2024 meeting of G20 Finance Ministers and Central Bank Governors, at the request of the G20 Brazilian Presidency.

For more information:

www.oecd.org/tax/transparency

gftaxcooperation@oecd.org

@OECDtax

OECD Tax