

Targeted Transparency: Sectoral Approach to Beneficial Ownership in Procurement and Real Estate

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Luisa Malcherek, Mohammed Janahi

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Targeted Transparency: Sectoral Approach to Beneficial Ownership in Procurement and Real Estate

Prepared by Ivana Rossi, Chady El Khoury, Indulekha Thomas, Luisa Malcherek, Mohammed Al Janahi*

Authorized for distribution by Brian Patterson
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ABSTRACT: Identifying the natural person who ultimately owns or controls an asset—known as the beneficial owner—is a key transparency measure to prevent misuse for criminal or unethical purposes. This is especially critical in high-risk sectors, where vulnerabilities are amplified during economic or existential crises, such as financial bubbles or climate change. While many countries are establishing centralized beneficial ownership registries—often linked to commercial registers for anti-money laundering/combating the financing of terrorism (AML/CFT) compliance—these may not fully meet the needs of sector-specific oversight. Agencies like procurement authorities or land registries often require more granular or tailored beneficial ownership data, such as information on foreign entities or lower thresholds for politically exposed persons (PEPs).

A sectoral approach to beneficial ownership transparency addresses these gaps by aligning data collection and use with the unique risks and operational realities of each sector. This allows for flexible implementation—from basic disclosures in transactions to advanced verification—while complementing national beneficial ownership frameworks. Importantly, the design should consider sectoral capacity and minimize compliance burdens. Drawing on lessons from the COVID-19 pandemic, where beneficial ownership transparency in procurement helped mitigate corruption risks, this approach is now being explored for other high-risk areas such as real estate, which is particularly vulnerable to money laundering.

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WORKING PAPERS

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CONTENTS

GLOSSARY	6
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I. INTRODUCTION	7
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II. KEY CONCEPTS OF A SECTORAL APPROACH TO BENEFICIAL OWNERSHIP TRANSPARENCY	8
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A. About Beneficial Ownership	8
B. About the Sectoral Approach	15

III. IMF SECTORAL EXPERIENCES WITH BENEFICIAL OWNERSHIP IN PROCUREMENT AND REAL ESTATE	19
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A. Macro-relevance for procurement and real estate sector	19
B. Beneficial Ownership in Procurement: Emergency Financing during COVID	20
C. Beneficial ownership in Real Estate	24

IV. WAY FORWARD IN DESIGNING AND IMPLEMENTING AN EFFECTIVE SECTORAL APPROACH— TOWARDS A TARGETED TRANSPARENCY	30
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A. Design of the Reform	30
B. Ensuring Effective Implementation	33

CONCLUSION	40
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REFERENCES	41
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BOXES

1. The Extractive Industries Transparency Initiative Standards (EITI) and Beneficial Ownership	10
2. Beneficial Ownership Registries	13
3. Privacy Rules, Beneficial Ownership Transparency and the EU Court of Justice Ruling	14
4. Toward a definition of sectoral approach to beneficial ownership	15
5. Macroeconomic Distortions in High-Risk Sector—Real Estate	25
6. Fund Engagement on Beneficial Ownership Transparency in Real Estate	28

TABLES

1. Comparison between Sectoral and Centralized Approaches to Beneficial Ownership Transparency	30
2. Lifecycle of a Sectoral Beneficial Ownership Transparency Approach	39

Glossary

AEOI	Automatic Exchange of Financial Account Information
AIV	Article IV
AML/CFT	Anti-Money Laundering/Combating the Financing of Terrorism
AMLD	Anti-Money Laundering Directive
CSO	Civil Soc Dear Rosemary,

I hope you are feeling better. I am sending you this revised working paper as requested by Ivana for your review. Some things that I am not sure about are the numberings starting at page and whether they should be included in the table of contents (I did not)iety Organization

DNFBP	Designated Non-Financial Businesses or Professions
EITI	Extractive Industries Transparency Initiative
EOIR	Exchange of Information on Request
EU	European Union
FATF	Financial Action Task Force
FIU	Financial Intelligence Unit
IO.	Immediate Outcome
MER	Mutual Evaluation Report
ML	Money Laundering
OECD	Organization for Economic Co-operation and Development
PEP	Politically Exposed Person
R.	Recommendation
TF	Terrorist Financing

I. Introduction

Beneficial ownership, a key concept once mostly understood by experts and practitioners focused on combating money laundering (ML), tax evasion, and terrorist financing (TF), has become relevant for a broader set of stakeholders. Understanding who is truly behind a legal entity (for example, a company) can boost efforts to fight a range of financial crimes and, more broadly, a large volume of illicit financial flows running through opaque entities in countries of origin, transit, or destination. Beneficial ownership information—identifying the natural person who ultimately owns or controls a legal person—can support the identification of conflict of interests, payment of bribes, evasion of sanctions, and the illegal financing of political parties. It can also assist investigators to facilitate asset recovery, expose tax abuse, detect fraud and administrative violations; and even help protect the environment and mitigate climate change.¹

The widespread consensus on the usefulness of beneficial ownership information has not been matched by proportional efforts to ensure it is available to all relevant stakeholders. In recent years, important advances in the availability of beneficial ownership information have been agreed on at the international level, but domestic implementation efforts have suffered setbacks. While measures such as beneficial ownership registries already exist in some countries, important gaps remain, particularly data privacy and protection rules combined with weaknesses in the completeness and quality of information, access, and effective sharing of information. Recent amendments to the anti-money laundering/combating the financing of terrorism (AML/CFT) international standard—set by the Financial Action Task Force (FATF)²—may boost countries' eagerness in developing registers of beneficial ownership information and improve the quality and accessibility of beneficial ownership information; however, the availability of beneficial ownership information to all relevant domestic and international stakeholders still has a long way ahead.

Even if stakeholders dealing with a high-risk sector, e.g., the anti-corruption office, were granted access to the AML/CFT beneficial ownership registry, their specific needs may still remain unmet if the information they need is not collected or maintained. For instance, predicated on risk assessment, a certain high-risk sector may need to obtain beneficial ownership information based on a definition that applies lower thresholds and that covers individuals who financed the acquisition of an asset, or may require additional details (e.g. the nationality and place of birth of the beneficial owner to ensure the enforcement of sanctions or protection of sensitive technology), or other details that may not necessarily be covered by the AML/CFT beneficial ownership registry. In another case, a high-risk sector's supervisors may need information covering trusts, or need information that is searchable by real estate address. Given that they are generally not a competent AML/CFT authority, administrative agencies that manage financial disclosures by public officials may not have access to non-public beneficial ownership information to use when checking if public officials may have misreported assets or interests linked to legal entities. These details may not be covered by the AML/CFT beneficial ownership registry and therefore the registry may not cover each sector's needs at once.

¹ For more on this, please see Andres Knobel, "Uses and Purposes of Beneficial Ownership Data," (London: Tax Justice Network) 2023, <https://taxjustice.net/wp-content/uploads/2023/11/Uses-and-purposes-of-BO-Data-briefing-14-Oct-2.pdf>

² The FATF is the international standard-setting body for AML/CFT matters.

Building on the lessons learned from beneficial ownership transparency in public procurement contracts during the COVID-19 pandemic Fund emergency financing, this paper discusses the potential benefits of sectoral approaches to beneficial ownership transparency in other high-risk areas, such as real estate.³ Despite the crisis and emergency environment, a significant number of countries receiving Fund emergency financing were able to develop the necessary legal and institutional foundations as well as collect and publish beneficial ownership information for entities involved in COVID-19-related public procurement. The experience suggests that even under circumstances of low resources or time constraints that countries may be facing, it may be possible to replicate this sectoral approach to beneficial ownership in other high-risk sector operations, such as real estate, and in public procurement more generally.

While the concept of beneficial ownership remains the same, the sectoral approach to beneficial ownership transparency differs from the AML/CFT registry approach and does not replace or address AML/CFT beneficial ownership requirements. For the purposes of this paper, the term "sectoral" approach to beneficial ownership refers to tailoring the collection, access, and use of the beneficial ownership information to specific risks in economic sectors. The risks can be related to ML/TF and/or specific predicate crimes (e.g., corruption, organized crime, tax evasion, environmental crimes). They may also be considered high-risk based on national security issues (e.g. for sensitive technologies) or enforcement of sanctions. The sectoral approach focuses on the beneficial ownership information from any relevant type of legal entity or arrangement that best serves the specific sector and its risks. As such, the approach could take different forms (i.e., it does not necessarily entail a registry), depending on the sector, the risks, and the capacity and beneficial ownership infrastructure in the country. It is important to note that the sectoral approach's ultimate purpose is not aimed at compliance with international standards, such as the AML/CFT FATF standard⁴.

II. Key Concepts of a Sectoral Approach to Beneficial Ownership Transparency

A. About Beneficial Ownership

Beneficial ownership is different from legal ownership. Legal ownership of a company or legal entity is most often defined by shareholding or membership and can include ownership by other legal persons (e.g., a company can be a shareholder in another company). A beneficial owner must be a natural person and is defined by who ultimately owns or controls a legal person, including when ownership is established through a chain of ownership (indirect ownership) or by control through other means (e.g, a natural person who can direct

³ There have been other sectoral experiences with beneficial ownership transparency, such as the requirements under the Extractive Industry Transparency Initiative (EITI), which are further described in section I.A. of the paper. However, this paper focuses on the high-risk sectors in which the IMF has had first-hand experience.

⁴ To achieve compliance with AML/CFT standards, a system needs to cover all sectors of the economy in accordance with FATF Recommendations on scope, definitions, etc. Alternatively, if a designated public authority or body holds beneficial ownership information in the country with the purpose of exhaustively collecting this information from legal entities, in line with beneficial ownership transparency FATF standards, for the purposes of this paper that approach would be considered as an AML/CFT registry approach. Although many countries may opt to establish a centralized approach, this is not a requirement, and countries may have more than one beneficial ownership registry, either for different types of legal vehicles, or for different regions.

a legal person's affairs and decision-making but who does not have any ownership interest in the legal person). Most countries have systems (e.g., commercial registers) in place for obtaining information on the legal ownership of an entity. Beneficial ownership information will not always be immediately apparent from documentation on legal ownership.⁵ There is a need to go further to identify the beneficial owner. While different international standards and initiatives have enhanced beneficial ownership requirements, many countries have yet to improve their systems in line with these standards and have insufficient systems for obtaining and holding adequate, accurate, and up-to-date information on these beneficial owners.⁶

The FATF AML/CFT standard has comprehensive requirements for beneficial ownership transparency aimed at combating illicit flows. The international standard aims to prevent the misuse of legal persons and arrangements⁷ for ML or TF; however, it is recognized that it also supports efforts to prevent and detect other offenses.⁸ In March 2022, the standard was updated, requiring countries to adopt a multi-pronged approach for obtaining and holding beneficial ownership information and to ensure that this information is adequate, accurate, and up-to-date, and available to competent authorities in a timely manner at both domestic and international levels. Under the new multi-pronged approach, countries need to ensure that beneficial ownership information is available from different sources and mechanisms,⁹ including information held by a public authority or body (for instance, a registry), whereas previously, beneficial ownership information could be made available from a single source.¹⁰

Beneficial ownership is also part of exchanges of information for tax purposes. The Organization of Economic Co-operation and Development's (OECD) Global Forum on Transparency and Exchange of Information for Tax Purposes¹¹ provides for transparency and exchange of information on request (EOIR) and for automatic exchange of financial account information (AEOI). The EOIR standard requires that information that is "foreseeably relevant" for tax purposes, such as information on the identity of the legal and beneficial owners of assets, companies, and accounts, be available and accessible to tax authorities to facilitate the

⁵ Ibid. p.1

⁶ Ibid. p.1

⁷ For the purposes of this paper, "legal persons and arrangements" will be referred to as "entities" indistinctively.

⁸ "The purpose of the FATF standards on transparency and beneficial ownership is to prevent the misuse of corporate vehicles for money laundering or terrorist financing. However, it is recognized that these FATF standards support the efforts to prevent and detect other designated categories of offences such as tax crimes and corruption. In this respect, the measures that countries implement to enhance transparency in line with the FATF Recommendations may provide a platform to more effectively address serious crimes such as corruption, as well as to meet obligations under other international conventions." See FATF, *Guidance on Beneficial Ownership for Legal Persons* (Paris: FATF), 2023, p. 8, <https://www.fatf-gafi.org/content/dam/fatf-gafi/guidance/Guidance-Beneficial-Ownership-Legal-Persons.pdf.coredownload.pdf> (accessed September 16, 2024).

⁹ The FATF international standards have specific requirements for beneficial ownership (require that countries use all the following sources and mechanisms to identify the beneficial owners, including requiring (1) information to be held by the companies themselves, (2) information to be held by a public authority or body (for example, tax authority, financial intelligence unit [FIU], companies' registry, or beneficial ownership registry) or an alternative mechanism, and (3) using additional supplementary measures such as information obtained by financial institutions, professional gatekeepers, and designated non-financial businesses and professions (DNFBPs). See Berkhout and Fernando, *Unmasking Control*, p.38.

¹⁰ Berkhout and Fernando, *Unmasking Control*, p.38.

¹¹ The Global Forum Global Forum brings 171 countries and jurisdictions together, including all G-20 countries and financial centers. The majority of its members are developing countries. Together, they work on an equal footing to put an end to offshore tax evasion. The Global Forum is the leading international body working to secure the effective implementation of transparency and exchange of information standards worldwide and, more specifically, the EOIR and AEOI. For more details, see OECD, "Global Forum on Transparency and Exchange of Information for Tax Purposes: *Who we are*" (Paris: OECD), 2009, <https://web.archive.org/web/20240916160000/http://www.oecd.org/tax/transparency/who-we-are/> (accessed September 16, 2024)

international exchange of this information with tax authorities in other jurisdictions for the purpose of combating tax crime.¹² Both the EOIR and AEOI standards leverage extensively the information collected under the AML framework, including beneficial ownership information as defined under the FATF Recommendations. The AEOI standard is currently considered the most comprehensive cross-border exchange mechanisms on beneficial ownership information as far as foreign financial accounts are concerned.¹³

Box 1. The Extractive Industries Transparency Initiative Standards (EITI) and Beneficial Ownership

Beneficial ownership requirements already feature in some industry and other private sector standards. For instance, the EITI—focused on oil, gas, and mineral resources—recommends publicly available beneficial ownership registries for corporate entities that apply for or hold an interest in the relevant industries (EITI requirement 2.5).

While the inclusion of beneficial ownership disclosure requirements within EITI is a welcome initiative for a highly vulnerable sector, stakeholders have identified some shortcomings in the original EITI beneficial ownership requirements. The EITI envisages a broad approach to the definition of beneficial ownership—requiring multistakeholder groups within the country to agree on an appropriate definition (including applying an ownership threshold, which can lead to variances between country approaches to beneficial ownership).¹⁴ Other observers have identified the lack of a requirement to capture the end-investors in public listed companies as a limitation in the beneficial ownership disclosure requirements.¹⁵

In 2023, the EITI standards for beneficial ownership disclosure were strengthened.¹⁶ For instance, the 2023 standards encourage countries to adopt a threshold of 10 percent (or lower) for the disclosure of beneficial ownership information as well as the full disclosure of interests held directly or indirectly by PEPs. The new standards also capture ownership and control of state-owned enterprises and public-listed companies.

Action is underway in participating countries to implement the beneficial ownership transparency requirements under the EITI. Over 50 countries have committed to implementing the EITI standards (as of 2024).¹⁷ Several participating countries are undertaking legal reform to include beneficial ownership, and some are developing registers for beneficial ownership information.

Accuracy and accessibility of beneficial ownership information continue to pose challenges.¹⁸ Extant experience with the collection of beneficial ownership information indicates that the low quality of collected data hampers its use by civil society and journalists. Further, collected beneficial ownership information is held confidential with limited or no public access to the information. The EITI conducted a stock take in 2024 to evaluate progress on beneficial ownership transparency across EITI implementing countries, which revealed progress in establishing legal frameworks for beneficial ownership and in establishing thresholds for reporting, while challenges prevail related to reporting obligations for PEPs and the development of comprehensive and reliable public registers.¹⁹

¹² International Development Bank and OECD (2024) Building Effective Beneficial Ownership Frameworks: A Joint Global Forum and IDB Toolkit Second Edition, available at: <https://publications.iadb.org/publications/english/document/Building-Effective-Beneficial-Ownership-Frameworks-A-Joint-Global-Forum-and-IDB-Toolkit.-Second-Edition.pdf>

¹³ Emmanuel Mathias and Adrian Wardzynski, “Leveraging Anti-money Laundering Measures to Improve Tax Compliance and Help Mobilize Domestic Revenues,” IMF Working Paper No. 2023/083 (Washington: International Monetary Fund), 2023, <https://taxjustice.net/2023/06/30/beneficial-ownership-and-fossil-fuels-lifting-the-lid-on-who-benefits/> (accessed September 16, 2024)

¹⁴ See Berkhout and Fernando, *Unmasking Control*.

¹⁵ Andres Knobel and Franziska Mager, “Beneficial ownership and fossil fuels: lifting the lid on who benefits” (London: Tax Justice Network), 2023, <https://taxjustice.net/2023/06/30/beneficial-ownership-and-fossil-fuels-lifting-the-lid-on-who-benefits/> (accessed September 16, 2024)

¹⁶ Open Ownership, “Implementing beneficial ownership reforms, Progress Report 2022/23,” (Oslo: Extractive Industries Transparency Initiative), 2023, https://oo.cdn.ngo/media/documents/oe-progress-report-2022_23-2024-02.pdf (accessed September 16, 2024)

¹⁷ EITI, Countries: Global implementation of the EITI Standard (Oslo: Extractive Industries Transparency Initiative), <https://eiti.org/countries> (accessed September 16, 2024)

¹⁸ Open Ownership, “Implementing beneficial ownership reforms, Progress Report 2022/23.”

¹⁹ For more on this, please see <https://eiti.org/blog-post/transparency-trends-taking-stock-beneficial-ownership-disclosures-eiti-implementing>.

Implementing beneficial ownership requirements in international standards can be challenging.

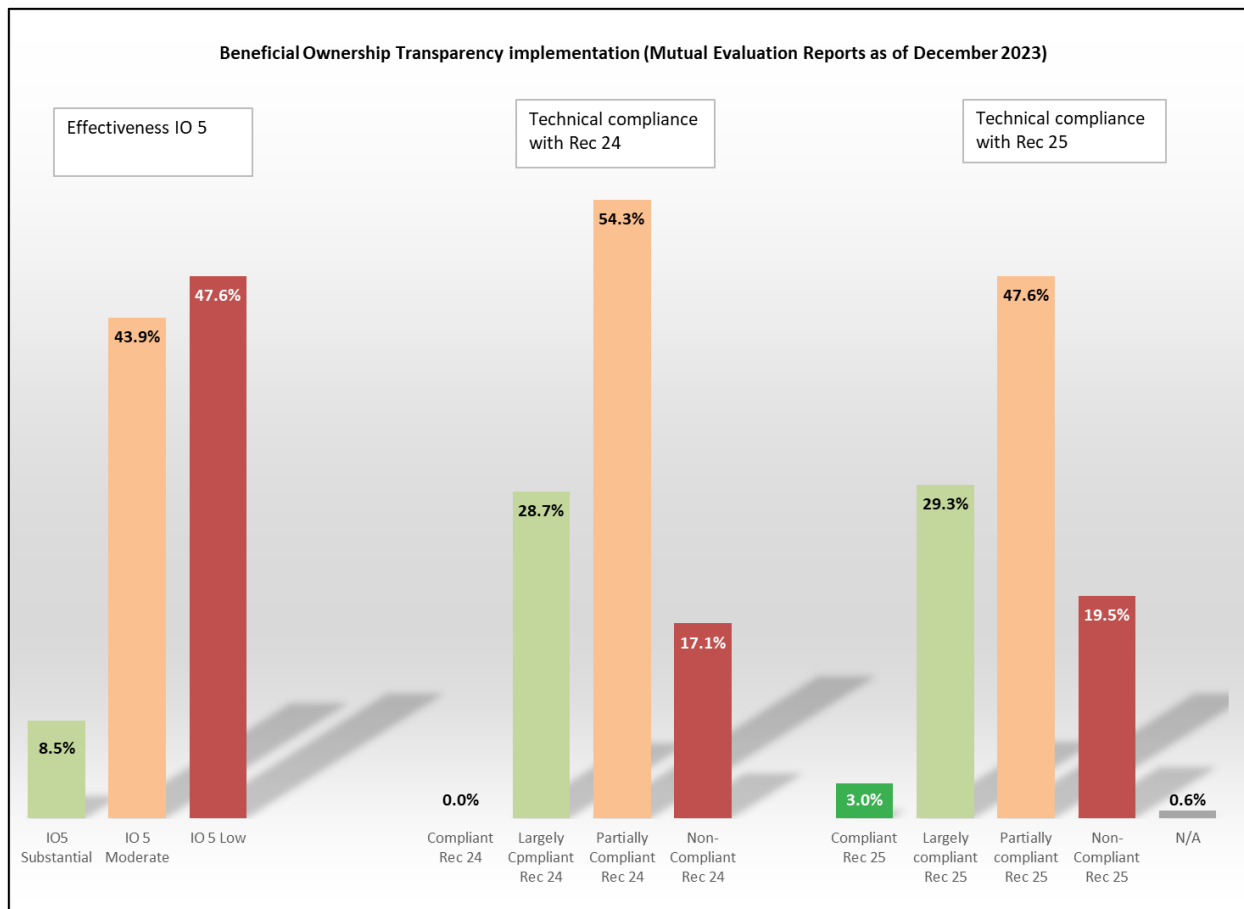
Progress towards the FATF AML/CFT standard, despite its longstanding existence, has generally been limited and focused on technical compliance (i.e., adherence of legal and regulatory frameworks with the FATF standard). This means, while about 30 percent of countries that underwent a mutual evaluation²⁰ achieved some level of technical compliance with FATF beneficial ownership recommendations²¹ (“compliant” or “largely compliant”), over 90 percent of the countries received unsatisfactory ratings in terms of effectiveness (“low or moderate level of effectiveness”).²² Common challenges include untangling complex ownership and control structures of legal entities and arrangements; establishing ownership thresholds to identify beneficial owners (for example, beneficial owners must have 10 percent or 25 percent shareholdings of the entity) which may prevent the identification of all beneficial owners; privacy and legal privilege rules, the use of undisclosed nominee arrangements; the use of family members and other strawmen, etc.²³

²⁰ One hundred and sixty-four mutual evaluation reports (MERs) assessing countries against the 2012 FATF recommendations. See FATF, *Consolidated Assessment Ratings* (Paris: FATF), 2023, <https://www.fatf-gafi.org/content/fatf-gafi/en/publications/Mutualevaluations/Assessment-ratings.html> (with data updated as of December 21, 2023) (accessed September 16, 2024).

²¹ FATF Rs.24 and 25 refer to beneficial ownership transparency and are part of the FATF 40 recommendations. See FATF, *International Standards on Combating Money Laundering and the Financing of Terrorism & Proliferation: The FATF Recommendations* (Paris: FATF), 2012-2023 (updated February 2023), <https://www.fatf-gafi.org/en/publications/Fatfrecommendations/Fatf-recommendations.html>

²² As of December 21, 2023, 164 out of 205 countries and jurisdictions that are part of FATF’s global network have been assessed against the 2012 FATF recommendations. From the 164 Mutual Evaluations Reports (as retrieved from FATF’s Consolidated Assessment Ratings at <https://www.fatf-gafi.org/content/fatf-gafi/en/publications/Mutualevaluations/Assessment-ratings.html>), 78 had a “Low” rating in IO.5 (Low means that the IO is not achieved or achieved to a negligible extent. Fundamental improvements needed). Seventy-two had a “moderate” rating in IO.5 (the IO is achieved to some extent. Major improvements needed.) Only 14 countries had a “substantial” level of effectiveness (the IO is achieved to a large extent; Moderate improvements needed).

²³ For more on this, please see Berkhout and Fernando, *Unmasking Control*, Chapter 3.



Source: Staff compilation from FATF MER published ratings.

The adoption of a multi-pronged approach²⁴ by the FATF should boost the creation of registries that facilitate access to beneficial ownership information by competent authorities. In accordance with the revised FATF standard,²⁵ countries must ensure that beneficial ownership information is available from three types of sources: (1) companies themselves; (2) a public authority or body that hold a registry, or alternative mechanism; and (3) supplementary sources of information²⁶ (such as through the customer due diligence process) commensurate to the risks faced. A key aspect of beneficial ownership registries is that they aim to be a “one-stop shop” for competent authorities to access such information rapidly and efficiently, in their efforts to prevent, detect and counter financial crimes. In recent years, nearly 100 jurisdictions have approved laws and

²⁴ “[...] a multi-pronged approach, i.e., to use a combination of different mechanisms, for collection of beneficial ownership information to ensure that adequate, accurate and up-to-date information on the beneficial ownership of legal persons is available and can be accessed by the competent authorities in a timely manner.” See FATF, *Guidance on Beneficial Ownership for Legal Persons*, p.7.

²⁵ Revision to FATF’s R.24 from March 2022. See FATF, *Guidance on Beneficial Ownership for Legal Persons*.

²⁶ While a sectoral approach to beneficial ownership as described in this paper could eventually be used as a “supplementary source of information” under the FATF’s multi-pronged approach, this is not the purpose of the sectoral approach, and its design may not necessarily comply with all the requirements under the FATF standard. In accordance with R.24 of the FATF, supplementary measures aim to serve the purpose of ensuring that the beneficial ownership information of a legal entity can be determined, including by regulators, stock exchanges, financial institutions and DNFBPs. Therefore, supplementary sources aim to serve the identification of beneficial ownership for AML/CFT purposes.

established central registries of beneficial ownership information for legal persons and trusts.²⁷ The European Union has mandated the adoption of beneficial ownership registries since 2015.²⁸

Box 2. Beneficial Ownership Registries

Beneficial ownership registries can take different forms, but all share a common purpose and certain characteristics²⁹. Beneficial ownership registries may be placed under different institutional setups and/or under different public authorities, for example, tax authority, financial intelligence units [FIU], or the companies' register. Federal countries may have registries at the sub-national level that operate independently but interconnected for seamless access by competent authorities. There may also be different registries for different types of legal persons (e.g., for companies, associations). In some cases, the registry is integrated into existing databases/registers, while in others it is established as a standalone registry. In all cases, the registry approach is intended to be a readily available source to other competent authorities. In addition, well-functioning registries generally would require that information is updated within a certain timeframe, and they would share the information domestically and at the international level upon request and impose penalties if the information is not provided or is inaccurate.

The setting up and implementation of registries can take time and pose challenges. Challenges can be related to the legal framework (e.g., if there are any impediments to the creation of a beneficial ownership registry); resources (e.g., having sufficient human and capital resources to fulfill its objectives); the capacity to enforce reporting requirements (e.g., availability and application of proportional and dissuasive sanctions); capacity to verify the adequacy and accuracy of the beneficial ownership information; powers and capacity to ensure the regular updating of the information; and the capacity to ensure timely access to competent authorities. In cases where the information is collected in a fragmented manner, there can also be issues related to the consistency of the information collected, interoperability among databases, and duplication of efforts. In addition, setting up beneficial ownership registries takes time. While many countries are advancing the legal framework to allow for the creation of beneficial ownership registries, effective implementation in practice may take years to materialize effectively as countries navigate the associated challenges.

Access to the beneficial ownership information differs among countries. AML/CFT standards require, at a minimum, access to beneficial ownership information by "AML/CFT competent authorities." This may include judicial authorities, law enforcement authorities, FIUs, supervisory authorities, etc. The AML/CFT framework of each country generally identifies the AML/CFT competent authorities and their roles. In many cases, access is also granted to private sector entities such as financial institutions and designated non-financial businesses and professionals (DNFBPs) (including lawyers, accountants, and real-estate agents), that are subject to AML/CFT obligations (e.g., conducting customer due diligence of their clients and reporting suspicious transactions).³⁰ Under the OECD Global Forum on Transparency and Exchange of Information for Tax Purposes, access to beneficial ownership information is focused on entities and authorities involved in

²⁷ Andres Knobel, "Why beneficial ownership frameworks aren't working - and what to do about it," (London: Tax Justice Network), 2023, <https://taxjustice.net/wp-content/uploads/2023/11/Uses-and-purposes-of-BO-Data-briefing-14-Oct-2.pdf> (accessed September 16, 2024); See also Norton Rose Fulbright, "Beneficial ownership registry Beneficial ownership registries: Regulation Around the World," (London: Norton Rose Fulbright), 2023, <https://www.nortonrosefulbright.com/en/knowledge/publications/abe55ea5/beneficial-ownership-registers-regulation-around-the-world> (accessed September 16, 2024).

²⁸ The fourth EU Anti-Money Laundering Directive (AMLD4) approved in 2015, required member states to adopt central beneficial ownership registries: "[...] Member States should ensure that beneficial ownership information is stored in a central register located outside the company, in full compliance with Union law. Member States can, for that purpose, use a central database which collects beneficial ownership information, or the business register, or another central register." See European Union, Directive (EU) 2015/849 (Brussels: European Union), <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A32015L0849>. (accessed September 16, 2024).

²⁹ For more on this, please see Berkhout and Fernando, *Unmasking Control*, p.45.

³⁰ [Obligations include application of AML/CFT preventive measures, such as customer due diligence, record keeping, customer and transaction monitoring, and reporting of suspicious transactions...]

combating tax evasion and other illicit activities.³¹ In some countries, civil society actors such as journalists and civil society organizations (CSOs) may be granted access to beneficial ownership information in registries. These actors can use the information to detect wrong-doing and enhance the quality of the data by increasing opportunities for discrepancy reporting.³² Some countries also opted to open beneficial ownership information to the public, similar to how legal ownership information is usually available to the public.

Publicly available registries can facilitate access to stakeholders, domestically and internationally. For registries that do not make the beneficial ownership information public, domestic access is determined by the legal framework driving the creation of the registry, which may exclude certain authorities and stakeholders. For instance, they may focus on tax authorities and be bound by tax secrecy, or may be focused on AML/CFT purposes, only allowing access to AML/CFT competent authorities. Cross-border access to beneficial ownership information for non-public registries will depend on the framework and may require international agreements for the exchange of information between countries, including formal mechanisms, such as mutual legal assistance processes, limiting the ease of cross-border use of beneficial ownership information for preventive purposes.

Box 3. Privacy Rules, Beneficial Ownership Transparency and the EU Court of Justice Ruling

The continued misuse of anonymous companies for illicit purposes has prompted growing calls for governments to make beneficial ownership information available to the public. Heeding those calls, the EU had decided that member states must establish publicly available beneficial ownership registries as of 2020. In particular, the EU AMLD, specifically AMLD 5 amended in 2018, mandated EU member states to provide public access to beneficial ownership information for legal entities incorporated in the EU. However, on November 22, 2022, the European Court of Justice annulled this public access requirement, stating that the general public's access to information on beneficial ownership constitutes an interference with the right to respect for private and family life and personal data protection under the EU Charter of Fundamental Rights but the court must balance "the seriousness of that interference [...]" against the importance of the objective of general interest of preventing ML/TF.³³ Despite this ruling limiting access to the information, the court explicitly mentioned that journalists and CSOs connected to the prevention and curbing of ML have a legitimate interest in accessing beneficial ownership information.³³ In addition, some EU countries have chosen to maintain open registries, recognizing various other uses and purposes for beneficial ownership data.³⁴ Public access to beneficial ownership registries has also been addressed by Directive (EU) 2024/1640—known as AMLD 6. AMLD 6 contains provisions concerning beneficial ownership registries and defines how persons with legitimate interest can access beneficial ownership information. The persons deemed to have a legitimate interest include journalists, CSOs, and third-country competent authorities.

Public access has a myriad of benefits. It supports financial and non-financial institutions (both domestic and abroad) in customer due diligence efforts. It also enables the public to monitor and analyze government spending (to see, for example, whether contractors have ties to public officials), check the financial disclosures of officials, and help verify the accuracy and timeliness of the information in registries. To prioritize transparency and open data, while managing

³¹ <https://web.archive.oecd.org/tax/transparency/documents/handbook-for-peer-reviews-on-transparency-and-exchange-of-information-on-request.pdf>

³² For more on this, please see Maria Constanza Castro Orduna and Adriana Fraiha Granjo, "The uses and impact of beneficial ownership information," (Berlin: Transparency International), 2023, https://knowledgehub.transparency.org/assets/uploads/helpdesk/The-uses-and-impact-of-beneficial-ownership-information_2023.pdf, 20 (accessed September 16, 2024)

³³ *WM and Sovim SA v. Luxembourg Business Registers*, Judgment of the Court in Joined Cases C-37/20 and C-601/20, Court of Justice of the European Union (Grand Chamber), 2022, [CURIA - Documents \(europa.eu\)](https://eur-lex.europa.eu/eli/jud_2022_1000/o). (accessed September 16, 2024).

³⁴ Knobel, "Uses and Purposes of Beneficial Ownership Data."

³⁵ For more information on the countries that have decided to main public access to their beneficial ownership registries please see: <https://taxjustice.net/2023/07/13/split-among-eu-countries-over-beneficial-ownership-ruling-mirrors-rankings-on-financial-secrecy-index/>

privacy concerns, due consideration should be given to providing enough information to identify beneficial owners without offering unnecessary details and establishing ways to request case-by-case exemptions from publication, such as when there is evidence of a serious risk of violence or intimidation. There is no universal formula for achieving a perfect balance between transparency and privacy, but there are international standards and broadly applicable good practices to guide the process and manage trade-offs.³⁶

B. About the Sectoral Approach

For the purposes of this paper, the term sectoral approach to beneficial ownership refers to tailoring the collection, access, and use of the beneficial ownership information to specific risks in economic sectors. High-risk sectors are those sectors (such as procurement, real estate, and extractives) most prone or vulnerable to abuse. It is important to note that high-risk sectors may differ among countries and change over time. High-risk sectors may be identified in exercises such as the ML/TF national risks assessments³⁷ or sectoral risk assessments.³⁸

Box 4. Toward a definition of sectoral approach to beneficial ownership

The sectoral approach to beneficial ownership is a targeted and risk-based framework designed to tailor the collection, verification, access, and use of beneficial ownership information to address specific vulnerabilities in high-risk sectors, such as procurement and real estate. Such an approach could be applied to the extractive high-risk sector, and spending related to crises such as climate financing. Unlike efforts aimed primarily at broad compliance with international AML/CFT standards, the sectoral approach focuses on mitigating sector-specific risks, such as corruption, ML, and conflicts of interest, through customized mechanisms aligned with the unique characteristics of each sector. This flexible approach allows for varying degrees of implementation, from basic data collection in sectoral transactions to advanced verification mechanisms, ensuring that beneficial ownership transparency efforts are not fragmented but complementary to centralized national initiatives, ultimately supporting improved oversight, accountability, and sustainable governance in critical economic sectors.

A sectoral approach should be tailored to countries' risk and context, mindful of implementation capacity, costs, and benefits. While the relevance and specifics of the approach would need to be determined by the country context, sectoral approaches to beneficial ownership information could ensure, at a minimum, the availability and use of beneficial ownership information in high-risk sectors (particularly when not available from other sources, or not with all the necessary details or formats). In addition, the burden on the sector should be considered, as the costs of implementing and complying with this approach should not offset its targeted benefits. The existing capacity can guide the design of the sectoral approach to ensure it minimizes the burden to the sector and authorities. The increased use of technology can help limit costs associated with data collection, analysis and dissemination. For instance, countries may decide to simply add a beneficial

³⁶ Jay Purcell and Ivana Rossi, "Privacy vs Transparency" (Washington, D.C.: International Monetary Fund), 2019, <https://www.imf.org/en/Publications/fandd/issues/2019/09/illicit-financial-flows-and-privacy-vs-transparency-purcell>. (accessed September 16, 2024).

³⁷ An AML/CFT national risk assessment allows countries to identify, assess and understand their money laundering and terrorist financing risks. Once these risks are properly understood, countries can apply AML/CFT measures that correspond to the level of risk, in other words: the risk-based approach. The risk-based approach, which is central to the FATF Recommendations, enables countries to prioritize their resources and allocate them efficiently. For more on this, please see FATF: [https://www.fatf-gafi.org/en/publications/MethodsandTrends/Nationalmoneylaunderingandterroristfinancingriskassessment.html#:~:text=National%20ML%20FTF%20Risk%20Assessment&text=A%20risk%20assessment%20allows%20countries,%2Dbased%20approach%20\(RBA\)](https://www.fatf-gafi.org/en/publications/MethodsandTrends/Nationalmoneylaunderingandterroristfinancingriskassessment.html#:~:text=National%20ML%20FTF%20Risk%20Assessment&text=A%20risk%20assessment%20allows%20countries,%2Dbased%20approach%20(RBA)).

³⁸ In this sense, the revisions to FATF's R.24 require countries to follow a risk-based approach and consider the risks of legal persons in their countries, not only those posed by legal persons created in their countries, but also by foreign-created legal persons with sufficient links with their country. See FATF, *Guidance on Beneficial Ownership for Legal Persons*.

ownership field in the forms and documents that must already be required to be filed for that sector, publish a list of beneficial owners of all companies, or handle a proper registry (database, with search and query functions).

Centralized Approach	Sectoral Approach
Combat ML/TF; comply with FATF standards	Address sector-specific risks (corruption, ML)
All legal entities and arrangements	Tailored to high-risk sectors (procurement, real estate, extractive)
AML/CFT competent authorities (sometimes public)	Sector stakeholders + AML/CFT authorities
Formal verification via registry cross-checks	May include crowdsourcing, intermediary checks

A sectoral approach to beneficial ownership for one high-risk sector can complement other sectoral approaches as well as AML/CFT beneficial ownership efforts, at any stage of their development and prevent misuse through targeted measures. Sectoral beneficial ownership efforts are not intended to replace or compete with centralized ones; they have different purposes. In the case of FATF beneficial ownership registries, the goal is to comply with the FATF and prevent ML/FT. A sectoral beneficial ownership approach may be focused on a high-risk sector related to a predicate offense, e.g. tax or fraud, or other issues, e.g. national security or the enforcement of sanctions as a foreign policy. For some countries, the creation of a centralized beneficial ownership registry can be a daunting endeavor that takes years to implement. In these cases, sectoral approaches to collecting beneficial ownership data could offer lessons for the time when the country is ready to set up an AML/CFT beneficial ownership registry to comply with the FATF or Global Forum requirements. In other countries where centralized registers are already in place, sectoral beneficial ownership information could provide valuable sources of information to check the completeness of the AML/CFT register and support the verification of information (e.g., through discrepancy reporting). In addition, a sectoral approach could also function as a pilot to test local public policies that are unrelated to the AML/CFT efforts, such as giving public access, allowing objections to registered information by members of the public, or setting up a verification process where an “authorized person” must document and publish their explanation as to why registered information is accurate.

A sectoral approach to beneficial ownership transparency in high-risk sectors should not be misunderstood as a piecemeal approach or fragmented efforts towards a registry approach to comply with FATF. A sectoral effort aims to mitigate abuse in high-risk areas, but it is not intended to replace

countries' efforts to put in place a holistic and comprehensive system for collecting and maintaining beneficial ownership information or to regulate a sector and require operators to conduct due diligence and implement broader preventive measures. For instance, if a country wants to comply with the EITI standard, it may need information on local and foreign companies involved in extractives, and it would need to apply a no-threshold approach when a PEP is involved. In this case, it is very unlikely that the AML/CFT beneficial ownership registry would address these needs because FATF does not cover the same scope nor apply the same definitions. The extractive agency will thus likely establish its own beneficial ownership information disclosure regime. If the country has no AML/CFT beneficial ownership registry yet, the beneficial ownership disclosure for extractives may serve as a lesson, though it is unlikely that such a beneficial ownership disclosure regime for extractives held by a mining secretary would upgrade into a full AML/CFT beneficial ownership registry for the whole country to comply with FATF requirements. This is not really a staged approach—understood as building a centralized beneficial ownership registry in gradual steps—as this paper does not argue in favor of using the beneficial ownership information collected in high-risk sectors as a building block of the centralized efforts. It proposes a complementary effort that can be used, for instance, as an additional source of information to verify the information held in a centralized register, ensuring synergies and coordination with any centralized effort and consistency or complementarity with the beneficial ownership definition used for data collection.

The collection and publication of beneficial ownership information for a given sector or set of transactions does not have to be a technologically complicated or bureaucratic endeavor. A sectoral approach to beneficial ownership can simply involve requesting beneficial ownership information in addition to information regularly requested as part of sectoral transactions and processes. This is what makes a sectoral approach very achievable in different countries, taking into account varying risk and context factors and resourcing levels. The sectoral approach can be tailored to work under low-capacity circumstances and without lengthy IT investments, but can yield high-impact results in a short period of time if used effectively. As experience from countries during the COVID-19 pandemic has shown, the sectoral approach can be implemented flexibly and quickly, e.g., by sharing collected beneficial ownership information in a simple Excel file on a country's procurement portal together with procurement award information, on a newly created sub-page, or on the website of a real estate regulator. Once one high-risk sector has begun with the implementation, this can have a positive “knock-on” effect on other high-risk sectors, thereby creating momentum towards beneficial ownership transparency in the country.

The adoption of a sectoral approach to beneficial ownership collection and publication in the real estate and other high-risk sectors could directly support stronger awareness of the ML/TF and corruption risks in these sectors and how the concealment of beneficial ownership information contributes to their potential abuse. By taking a sectoral approach, AML/CFT authorities and sectoral supervisory bodies could work together to raise awareness about sector-specific risks and how they can affect not only the sector's, but the country's, overall stability if left unchecked. In addition, the mere fact of additional scrutiny and transparency in a sector may deter criminals or their enablers from using it for ML, even if under a sectoral approach beneficial ownership information may not be collected for a specifically-AML/CFT-focused registry.

A sectoral approach to beneficial ownership can also support financial intelligence collection and criminal investigations related to a country's high-risk sectors. Sectoral approaches to beneficial ownership information can also directly support the work of a country's FIU to gather financial intelligence and develop sectoral ML/TF typologies. An FIU, based on its intelligence-gathering activities or acting on suspicious transaction reports received from reporting entities, can use sectoral published beneficial ownership information to check for red flags related to financial transactions in the sector, e.g., related to real estate transactions. An FIU can search for any previous suspicious transaction reports (where a suspicion of ML/TF exists) filed against a person or their company. As FIUs of different countries rely on memoranda of understanding and informal cooperation channels to exchange information, sectoral available beneficial ownership information would decrease the need for time-consuming information-sharing requests and accelerate internal investigations, as well as contribute to the detection of cross-border flows or typologies. All this information can in turn support law enforcement agencies' investigation, prosecution and enforcement of ML/TF- and corruption-related cases in high-risk sectors.

Sectoral approaches to beneficial ownership information can foster greater public accountability and support detection of potential misuse of high-risk sectors when public. During the COVID-19 pandemic, numerous media reports on public procurement irregularities have shown that investigative journalists, CSOs, researchers, and members of the general public take keen interest in the use of public funds and in what is happening in domestic high-risk sectors around them.³⁹ Civil society actors have local connections, investigative networks, and research resources to check published beneficial ownership information for regularity, accuracy, and comprehensiveness.⁴⁰ They are therefore well placed to connect that information to suspicious activities in a given high-risk sector and publicize potential conflicts of interest or ML/TF and corruption schemes. Via social media platforms, they can engage a broader audience, alert the public to suspicious findings, and thereby provide an important accountability mechanism for further investigations. Throughout the pandemic, CSOs and journalists in cooperation with citizens have played a key role in holding public officials accountable for corrupt and fraudulent activities related to public procurement. Sectoral beneficial ownership information for a country's high-risk sectors can spur similar developments if they allow access to civil society and thereby support the development of CSOs' own tracking databases. Availability of beneficial ownership information and related reporting by civil society on suspicious transactions or patterns observed can thereby directly help to detect, e.g., suspicious developments in a neighborhood's real estate sector and spur early action from the authorities to put in place policy countermeasures to impede illicit activities and promote long-term stability and affordability for citizens. Such measures of public accountability should ideally be accompanied by policies to develop or strengthen whistleblower protection regimes, as this could lead to further reporting of criminal behaviors.

³⁹ For instance, CSOs in Ecuador checked in how many cases beneficial ownership information had been included as part of procurement filings. For more details, see: Alarcon, M., "Beneficiarios Finales en Ecuador", FCD Ciudadanía y Desarrollo, pages 53-58, available in: <https://www.ciudadaniaydesarrollo.org/publicaciones/beneficiarios-reales-en-ecuador-transparentando-la-contratacion-publica-e-industrias-extractivas/>

⁴⁰ For instance, Transparency International Czech Republic found information about its Prime Minister in relation to beneficial ownership and procurement by using the public beneficial ownership registry of Slovakia. For more details, see: <https://www.transparency.org/en/press/andrej-babish-is-our-controlling-person-czech-republic>

III. IMF Sectoral Experiences with Beneficial Ownership in Procurement and Real Estate

This section focuses on the experience with beneficial ownership sectoral approaches in the context of the IMF's recent work.⁴¹

A. Macro-relevance for procurement and real estate sector

The infiltration of illicit flows through complex ownership structures in government procurement corrupts public spending, undermining the efficiency and effectiveness of vital projects. By disguising the real beneficiaries of government contracts behind layers of shell companies and opaque financial entities, corrupt actors can manipulate tendering processes, often securing deals through bribes or insider influence. These hidden networks enable conflicts of interest, where officials covertly benefit from the very contracts they oversee or award. Consequently, inflated project costs, poorly executed public works, and the misallocation of funds become systemic issues, depriving citizens of critical services such as infrastructure, healthcare, and education. The resulting disillusionment with public institutions erodes trust, while financial leakage cripples the government's ability to meet development goals. Finally, perception of corruption can damage public support for necessary projects.

This misuse of public funds also disrupts healthy market dynamics, as legitimate businesses can be excluded from competitive bidding due to favoritism and bribery-driven decision-making. In such a skewed environment, contracts are awarded to entities with political or financial leverage rather than technical competence or cost efficiency, leading to delays, cost overruns, and subpar outcomes. As project costs balloon, governments face increased fiscal pressure, diverting resources from sustainable investments to cover deficits caused by corruption. Over time, the proliferation of complex ownership structures entrenches corrupt networks within procurement systems, creating an environment where reform efforts are continually obstructed and legitimate firms are driven from the market. This not only hampers transparency and good governance but also discourages innovation, reduces investor confidence, and restricts long-term economic progress.

Illicit flows hidden behind corporate veils in the real estate sector pose a threat to banks' stability by creating opaque, high-risk exposures that are difficult to detect. Anonymous shell companies and complex ownership structures can obscure the true source of funds used in property purchases, leaving banks vulnerable to unknowingly facilitating ML. As banks provide loans or credit to entities tied to these structures, they face heightened risks of default, particularly if the underlying assets—often overvalued due to illicit inflows—depreciate when authorities tighten regulatory scrutiny or markets correct. This dynamic can trigger loan write-offs, liquidity pressures, and reputational damage that erode public trust. Moreover, penalties for non-compliance with AML regulations can further deplete banks' capital buffers, amplifying systemic risk, and destabilizing the financial sector.

⁴¹ The section is not exhaustive, and does not include analysis of other sectoral initiatives, such as EITI.

Anonymous real estate purchases also pose broad macroeconomic risks, and cash purchases are sometimes preferred by criminals. Real estate's tangible use and the ability to make purchases in cash without the scrutiny of the financial sector make it a favored vehicle for sophisticated criminals looking for a way to launder money.

At the macroeconomic level, the concealment of illicit funds behind corporate veils undermines structural reforms aimed at fostering financial transparency, efficient resource allocation, and sustainable growth. Illicit flows funneled through anonymous real estate investments inflate property prices, crowding out legitimate buyers and misallocating capital away from productive sectors, such as manufacturing and infrastructure development. This distortion reduces the effectiveness of tax policies, as authorities struggle to collect property taxes from hidden ownership networks or seize assets linked to crime and imposes high housing costs on everyday people. Furthermore, the concentration of illicit flows in real estate perpetuates housing inequality, contributing to financial fragility by creating asset bubbles that, when they burst, can trigger cascading economic downturns. In this environment, macroeconomic reforms, particularly those focused on reducing informality, increasing tax revenues, and promoting investment in productive activities, face significant obstacles, thereby limiting long-term economic stability and growth.

B. Beneficial Ownership in Procurement: Emergency Financing during COVID

During the COVID-19 pandemic, the Fund sought specific commitments on governance measures for 73 countries receiving emergency financing,⁴² including measures related to beneficial ownership. The COVID-19 pandemic brought an unprecedented number of countries simultaneously requesting Fund emergency financing,⁴³ compared to other emergencies.⁴⁴ Prior to COVID-19, due to the country-specific and

⁴² Information is based on the final update of the implementation of emergency commitments, as of June 30, 2023 (retrieved from <https://www.imf.org/-/media/Files/Topics/governance-and-anti-corruption/implementation-of-governance-measures-in-pandemic-related-spending-july-2023.ashx>) (accessed September 16, 2024). The update covers governance commitments related to pandemic-related spending in Letters of Intent and Memorandums of Economic and Financial Policies accompanying Fund financing during the COVID-19 pandemic. The update covers commitments made in the context of IMF financing provided (i) by Rapid Credit Facilities or Rapid Financing Instruments for which the COVID-19 pandemic was a primary basis for the urgent Balance of Payments need and/or (ii) under regular IMF-supported programs through April 2021 (i.e., roughly the first year of the pandemic).

⁴³ The Fund's emergency financing is designed to provide rapid assistance for urgent balance of payments needs of limited duration in situations where a full-fledged economic program is either not necessary or not feasible. The former situation may arise when the shock is transitory and limited in nature, while the latter may arise when the member's policy design or implementation capacity is limited, including due to the urgent nature of the balance of payments need or to fragilities. Emergency financing supports the full range of urgent balance of payments needs, including those arising from exogenous shocks (e.g., natural disasters), post-conflict and other fragile situations, or from other disruptive situations, such as the pandemic (*). Generally, since such emergency financing is either an outright purchase or disbursement, there are no ex-post conditionality or reviews, although prior actions are possible.

(*) Natural disasters include geophysical events (earthquakes, volcanic activity), metrological events (extreme temperatures, storms), hydrological events (floods, wave action), climatological events (drought, wildfire), and biological events (epidemics). See International Monetary Fund, *IMF Policy Paper – Large Natural Disasters – Enhancing the Financial Safety Net for Developing countries*, p.5, (Washington, D.C.), 2017, [Large Natural Disasters--Enhancing the Financial Safety Net for Developing Countries \(imf.org\)](https://www.imf.org/en/Publications/Policy-Papers/2017/01/11/IMF-Policy-Paper-Large-Natural-Disasters-Enhancing-the-Financial-Safety-Net-for-Developing-Countries). (accessed September 16, 2024).

⁴⁴ Prior to the COVID-19 pandemic, requests for emergency financing predominantly related to health emergencies, such as the Ebola emergencies in Guinea (2014 and 2015) and Liberia (2015), and natural disasters in the Caribbean, including Saint Lucia (2010), St. Vincent & the Grenadines (2011), and Haiti (2016). For more on this please see c/f International Monetary Fund, *Monitoring of Fund Arrangements (MONA): An Overview of Fund Emergency Financing since 2010*, (Washington, D.C.), <https://tableau.imf.org/#/views/RCF-RFI/Dashboard1?.iid=1>. (accessed September 16, 2024).

regional nature of the emergencies, the Fund's emergency financing included relatively fewer governance measures,⁴⁵ which were context-specific and not systematically coordinated, e.g., audits and accounting-related measures to ensure the transparent use of emergency funds.⁴⁶ Recognizing that the COVID-19 emergency widely increased opportunities for corruption, the Fund systematically called for enhanced transparency and accountability measures across countries requesting emergency financing. The most frequent commitment among countries receiving emergency financing was the targeted audit of emergency spending in 76 percent of requests, followed by a commitment to publish beneficial ownership information of companies awarded public procurement contracts in 60 percent of all requests. Improving procurement transparency and publishing information about COVID-19 related contracts was another important commitment.⁴⁷

The measure on publication of beneficial ownership information of entities awarded public procurement contracts was a novelty. Given the fraud and corruption risks in public procurement, over the years, many governmental and non-governmental initiatives have promoted procurement transparency⁴⁸ and open contracting practices;⁴⁹ however, these initiatives rarely called for transparency of the identity of beneficial owners of the companies involved in public procurement.⁵⁰ Governments annually procure billions of dollars in goods and services from companies, and they generally request information about the shareholders of that company and its directors as part of the process, but identifying the beneficial owners of the companies was not yet a common practice in procurement. The measure to reveal the beneficial owners of entities participating in emergency contracting aimed to bring an AML/CFT approach to understanding the risks and vulnerabilities of abuse of legal entities to a specific sector, in this case, procurement. The novelty of the measure rested in the combination of the AML/CFT measures and procurement frameworks, which historically did not intersect.

⁴⁵ With the exception of the Central Bank Safeguards Assessment by each country.

⁴⁶ For more on this, please see International Monetary Fund, "Mitigating Corruption Risks in Emergency Spending: Lessons Learned from the IMF's Experience During the COVID-19 Pandemic" in *Review of the Implementation of the 2018 Framework for Enhanced Fund Engagement on Governance*, pp. 13-19 (Washington, D.C), 2023, <https://www.imf.org/-/media/Files/Publications/PP/2023/English/PPEA2023015.ashx>. (accessed September 16, 2024).

⁴⁷ For more on the Fund's approach to governance safeguards in COVID-19 Emergency Financing, please see International Monetary Fund, "Mitigating Corruption Risks in Emergency Spending: Lessons Learned from the IMF's Experience During the COVID-19 Pandemic."

⁴⁸ The World Bank has an extensive program on procurement including to enhance integrity and accountability and e-procurement systems. Global efforts focus significantly on transparency in procurement such as the United Nations Convention Against Corruption (Article 9), the plurilateral agreement on government procurement, the WTO agreement on public procurement.

⁴⁹ For examples of non-governmental initiatives, please see Open Government Partnership, "*The Open Gov Challenge*," (Washington, D.C.: Open Government Partnership). [Open Government Partnership | Committed to making governments more open, accountable, and responsive to citizens \(opengovpartnership.org\)](https://www.opengovpartnership.org/). (accessed September 16, 2024); Open Ownership, "*Open Ownership drives the global shift towards transparency and accountability in corporate ownership and control*," (London: Open Ownership). <https://www.openownership.org/en/>. (accessed September 16, 2024); Open Contracting Partnership, "*Better procurement for people and the planet*," (Washington, D.C.: Open Contracting Partnership). <https://www.open-contracting.org/>. (accessed September 16, 2024).

⁵⁰ An exception to this is the example of Kenya, which committed to ensure greater transparency around bids and contracts by individuals and companies in Kenya in their Open Government Action Plan of 2016. To this end, they held multistakeholder consultations, prepared legislation which was submitted and approved by the National Assembly (the Companies Amendment Act of 2017) and developed and open, accessible and usable beneficial ownership registry. For more information, please see: Open Government Partnership, "*Kenya: Ensure Greater Transparency Around Bids and Contracts (KE0014)*," (Washington, D.C.: Open Government Partnership). <https://www.opengovpartnership.org/members/kenya/commitments/KE0014/>. (accessed September 16, 2024).

The heightened risks in the COVID-19 emergency set fertile ground for the beneficial ownership targeted measure. During the emergency period, existing rules, such as procurement regulations and oversight processes, are often suspended to speed up the spending and delivery of goods and services. The large sums of money required to deal with emergencies, the quick disbursement of aid or economic stimulus packages, and the risks for fraudulent activities and undue influence over policy responses can increase risks, while weakening the mechanisms in place to prevent them. Emergency procedures can overwhelm control agencies, particularly those that do not have adequate funding and capacities to investigate allegations of misuse and prosecute abuses, especially when safeguards are paused. Given the centrality of procurement in the response to the COVID-19 pandemic, it was fundamental to minimize the risks of abuse.

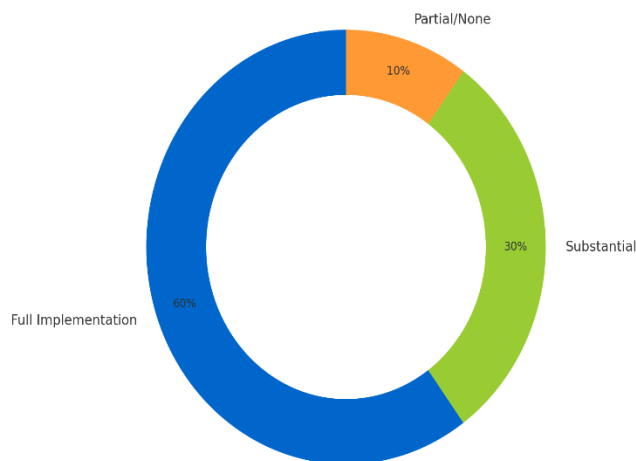
The public's legitimate interest in knowing who benefits from government procurement contracts was the underlying rationale for the commitment to not only collect but also publish beneficial ownership information. The public's legitimate interest stems from knowing how public funds are expended and who is reaping the benefits in contracts and knowing who is ultimately providing the public goods and services they receive. Simply publishing the name of the company involved in procurement, which is a more common practice, does not really give clues on who is behind the company, particularly if using an inconspicuous corporate name. Uncovering the ultimate beneficial owner can help lift the corporate veil and provide unique insight into how a company is controlled and who stands to benefit, which contributes to detection of conflicts of interest, collusion, misuse, or broader corruption in procurement. Moreover, this can facilitate transparency and trigger actions from unsuccessful competitors, public authorities, investigative journalists, civil society, or the public at large.⁵¹

Three years after most governance measures were committed to under Fund emergency financing, the implementation rate of measures for pandemic related spending reached 80–90 percent, on average. In particular, measures to publish beneficial ownership information of companies awarded pandemic-related contracts were implemented fully (60 percent) or substantially (around 30 percent), resulting in a combined implementation rate of 90 percent. The implementation of these measures generally requires more time, yet achieving significant implementation, comparable to measures that represented a continuation of existing practices in countries.⁵² However, the publication of beneficial ownership on its own does not ensure its quality. That is why verification of information is also necessary.

⁵¹ It is important to note that the transparency of beneficial ownership information of the entities involved in public procurement during the COVID-19 emergency did not allow for *ex ante* verification of the beneficial owners and/or vetting of the companies participating in the process. The information published only allowed for retroactive oversight.

⁵² International Monetary Fund, *Implementation of Governance Measures in Pandemic-Related Spending, July 2023* (Washington, D.C.), 2023, [implementation-of-governance-measures-in-pandemic-related-spending-july-2023.pdf](#)

Most countries were able to implement the commitment to collect and publish beneficial ownership in pandemic-related procurements despite the lack of appropriate foundations in place (reflected by the low ratings from FATF assessments). For countries whose AML/CFT framework was assessed in FATF MER,⁵³ FATF ratings show that 79 percent of the countries that were able to implement the beneficial ownership and procurement commitments under Fund emergency financing had been rated with “low”⁵⁴ effectiveness of the country framework towards beneficial ownership transparency.⁵⁵ Another 21 percent had been rated as “moderate”⁵⁶ and none of the countries had achieved “substantial” or “high” levels of effectiveness in this area. These ratings suggest that a majority of countries lacked the legal framework and infrastructure to achieve overall effectiveness in the beneficial ownership area. Nevertheless, they were still able to implement the sectoral approach to beneficial ownership in procurement during the pandemic, suggesting that ad hoc sectoral approaches may be relatively easy to implement.



The importance of beneficial ownership information in procurement has inspired some reforms at the international and national levels. Recognizing the importance of identifying beneficial ownership in procurement as proposed by the Fund during discussions of the FATF recommendation revision, the FATF revised in 2022 the international AML/CFT standard, which now requires countries, among others, to ensure that public authorities have access to beneficial ownership information of entities involved in public procurement. At the national level, some countries decided to extend the measures to procurement more broadly (not only related to the COVID-19 pandemic), such as in the case of Ecuador.⁵⁷

The focus on beneficial ownership in procurement has enhanced awareness of risks. For instance, Zambia’s FIU regularly publishes trends reports which identify observed ML/TF patterns, methods, and risks. The FIU’s intelligence, shared with competent authorities in joint investigations, has previously led to arrests and forfeiture of assets. One particular trend observed in 2022 and in the following years was the misuse of corporate vehicles in Zambia for procurement-related corruption, tax evasion, and other illicit activities. The FIU

⁵³ See FATF, *Mutual Evaluations* (Paris: FATF), 2023, <https://www.fatf-gafi.org/en/publications/Mutualevaluations/More-about-mutual-evaluations.html> (accessed September 16, 2024).

⁵⁴ In accordance with FATF Methodology, effectiveness ratings can be “high,” “substantial,” “moderate,” or “low.” <https://www.fatf-gafi.org/content/dam/fatf-gafi/methodology/FATF%20Methodology%202022%20Feb%202013.pdf.coredownload.pdf>

⁵⁵ This figure refers to the ratings in IO.5: “Legal persons and arrangements are prevented from misuse for money laundering or terrorist financing, and information on their beneficial ownership is available to competent authorities without impediments.” See FATF, *Methodology for Assessing Compliance with the FATF Recommendations and the Effectiveness of AML/CFT Systems*.

⁵⁶ Twenty-one percent of the countries in the sample had not been assessed, so there is no rating available.

⁵⁷ Plataforma Gubernamental Financiera, *Beneficiario Final* (Republic of Ecuador), https://portal.compraspublicas.gob.ec/sercop/beneficiario-final_o/ (accessed September 16, 2024).

identified specific patterns, including the incorporation of companies with hidden identities of the beneficial owners and the registration of Zambian nationals who were not exercising ultimate control as the beneficial owners. The registration of incorrect information on beneficial owners and businesses addressed with the company registry was used as a means to fraudulently receive procurement contracts. In one case, the FIU's analysis was able to reveal procurement fraud and ML through analysis of beneficial owners reported in the company registry of a contracting company and their links to procurement officials, and the case was referred to law enforcement agencies for further investigation and possible forfeiture of proceeds of crime.⁵⁸

Lessons learned. Overall, the Fund's experience with sectoral beneficial ownership was positive, and it proved that countries may implement fast beneficial ownership disclosure and publication regimes despite a global pandemic, proving that such sectoral approaches should be even easier to implement in less extreme times. At the same time, because a specific sector may be less familiar with the concept of beneficial ownership, sufficient training should be offered to all stakeholders, including public officials, the private sector, as well as CSOs and journalists who may help monitor compliance. For this purpose, the publication of guidance, FAQs or hotlines may help authorities and civil society actors monitor cases of flagrant non-compliance (e.g. when beneficial ownership data is not disclosed or when it refers to a legal person instead of a natural person). For this purpose, promoters of beneficial ownership disclosure should ensure that relevant authorities make clear indications on the location or website where to find beneficial ownership data, as well as a requirement to alert CSOs and the media about the published information for them to properly monitor compliance. Monitoring by other stakeholders (e.g. CSOs, journalists, and private companies who did not win procurement contracts) may also reveal circumvention schemes, such as cases where procurement projects start being divided into smaller and cheaper ones in order to avoid beneficial ownership requirements.

C. Beneficial ownership in Real Estate

Real estate continues to be frequently abused by criminals and is commonly identified as exposed to high levels of ML risks. According to a FATF report, 53 percent of countries rated ML/TF risks associated with the real estate sector as either high or medium-high.⁵⁹ Real estate investments tend to be substantial, largely retain their value, and are subject to a lower level of oversight compared to other types of investments with broadly similar levels of financial flows. In addition, they provide a tangible benefit if used as housing and can sometimes aid criminals in establishing legally useful residency or seeking additional citizenship. Such characteristics make the sector vulnerable to abuse by criminals looking to hide illicit funds. Criminals can use cash or other proceeds of crime in other forms to purchase properties, which they can then, use, sell or rent out to generate income that appears legitimate. For example, London's property market has been a magnet for illicit funds, with wealthy individuals from many countries using the city's high-end real estate to launder money.

⁵⁸ Zambia Financial Intelligence Centre, *Trends Report – 2022*, p.6ff (Republic of Zambia), 2022, [Trends Report - 2022 \(fic.gov.zm\)](https://www.fic.gov.zm/Trends-Report-2022) (accessed September 16, 2024).

⁵⁹ FATF (2022), *Guidance for a Risk-Based Approach to the Real Estate Sector*, FATF, Paris, www.fatf-gafi.org/publications/documents/Guidance-RBA-Real-Estate-Sector.html (page 12)

In one high-profile case, a London property worth £11 million was seized by the U.K.'s National Crime Agency after it was found to have been purchased with proceeds of crime.⁶⁰

Box 5. Macroeconomic Distortions in High-Risk Sector—Real Estate

Recent examples highlight a steady stream of illicit proceeds into the real estate sector. Real estate has long been a lucrative investment for illicit actors, providing a safe haven for their ill-gotten gains. Property markets in London, New York, Los Angeles, Vancouver, among others, experience significant inflows driven by domestic and foreign proceeds from corruption, tax evasion, drug trafficking, and other illicit activities. These trends are well-documented in civil society reports and repeatedly brought to public attention through highly publicized scandals. For instance, a 2017 report highlighted the London property market's significant exposure to foreign corrupt proceeds, noting that approximately £4.2 billion worth of properties had been bought with suspicious wealth. A recent report identifies more than \$2.6 billion in suspicious funds invested in commercial real estate in 22 U.S. states over the last 20 years.⁶¹ Likewise, a government-commissioned report in 2019 estimated that up to \$5 billion in criminal funds was laundered through Vancouver real estate in 2018 alone, contributing to an approximate five percent increase in house prices.

In the residential real estate market, such inflow can cause price increases and supply distortions, thus contributing to housing unaffordability. Commentators have pointed to the possible price effects of illicit inflows. ML in residential real estate can cause price distortions and increases, pushing local buyers out of the market, thus triggering housing unaffordability. In a report by Transparency International UK, some commentators highlight the “ripple effects” of illicit flows into high-end real estate, where potential legitimate buyers priced out of luxury units, bid up prices in the next tier, with the effects cascading down the line. Further, illicit proceeds may no longer be concentrated in luxury markets: for instance, some data indicate that foreign investments from high corruption risk jurisdictions are also flowing to markets outside of central prime property markets in London.⁶²

Illicit flows may contribute to and reinforce property price bubbles. A bubble occurs when an asset's price exceeds its intrinsic value, driven by expectations of continued appreciation. (F&D). The housing market is especially susceptible to price bubbles, given the relative inelasticity of supply and related tendency to attract investment, speculative or otherwise. A ready supply of illicit money can inflate prices beyond economic fundamentals, encouraging further speculative behavior, and thus contributing to or reinforcing property bubbles. A 2022 study suggests that ML from entrepreneurial crimes (such as drug crimes) can create an upward distortion in the local housing price markets through increased demand.⁶³

⁶⁰ <https://www.standard.co.uk/news/uk/ps22m-homes-are-first-to-be-hit-by-mcmafia-law-a3777811.html>

⁶¹ <https://gfintegrity.org/report/money-laundering-risks-in-commercial-real-estate-an-analysis-of-25-case-studies/>

⁶² <https://www.transparency.org.uk/sites/default/files/2025-03/Faulty%20Towers.pdf>

⁶³ Does money laundering inflate residential house prices? Evidence from the Italian provincial markets (2021).

In particular, the abuse of complex structures and offshore entities is identified as a common typology in integrating illicit proceeds in the real estate sector. Criminals, often aided by facilitators such as lawyers and corporate service providers, can use complex networks of shell companies, trusts, and other structures to conceal their ownership of real estate, making it difficult for law enforcement to identify and seize the property. In 2016, an unprecedented leak of documents from a Panamanian law firm revealed how wealthy individuals and criminals used offshore companies to hide their assets, including real estate. For example, the United Kingdom's most recent AML/CFT MER classified high-end property as high-risk for abuse by illicit financiers. Anti-corruption and AML probes in other jurisdictions have also illustrated the use of shell companies to acquire real estate.⁶⁴ This typology may also become more popular in the wake of increasing restrictions on foreign property ownership across the world.⁶⁵

The existing weaknesses in the application and oversight of AML/CFT preventive controls highlight the need for strengthened risk mitigation. FATF recommendations require real estate professionals (i.e., those involved in the buying and selling of real estate) to conduct customer due diligence on a risk-sensitive basis and report any suspicious transactions to the authorities. However, the application/implementation of AML/CFT preventive measures among DNFBPs is markedly and consistently lower than among financial institutions. The limited level of effective oversight by governments of real estate professionals also contributes to a low level of effective implementation of FATF's recommendations. According to the results of country assessments by FATF and its FATF-style regional bodies, the specific FATF Recommendations related to AML/CFT measures by and AML/CFT oversight of non-financial sectors (including real estate practitioners) have the lowest level of implementation across all jurisdictions. Between 2013 and 2022, most countries are yet to implement effective AML/CFT risk-based supervision for the non-financial sector whereby less than 42 percent of 120 countries assessed received a passing rating for supervising the DNFBP sector.

In view of the high risks, beneficial ownership transparency can usefully complement the existing risk mitigation framework to target the abuse of legal entities to funnel illicit proceeds into real estate. There is, however, no one-size-fits-all approach to designing sectoral beneficial ownership transparency reforms for real estate: jurisdictions can exercise considerable flexibility in designing a beneficial ownership transparency measure based on the risk exposure and resources available. At a minimum, such a measure would involve the collection of beneficial ownership information of the buyer in real estate transfers, where such buyers are legal persons/arrangements. This information should be collected by the land or real estate authority at the time of transfer (or submitted to another specified authority, such as the FIU) and be accessible to other competent authorities. Jurisdictions may consider requiring the verification of the information collected by the concerned public authority or by intermediaries in land transfers (such as banks, real estate agents, lawyers, etc.); however, the sophistication of verification mechanisms will be affected by weaknesses in intermediaries'

⁶⁴ For instance, investigations by Nigeria's Economic and Financial Crimes Commission have led to the forfeiture of an estate spanning 150,500 sq. meters in Abuja, which property was allegedly purchased using funds derived from corruption and laundered through shell companies. <https://abujapolitico.com/former-nigerian-central-bank-governor-tied-to-massive-abuja-property-in-corruption-probe/>

⁶⁵ For instance, Canada, Australia, New Zealand, and Singapore are among jurisdictions that have imposed restrictions or higher costs on foreign property ownership.

capacities to undertake such verification or the public authority's resourcing constraints.⁶⁶ Where verification mechanisms are weak, public access to whole or part of the information collected (in line with the domestic privacy frameworks) can allow the “crowd-sourcing” of the verification component by “outsourcing” verification so that any member from the public may object to information or report discrepancies, as a way to improve the quality of information. The beneficial ownership information collected may also be compiled in a “point of time” database or register. For countries with existing land registries, this beneficial ownership information may be included in the land registry.

A few jurisdictions with vulnerable property markets have already established sectoral beneficial ownership measures to combat the high-risk exposure of the sector. Reforms for greater beneficial ownership transparency in real estate are primarily seen in “destination” jurisdictions for ML, i.e., jurisdictions which see large inflows of illicit proceeds for integration in their financial sector and economy. In 2020, the Canadian province of British Columbia introduced the first-ever publicly available Land Ownership Transparency Registry through the enactment of the Land Owner Transparency Act. The registry was established following a government report identifying beneficial ownership transparency as a key reform to combat ML in the real estate sector and related property price inflation.⁶⁷ In 2022, the United Kingdom established the Register of Overseas Entities,⁶⁸ as a public register of overseas entities seeking to buy, sell, or transfer property or land in the United Kingdom, to combat the integration of proceeds from organized crime in U.K. property markets. These reforms indicate an emerging trend of leveraging beneficial ownership transparency reforms to address the significant ML risks posed by the real estate sector, but effectiveness in reducing the ML/TF risks in the real estate sector remains to be seen as practice develops.

⁶⁶ At the simplest end of the spectrum, verification can just entail prima facie checks by the public authority collecting this information.

⁶⁷ <https://www2.gov.bc.ca/gov/content/housing-tenancy/real-estate-bc/land-owner-transparency-registry>

⁶⁸ The Register was established through the Economic Crime (Transparency and Enforcement) Act 2022.

Box 6. Fund Engagement on Beneficial Ownership Transparency in Real Estate – Case Illustration

Following the lessons learnt from procurement, the use of beneficial ownership transparency reforms for mitigating ML/TF risks has been highlighted in Fund policy advice for jurisdictions with high-risk real estate markets.

In Fund surveillance, policy advice on a sectoral approach to beneficial ownership transparency is featured in some jurisdictions which face high risks of inflow of illicit proceeds into the sector. For instance, as part of the 2022 Canada AIV,⁶⁹ staff welcomed the development of the real property beneficial ownership registry and advised that such measures be adopted in other vulnerable real estate markets. Furthermore, Montenegro's 2024 AIV⁷⁰ includes policy advice on collecting beneficial ownership information for real estate transfers to mitigate risks in the sector: Following the war in Ukraine, financial flows into Montenegro's real estate sector grew, and ML/TF risks-mitigation measures were needed in light of ineffective oversight by real estate agents. The 2023 Australia AIV⁷¹ also highlighted the exposure of real estate sector to the laundering of foreign proceeds of crime and noted the need for greater risk mitigation.

Staff has also recommended sectoral beneficial ownership reform in capacity development work. For instance, in the assessment of AML/CFT frameworks to combat corruption in the Benin governance diagnostic,⁷² staff included a recommendation on the collection and publication of beneficial ownership information in the land registry to mitigate the risks of laundering of corrupt proceeds in the real estate sector. This measure was proposed as part of the country's broad-based land reforms aimed at increasing land ownership transparency. A similar measure was also proposed in the Gambia (complementing other broad-based reforms on land ownership) to combat exposure to corrupt proceeds into the real estate sector.

AML/CFT conditionality related to beneficial ownership transparency has also been introduced in Fund-supported lending in programs with objectives of sustainable development and inclusive growth. In a recent instance, building on the advice in the Benin governance diagnostic, program conditionality is now included in Benin⁷³ to set up a legal framework for the collection and publication of beneficial ownership information in land transfers, which aims to help combat corruption and laundering of proceeds of crime in the high-risk real estate sector in support of program objectives on growth, governance and structural reform.

Beneficial ownership transparency measures for real estate do not always entail the establishment of a sectoral beneficial ownership registry for the sector. The establishment of a full-fledged sectoral register may require significant resource investments and is not required in all circumstances. As noted above, the United Kingdom and the province of British Columbia have opted for a registry approach to ensure beneficial ownership transparency in real estate. Both were built on pre-existing registry infrastructure (including company or commercial registries), with the Companies House (U.K. Registrar of Companies) and the Land Title and Survey Authority (statutory corporation responsible for British Columbia's land title and survey system) responsible for maintaining the real property beneficial ownership registries. Setting up a standalone sectoral register can be a complex endeavor, involving significant human, technical, and financial resources. Such registries may not be a practicable short-term solution for countries which have resource/capacity constraints.

⁶⁹ International Monetary Fund, *Canada: 2022 Article IV Consultation-Press Release; and Staff Report*, IMF Country Report No. 2022/361 (Washington, D.C.), 2022, <https://www.imf.org/en/Publications/CR/Issues/2022/12/08/Canada-2022-Article-IV-Consultation-Press-Release-and-Staff-Report-526761> (accessed September 16, 2024).

⁷⁰ International Monetary Fund, *Montenegro: 2024 Article IV Consultation-Press Release; and Staff Report*, IMF Country Report No. 24/101 (Washington, D.C.), 2024, <https://www.imf.org/en/Publications/CR/Issues/2024/05/06/Montenegro-2024-Article-IV-Consultation-Press-Release-Staff-Report-and-Statement-by-the-548629> (accessed September 16, 2024) (Page 14)

⁷¹ International Monetary Fund, *Australia: 2023 Article IV Consultation-Press Release and Staff Report*, IMF Country Report No. 24/11 (Washington, D.C.), 2024, <https://www.imf.org/en/Publications/CR/Issues/2024/01/18/Australia-2023-Article-IV-Consultation-Press-Release-Staff-Report-and-Statement-by-the-543738> (accessed September 16, 2024) (Page 39).

⁷² International Monetary Fund, *Benin: Technical Assistance Report-Governance Diagnostic*, IMF Country Report No. 2023/191 (Washington, D.C.), 2023, [Benin: Technical Assistance Report-Governance Diagnostic \(imf.org\)](https://www.imf.org/en/Publications/CR/Issues/2023/12/08/Benin-Technical-Assistance-Report-Governance-Diagnostic) (accessed September 16, 2024).

⁷³ International Monetary Fund, *Benin: Third Review under the Extended Fund Facility and the Extended Credit Facility Arrangements and Request for an Arrangement under the Resilience and Sustainability Facility-Press Release; Staff Report; and Statement by the Executive Director*, IMF Country Report No. 24/3 (Washington, D.C.), 2024, [9798400264009.pdf](https://www.imf.org/en/Publications/CR/Issues/2024/01/18/Benin-Third-Review-Under-the-Extended-Fund-Facility-and-the-Extended-Credit-Facility-Arrangements-and-Request-for-an-Arrangement-under-the-Resilience-and-Sustainability-Facility-Press-Release-Staff-Report-and-Statement-by-the-Executive-Director)

In such circumstances, a more simplified reform may nonetheless be considered (e.g., limited to collecting and storing beneficial ownership information when registering the transfer). Further, countries may leverage broader land reforms on the formalization and digitization of land transfers to introduce measures to collect beneficial ownership transparency measures.

IV. Way Forward in Designing and Implementing an Effective Sectoral Approach— Towards a Targeted Transparency

Fund staff engaged with countries as they implemented the beneficial ownership and procurement commitments, as needed. In some cases, the engagement led to the delivery of technical assistance.⁷⁴ Staff have also contributed to the design of sectoral measures in real estate in the context of Article IV (AIV) consultations and Fund-supported programs. This section discusses some of the key challenges in the implementation of the beneficial ownership measures, and some of the solutions identified and lessons learnt, as they could provide useful insight for the implementation of a sectoral approach to beneficial ownership in high-risk areas.

A. Design of the Reform

1. Risk-Based Tailoring

A sectoral approach to beneficial ownership should be built on a risk-based approach and customized according to a country's specific context and vulnerabilities. The authorities should conduct continuous assessments to identify sectors prone to abuse by illicit actors and establish tailored beneficial ownership requirements for those sectors while considering the broader national context. Different sectors have unique characteristics that necessitate customized measures, which may not directly replicate centralized efforts.

Table 1 below illustrates some of the differences that may exist between centralized efforts and sectoral approaches.

Table 1. Comparison between Sectoral and Centralized Approaches to Beneficial Ownership Transparency		
	Centralized Approach (Register or alternative mechanism) ⁷⁵	Sectoral Approach
Main Purpose	Combat ML/TF; compliance with FATF standards.	Prevent, detect, and combat sector-specific risks, e.g. prevent corruption, sanction enforcement, protect sensitive technologies, and protect banking stability. While the sectoral approach can support/complement broader AML/CFT efforts, compliance with FATF standards is not its main focus or priority.

⁷⁴ Around 18 countries benefited from Fund technical assistance.

⁷⁵ For illustration purposes, the AML/CFT FATF standards will be used to illustrate a centralized approach, but it is important to note that centralized efforts may also seek to comply with other international standards in this area.

Main Characteristics	In accordance with FATF standards, particularly Rs.24 and 25, and IO.5.	Adjusted to the sector's risks (while aligning with the FATF standards). For instance, a sector with a high risk of corruption may need to apply lower thresholds than those required by FATF, when a PEP is involved.
Format in which the information is held	The information is held by a public authority or body (e.g., a central register) or an alternative mechanism. ⁷⁶	The format is adjusted to processes, including data collection, relevant to the high-risk sector. While centralized efforts increasingly maintain beneficial ownership information in dedicated registers, replicating such an approach may not be feasible or advisable at the sectoral level due to, for example, limited capacity or resources. Alternatively, beneficial ownership information could be reported to the relevant authorities based on trigger events (i.e., purchase of a property, competing in public procurement) while being maintained in a static format or as an additional piece of information within a sectoral database (e.g., database of procurement contracts).
Access target audience	AML/CFT competent authorities and authorities in the course of public procurement. In some cases, it may be extended to obliged entities under the AML/CFT framework and, less commonly, to the general public.	Sectoral stakeholders, with access to key AML/CFT authorities. Sectoral stakeholders could include private sector actors, civil society and even the general public.
Type of Information requested	Basic information and beneficial ownership information that is adequate, accurate, and up to date, as requested by the FATF standards and definitions.	Beneficial ownership information tailored to the sectoral risk. This may include, under certain conditions, lower thresholds, expanding scope to cover those who finance acquisition, requiring nationality or place of birth, etc.,

⁷⁶ It is not yet clear what could be an alternative mechanism under the revised FATF standards. For more on this, please see Berkhout and Fernando, *Unmasking Control*, p. 44.

Adequacy of information	Adequate information is information that is sufficient to identify the natural person(s) who are the beneficial owner(s), and the means and mechanisms through ownership, control or other means.	Identity of the beneficial owner(s). Other information may be necessary, depending on the sector.
Accuracy of beneficial ownership information	Information should be verified. Verification is a combination of checks and other processes that a country should adopt at the various stages to ensure that the beneficial ownership data is accurate (e.g. cross-checks, discrepancy reporting).	Verification may take different forms depending on the circumstances, such as public access to crowd-source verification, a requirement to hire a local professional to verify (e.g. Slovakia's "authorized persons" framework).
Updates to the beneficial ownership information	Countries should have mechanisms to ensure that basic and beneficial ownership information is as current as possible and is updated within a reasonable period.	Updates are triggered by specific sectoral events, such as the submission of a bid or the purchase of real estate.
Public Access to the Beneficial Ownership information	Not required by international standards, subject to the country's legal framework.	Depending on the sector's risks and characteristics, public access is encouraged.

2. Adjusting the legal and regulatory framework and properly defining beneficial ownership

Introducing beneficial ownership information requirements in high-risk sectors often demands legal reforms, primarily through sector-specific regulations. Many countries revised their procurement frameworks to mandate the collection and publication of beneficial ownership information for COVID-related contracts. Ideally, amendments to primary laws provide a robust legislative foundation, but when rapid implementation is necessary, secondary legislation (e.g., regulations or circulars) can be an effective alternative. Countries can leverage the rule-making authority of relevant agencies to adapt requirements efficiently.

The beneficial ownership definition for the high-risk sector should be aligned with the FATF definition and the country's AML/CFT framework.⁷⁷ Sectoral legislation may not explicitly define beneficial ownership, but ensuring consistency across frameworks is essential to prevent fragmented implementation. Sectoral authorities should prioritize using the AML/CFT definition to beneficial ownership, when available. If the definition in the AML/CFT framework does not fully comply with the FATF standard, aligning sectoral measures as closely as possible to those standards is recommended. For example, some procurement agencies in countries where the beneficial ownership definition was in line with the FATF, decided to design a specific form to be filled by bidding companies when implementing COVID-19 commitments on beneficial ownership. These

⁷⁷ We advise the FATF definition as it is the most comprehensive among the international standards, and the only one that is assessed with consequences for the country in case of insufficient compliance.

forms included fields such as name, nationality, date of birth, ensuring that the definition of beneficial ownership was clear and that the required information was properly collected.⁷⁸ The use of these standardized forms clarified expectations and facilitated compliance by bidders.

3. Stakeholder Awareness and Training

Sectoral authorities may not be familiar with the beneficial ownership concept, which could impact the understanding and implementation of any sectoral measures and require robust initial outreach.

Several key sectoral stakeholders will have limited awareness of AML/CFT obligations and beneficial ownership. For instance, the limited intersection between the AML/CFT and procurement frameworks, led to some initial confusion between legal ownership and beneficial ownership, the scope of the measure for procurement purposes and its implementation. A common misunderstanding from procurement agencies was that the measure implied the requirement to implement AML/CFT legislation or proactively support AML/CFT efforts in addition to managing procurement. In some cases, procurement agencies would initially hesitate to collect beneficial ownership information given that they are not an AML/CFT competent authority. Fund staff, however, clarified that this was not a necessary precondition.

Dissemination is also key to ensuring consistent implementation across the sector. Land registries are generally not AML/CFT stakeholders and may have limited awareness of AML/CFT related regimes. However, the involvement of regulated intermediaries in facilitating real estate transactions can help in the collection of beneficial ownership information consistently across transactions. Several DNFBPs such as lawyers, notaries, and real estate agents may be involved in the finalization of a land transfer, who are more familiar with the concept of beneficial ownership. Nonetheless, national authorities should expect that any new regulation in this area will require an initial period of detailed guidance and outreach.

B. Ensuring Effective Implementation

4. Proportional Disclosure Requirements

Effective implementation requires tailoring the requirements based on the understanding of the purpose and use that will be given to the beneficial ownership information in the sector to mitigate sectoral risks. Depending on the risks that are aimed to be mitigated, it is important to discuss if the beneficial ownership information will be requested for all legal entities involved in transactions or processes in that sector (for instance, all companies that participate in public procurement), or if there will be criteria determining the requirements. Would the information be required for all transactions and all processes (e.g. all real estate purchases) or a sub-set of them that fall within specific conditions that make them higher risk? Tailoring should consider striking a balance between mitigating sectoral risks and not overburdening the actors in the sector with information that will not be used for that purpose. For instance, in some countries, the beneficial ownership measure in procurement was limited in scope to apply only to certain types of procurement contracts (e.g.,

⁷⁸ While each country would adapt these requirements to their legal framework, the template form commonly required the full name of the natural person(s) that are beneficial owners, date of birth, ID number (or tax ID number), nationality, and an address to locate this person, as well as the nature of their ownership or control.

certain goods and services pandemic-related, or based on amounts). Other countries exempted entities from the requirement for a specific threshold (e.g., contracts in the amount of \$50,000 and below). These exemptions are aimed at focusing on higher-risk transactions and limiting the burden on entities participating in transactions that were deemed lower risk. However, there is a risk that thresholds become loopholes to be exploited. For instance, a country may divide projects into smaller ones for all of them to be below the applicable threshold.

Requirements should also avoid unintended loopholes. For instance, when establishing thresholds for the implementation of the beneficial ownership measure, the exemptions allowed procurement agencies, officials in charge, and bidding companies to go below the threshold and “smurf” their submissions by splitting large contracts into small ones and avoid the regulatory obligation to submit the beneficial ownership information, which is rather convenient when the bidder and the government official in charge of the contract, are the same person. Once the measure has been in place for a while, procurement agencies can enhance their capacity to analyze and group bidding submissions based on the beneficial ownership of the bidding companies to help detect potential structuring and other red flags, such as cases where a company is disqualified and seeks to bid again under a new name with the same beneficial owners, or collusion schemes where several companies (with the same beneficial owner) seek to influence a tender. Therefore, loopholes should be avoided in the design of beneficial ownership requirements, and authorities should have strategies to overcome them.

Tailoring beneficial ownership measures should also consider the sector’s capacity. In the case of procurement measures during the pandemic, reliance on self-declaration of beneficial owners by the entities participating in procurement simplified implementation. This requirement did not entail additional burdens or delays to the procurement process, since the information submitted by entities was purportedly aligned with the information that—under the AML/CFT framework—companies submit to banks and other reporting entities⁷⁹ or is collected at creation to corporate registries or beneficial ownership registries. That said, there was no requirement or verification that indeed the information was the same.

5. Verification Mechanisms

Verification is key to ensure the accuracy of the beneficial ownership information; however, beneficial ownership assessments have found that countries face challenges in verifying information. Verification of the beneficial ownership information submitted at the sectoral level has mostly relied on crowdsourcing (making information publicly available, to outsource verification to CSOs, journalists and other bidding companies). At the sectoral level, relevant authorities may lack the capacity and resources to check the accuracy of the information received, in which cases publication of the beneficial ownership offered the possibility of crowdsourcing verification. The availability of information to the public and the possibility of whistleblowing and/or submitting reports when identifying irregularities allowed for ex post facto verification of those cases by the competent authorities.

⁷⁹ Reporting entities are financial institutions (e.g., banks, bureau de change) and designated non-financial businesses and professions (e.g., lawyers, accountants, trust and service company providers, real estate agents, precious metals and stones dealers)

Self-declarations shift the burden and ultimate responsibility for providing accurate and up-to-date beneficial ownership information to the entities but should not be considered sufficient by themselves.

For instance, procurement legislation generally includes an obligation to submit truthful information throughout the procurement process, which would include the beneficial ownership information. If the procurement legal framework did not contain such provisions, these could also be established in the form for submission of the beneficial ownership information, including a section to ascertain the truthfulness of the information submitted which must be acknowledged by the entity. Failure to comply with such requirement should result in automatic disqualification from the procurement process, in addition to any other applicable sanctions under the legal framework. However, self-declarations should not be considered a guarantee of truthfulness. Early experience with self-reported beneficial ownership information in central beneficial ownership registries also indicates the need for verification to avoid rampant false reporting.⁸⁰

Self-declarations should not preclude a compliance check by the relevant authorities. While sectoral agencies may find it just as challenging as central beneficial ownership registries to check that the information on the beneficial owners submitted by the companies is truthful, this should not preclude efforts to undertake a *prima facie* review of the submitted documents to ensure correct compliance with the general requirement. This basic compliance check should at the very least include ensuring that the information was filled and detect evident submission errors or red flags (e.g., the identified beneficial owner is another company, blatantly fictitious names like Mickey Mouse, or beneficial owners that are more than 100 years old). Where feasible, the sectoral agency should require the submission of copies or presentation of original source documentation to carry out their *prima facie* checks. In this regard, automation and digital tools can ensure standardized submission, flag errors, and provide basic checks.

A *prima facie* check by the sectoral agency can provide an effective start to verification efforts.

Depending on the country's context, procurement agencies may not be resourced or otherwise able to conduct full verification of beneficial owners submitted by the companies (in cases where there is no centralized register or where access is not granted or cumbersome to obtain for the sectoral agency). A *prima facie* review of the documents submitted by the sectoral agency, like a compliance check with the given submission, can therefore provide an effective tool in practice.

Monitoring filings to understand reasons for non-compliance (e.g. lack of understanding by users).

Early monitoring of submission at the beginning of the measure is necessary to understand the most common factual errors (missing fields, lack of clarity on how to properly fill the form, etc.). This way, this *prima facie* review by the relevant sectoral agencies can help detect any misunderstandings or other good-faith issues that may arise in the implementation of the measure and contribute to enhancing compliance. For instance, it is important to understand if companies are submitting the correct information. The ultimate objective of following up on the measure is to understand which challenges may be arising. For instance, is it the lack of enforcement by sectoral actors, the lack of proper dissemination of the requirements, or the lack of understanding of the beneficial owner concept?

⁸⁰ Max Kendix, "Fight against bogus firms needs more punch, say critics," (London: The Times), 2023, [Fight against bogus firms needs more punch, say critics \(thetimes.com\)](https://www.thetimes.com/finance/news/uk/fight-against-bogus-firms-needs-more-punch-say-critics) (accessed September 16, 2024).

Supporting verification of information through discrepancy reporting. In countries where beneficial ownership registries are already in place and accessible to sectoral authorities, sectoral beneficial ownership information could provide valuable information to cross-check the accuracy and completeness of the register and complement the verification of information through discrepancy reporting. Based on a country's assessment of its high-risk sectors, specific discrepancy reporting channels or mechanisms could be established for sectoral agencies, but they should also focus on minimizing resource implications for these agencies.

For real estate, the involvement of regulated intermediaries in land transactions can allow a greater degree of verification of beneficial ownership information collected. For instance, in the U.K.'s Register of Overseas Entities, verification hinges on "conveyancers" or intermediaries in a real estate transfer.⁸¹ The specified relevant persons under the regulation are required to verify the relevant information provided to them by overseas entities on the entity itself, its registrable beneficial owners and/or managing officers. While some of these professionals are covered under the U.K.'s AML/CFT framework as reporting entities, the verification obligation under the Economic Crime (Transparency and Enforcement) Act 2022 differs from the customer due diligence obligations and is not subject to risk-based supervision. In lower capacity jurisdictions, the presence of a regulated intermediary in the transaction can allow stronger verification requirements without a corresponding increase in resource burdens for the registrar or other concerned public authority. For instance, in several civil law jurisdictions, where notaries preside over real estate transactions, notaries can be required to collect and verify beneficial ownership information at the time of recording the land transfer and then transmitting this verified information to the property registry. However, tasking intermediaries with the verification of beneficial ownership information will require that the involved intermediaries have the requisite expertise, capacity, and integrity to undertake such verification.

6. Balancing Transparency and Privacy

Public access to sectoral beneficial ownership information can support the effectiveness of sectoral efforts. A central aspect of the measure during COVID 19 was the publication of the beneficial ownership information collected from companies participating in procurement, as it facilitated monitoring of the contracts and the spending. The procurement agency would collect the beneficial ownership information and, at least for the awarded entity, publish the beneficial ownership information, together with procurement documentation, on an easily accessible governmental website. The publication of names of directors, shareholders, and partners (or basic company information) or only the procurement contract information would not have been sufficient, as it is easy for corrupt actors to obscure who controls the company by using straw men as management or partners, shell, front, or shelf companies, or layered legal structures (other companies serve as shareholders for the company) participating in procurement.

In determining accessibility to beneficial ownership information, balancing transparency with legitimate privacy concerns is key. Allowing public access to beneficial ownership information for real estate

⁸¹ Professionals who are eligible to verify beneficial ownership information under the legal framework comprise credit and financial institutions, auditors, insolvency practitioners, external accountants and tax advisers, independent legal professionals, trust or company service providers, and estate agents and letting agents.

can allow for the “crowd sourcing” of verification, allowing interested members of the public to flag obvious discrepancies in ownership information. Publicizing information about the ownership of real estate could compromise the privacy of individuals who legitimately own properties. Law-abiding individuals may not want their personal information, such as their name or address, to be publicly available as this can pose security risks to individuals or entities listed in the database. Criminals could use the information to target wealthy individuals or corporations for extortion or other forms of criminal activity. These legitimate concerns must be addressed by governments before providing public access to beneficial ownership information of real estate holdings in their jurisdiction. However, publishing beneficial ownership data may be less controversial when that data is already publicly available in another registry, e.g. the commercial registry, or is self-disclosed on a beneficial owner’s social media.

Public access to sectoral beneficial ownership information should be guided by the potential contribution to mitigating sectoral risks. To prioritize transparency and open data, while managing privacy concerns, due consideration should be given to providing enough information to identify beneficial owners without offering unnecessary details and establishing ways to request case-by-case exemptions from publication, such as when there is evidence of a serious risk of violence or intimidation. There is no universal formula for achieving a perfect balance between transparency and privacy, but there are international standards and broadly applicable good practices to guide the process and manage trade-offs. Publication of the beneficial ownership information may be limited to only a subset of the submitted information on the beneficial owner, omitting data fields that are sensitive or unnecessary for the general public, while still allowing for reasonable identification and meaningful oversight by the public. For instance, the EU’s AMLD 5 as well as EU countries that maintain public access, restrict access to only the month and year of birth rather than the full date of birth. In some countries, particularly when the legal framework was unclear on the publication of this type of information, the form for submission of the beneficial ownership information to procurement agencies included a specific section in which the beneficial owner granted permission for the publication of the information. Alternative options also include the implementation of a protection regime that allows for exemptions in cases where publication would entail disproportionate risks to the person. The EU AMLD also allowed beneficial owners to request to have their information withheld from public access if they could prove a concrete risk.

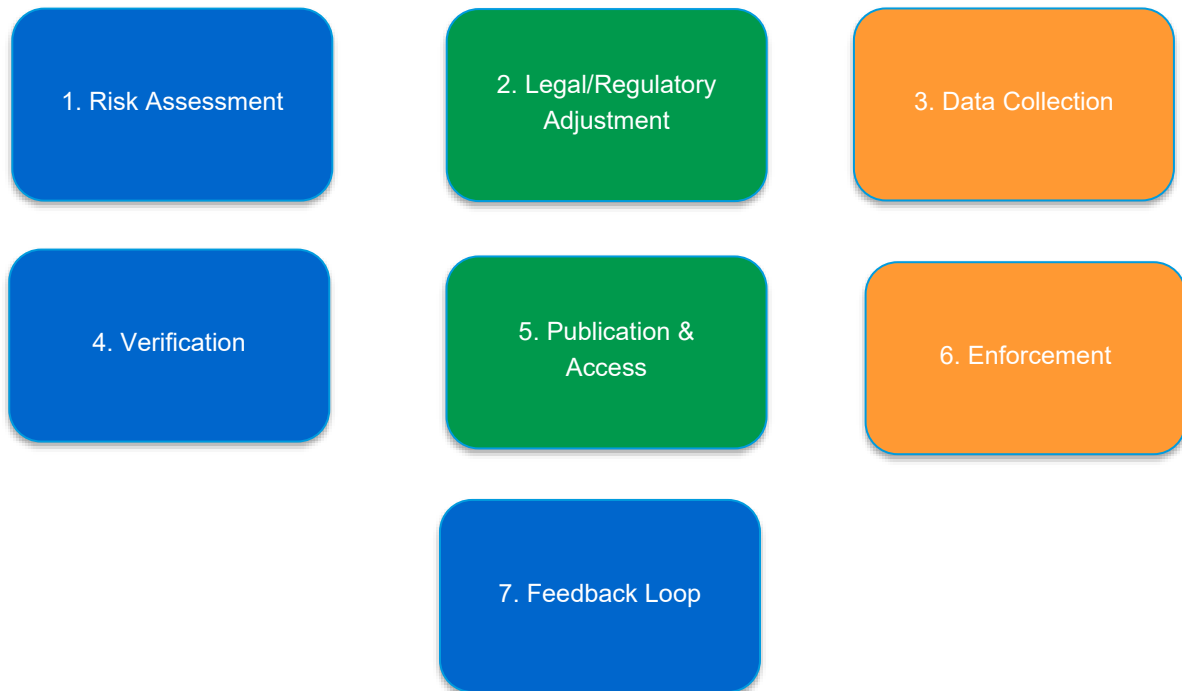
Tiered access mechanisms can help balance the competing considerations. In the case of real estate, at the minimum, the beneficial ownership information collected by the land registry could be accessible to all real estate actors and relevant competent authorities, such as law enforcement (e.g., as a way to complement compliance with FATF requirements), while a sanitized sub-set of the information is provided to the public. A sub-sectoral publication policy which excludes residential properties as opposed to commercial/industrial/agricultural/cultural is also an alternative to maintain privacy. In general, improving transparency while transacting could be further supported by publication, whereas all professional intermediaries and real estate actors could cross-reference the information when entering transactions. In addition, real estate actors are not competent authorities, so they are not necessarily able to access information in centralized beneficial ownership registries to check the identity of customers.

The publication of beneficial ownership information considered stakeholders' potential use. In the implementation of the beneficial ownership and procurement commitments in Fund emergency financing, procurement agencies heavily relied on self-declarations by the companies involved in the procurement process. Therefore, the publication of the information generally included a disclaimer on the website clarifying that the published beneficial ownership information was provided by bidding company's self-declarations and was not subject to verification by the procuring agency. The website would also generally include the contact details of relevant agencies (e.g., FIU, anticorruption agency, and/or asset disclosure/conflict of interest agencies or supreme audit institutions) in charge of receiving whistleblowers' reports or broader information from the public about potential suspicious activities (e.g., conflict of interest, corruption) related to the entities involved in the procurement of COVID-related spending, as well as the company's public information.

Timeliness and regularity in the publication of the beneficial ownership information. Once the criterion for publication of beneficial ownership information at the sectoral level has been determined, it is important to ensure that the information is published in a timely manner. For instance, the beneficial ownership information in procurement should ideally be published on a government website before awarding the contract or within a short period after the granting of a contract, depending on what the procurement legislation allows. In all cases, the beneficial ownership information should be published on a regular basis, without holding the information for a long lapse of time. It is also important to ensure the publication includes the date of submission of the information and links it to the specific executed contract(s) or processes. When capacity and resources pose legitimate challenges to publication of the beneficial ownership information, striking a balance between feasibility and achieving the procurement transparency objectives will be key.

7. Monitoring, Enforcement, and Compliance

Effective, dissuasive, and proportional sanctions ensure that the requirements for submitting beneficial ownership information are robust. Procurement frameworks generally have built-in sanctions in case of non-submission of information or submission of false information that can be similarly applied to beneficial ownership requirements. For real estate, fraud or perjury crimes may apply if the information is collected via an official report or form. A wide scope of sanctions should be considered in proportion to the gravity of the offense (including fines, administrative and criminal penalties, debarment, confiscation, cancellation of procurement contract). Debarment and cancellation should include not just the company implicated but also the beneficial owner (e.g., prevent attempts by beneficial owners to circumvent debarment by establishing a new company). Any relevant existing sanctions in the procurement framework or in the criminal code of the country can be cross-referenced by the regulations. Consideration should also be given to developing internal controls to prevent the procurement officials from inappropriately sanctioning competent companies to create rent-seeking opportunities. Overall, the imposition of sanctions should be motivated and communicated in a swift and transparent manner. The procurement agency could therefore consider publishing the names of the companies and beneficial owners that were banned from contracting with the government due to lack or false beneficial ownership information.

Table 2. Lifecycle of a Sectoral Beneficial Ownership Transparency Approach

Conclusion

The experiences of countries during the COVID-19 pandemic and the Fund’s subsequent engagement have demonstrated that sectoral approaches to beneficial ownership transparency are not only feasible but also impactful. By tailoring transparency mechanisms to the specific vulnerabilities of high-risk sectors such as procurement and real estate, governments can effectively close critical gaps that centralized AML/CFT registries may not address. These sectoral efforts can support broader financial integrity, enhance institutional accountability, and reduce the risks of corruption, conflict of interest, and illicit financial flows. Moreover, they offer a pragmatic entry point for jurisdictions with limited capacity to begin addressing sectoral risks while building toward more comprehensive national frameworks.

Looking ahead, sectoral approaches should be viewed as a strategic complement—not a substitute—to centralized registries. Their success depends on clear legal frameworks, proportional disclosure obligations, meaningful access for relevant stakeholders, and adequate enforcement mechanisms. Ensuring synergy between sectoral and centralized efforts will maximize their combined impact on transparency and governance. As countries continue to refine their approaches, targeted sectoral initiatives can serve as agile, risk-based tools to address immediate vulnerabilities and build long-term resilience in the face of evolving financial crime threats. While this paper argues that further global efforts should focus on procurement and real estate, the targeted transparency could be applied by governments to other sectors at risk of criminal misuse such as extractive industries, ownership of banks and related party lending, and precious metals and stones. The same approach could also be considered for insolvency and other non-criminal-related areas (e.g., banks’ lending and debt transparency).

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