

We owe it to Ukraine and ourselves to bring the real owners of companies into the open

*London's status as a favoured destination for oligarchs is no longer sustainable. The tragedy in Ukraine is forcing Britain to look again at the fundamentals of how it does business, both to limit the damage from the crisis and to ensure we are never in this situation again. **Louise Russell-Prywata** and **Thom Townsend** write that secrecy over company ownership – and the corruption and money laundering it enables – can do real damage. They suggest steps to remedy the situation.*

The terrible human tragedy in Ukraine is forcing Britain to look again at the fundamentals of how it does business, both to limit the damage from the crisis and to ensure we are never in this situation again. Attention has returned to the true extent of the damage that secrecy over company ownership – and the corruption and money laundering it enables – can do.

UK voters and politicians of all stripes now agree it is bad for our national and global interests that our financial system can be used to move suspect money in secret. The focus on so-called “Londongrad’s” status as a favoured destination for oligarchs has triggered a scramble to freeze assets in the short term and overhaul the system in the long term.

Similar conversations are taking place around the world. From the US to the EU, efforts to impose sanctions on key individuals and freeze assets have shone a telling light on the difficulty in unpicking the complexities of how things are really owned. Opaque by design, these networks of companies work – ironically – like Russian dolls, with layer upon layer hiding the real owners within.

In the UK and around the world, the conversation now turns to *how* we fix things for good. A new register detailing the names of the true owners of UK property that is owned through overseas companies has been announced as part of the fast-tracked [Economic Crime Bill](#). This will ensure foreign companies are subject to the same rules as UK registered companies buying property, and close an important loophole that can hide the proceeds of crime. It is an important first step but no silver bullet.

We must get the details right or the system will remain easy to game. At [Open Ownership](#), we specialise in helping governments and companies implement “beneficial ownership” reforms to create these kinds of registers. Measured against the best practice standards set out in the [Open Ownership Principles](#) it is clear that the UK’s proposals have important blind spots. Nor is the UK alone in this. Governments in over 110 countries, from Armenia to Zambia and Indonesia to Mexico, are bringing in reforms to make company ownership transparent, and grappling with how to do so effectively.

This means our recommendations for addressing the gaps in UK legislation are relevant elsewhere. It is part of our job to share lessons, highlight what is working and raise standards collectively so that these measures work across the board. Thus, the UK’s recent experience highlights three key points that other governments also need to remember in legislating to make ownership transparent are:

1. The threshold for revealing you are the real owner of a company must be low enough. The new UK Bill only requires information on the beneficial owners of *companies* that own UK property. This is not always the same as the people who actually own the property. The most common way to own a company is by holding shares in it, and you only have to declare you own a company if you own more than 25% of the shares. So, simply find 4 family members willing to own 20% each and nobody identifies themselves.

This loophole can be fixed by lowering the threshold for revealing someone is a beneficial owner. A number of countries have applied lower thresholds in recent legislation, including Argentina (1 share or above), Senegal (2%), Nigeria (5%), Ghana (5%), Liberia (5-10% depending on sector) Paraguay (10%), Kenya (10%), and the Cayman Islands (10%). For more see [here](#). G7 countries in particular have been slow to act on this point so far.

2. The authorities are required and resourced to verify what companies tell them about their real owners.

Whilst the UK legislation commits to verification, there are no processes for delivering this in the existing rules – the details are still to be worked out in secondary legislation. Again, this is a shortcoming in many other countries. Governments are reluctant to ask businesses to prove what they say is true because of the burden this may place on them or the impact it might have on competitiveness. But laws are clearly ineffective in stopping those trying to hide their activities without this proof.

Increasingly, countries are realising this. From basic checks like requiring everyone disclosing to identify themselves using a passport or identity card, through to developing innovative solutions to verify whether the information is actually true. For more on this see [here](#).

3. There are consequences for breaking these laws. As it stands, the penalty for breaking the law is almost never enforced. Indeed, the [first case](#) of action being taken for falsely submitting information to the UK register is that of a campaigner who openly did so in order to raise awareness of the lack of verification checks. We cannot expect anything to change unless people feel there are consequences for not following the rules. For these measures to work, meaningful sanctions need to be enforced by well-resourced and supported authorities. For more on this see [here](#).

It is worth underlining the opportunity here. The past few years have seen the tide turn towards transparency around the world. Just this month, the Financial Action Task Force – which sets the global standards on measures to prevent money laundering and terror financing – [strengthened its guidance](#) in this area. This progress has been driven by an increasingly firm consensus that doing business in the open creates a level playing field for fair, competitive business, and protects national interests from opaque foreign interference.

The months ahead are important internationally. The G20 Summit, hosted this year by Indonesia, will be a key opportunity to show renewed leadership on the issue. Progress on beneficial ownership among G20 countries is patchy, with many now lagging behind the non-G20 leaders on the issue. The G20 Anti-corruption Working Group should work to create a concrete G20 commitment to implementing central, public beneficial ownership registers with verified data.

The past few weeks have shown very starkly that beneficial ownership reforms make sense for economic and security interests, nationally and globally. It is wrong to talk about the consequences of such a moment in history as an opportunity – but what is happening in Ukraine right now underlines that we have a responsibility to fix systemic problems with our financial system. And that means getting the details right. It isn't easy, but it is necessary and it will be worth it.



Notes:

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