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**How some EU
nations appear to
be trying to weaken
transparency in AML4**



BUREAU VAN DIJK



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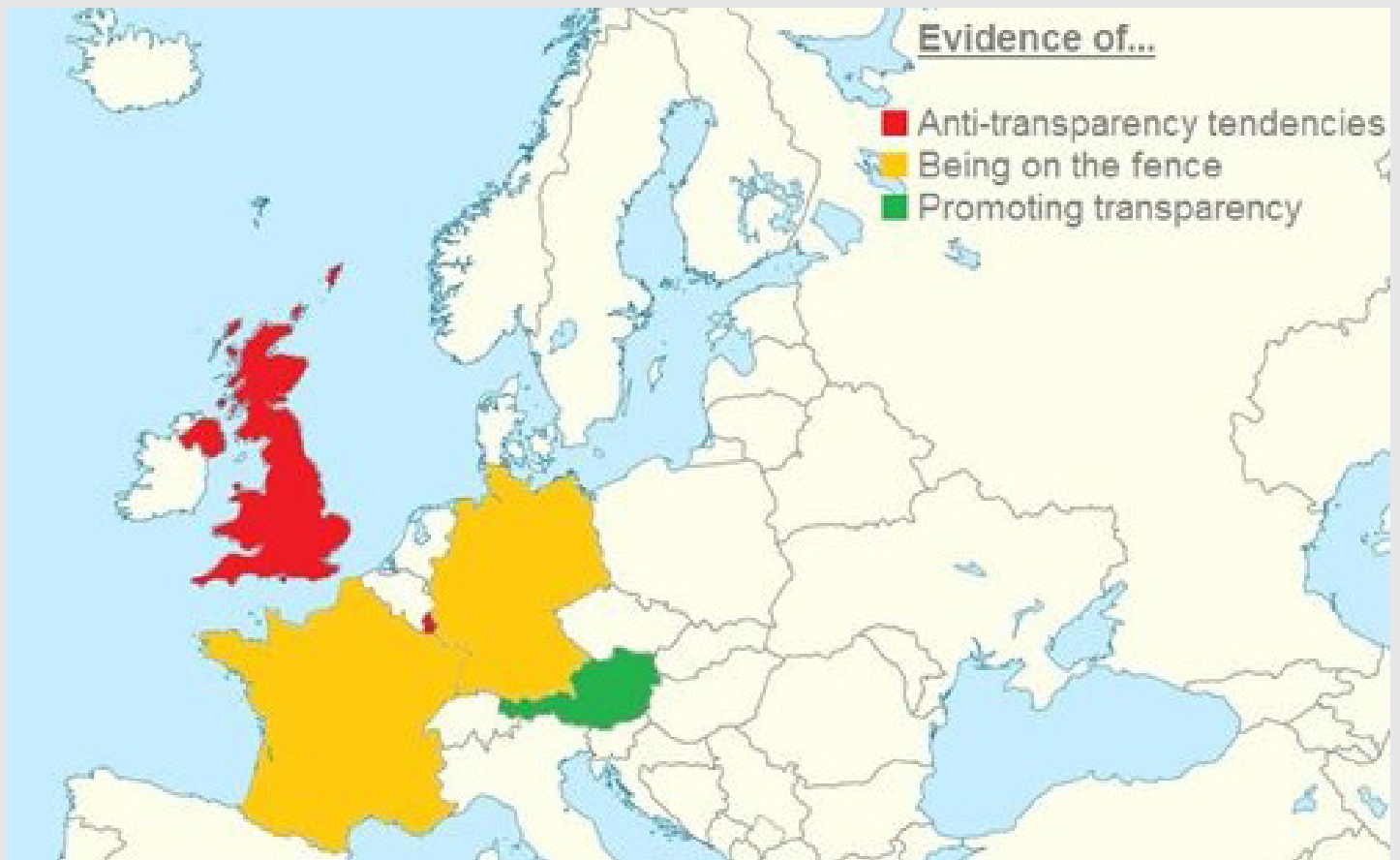
In an effort to increase transparency around beneficial ownership, partly in response to the outrage generated by the explosive revelations in the **Panama Papers, AML4** (more formally known as Directive

(EU) 2015/849 or the 4th anti-money laundering directive) included a provision requiring EU member states to establish national registries of beneficial owners. These national registries originally represented a strong attempt to combat the large-scale and widespread money laundering, tax evasion and terrorism financing activities being perpetrated by high-profile and high-net-worth individuals – many from countries within the EU – which was revealed spectacularly in the Panama Papers.

By requiring companies to disclose details about the true identities of their beneficial owners and **persons of significant control** (PSCs), the central beneficial ownership registries mandated by AML4 are meant to make it harder for individuals with sinister or illegal intentions to hide their identities and mask questionable behaviour behind impenetrable walls of privacy.

However, while the versions of the national beneficial ownership registries initially required by AML4, even up until the July 2016 draft, were quite robustly transparent, recently this provision has begun to face threats to its level of transparency. As the original fury and uproar spawned by the Panama Papers recedes further into the background, certain EU nations, particularly those who are seen to benefit from secrecy in their banking and corporate industries, appear to have started to push back against the more transparency-orientated elements associated with AML4's national beneficial ownership registries.

Some EU nations attempt to scale back transparency in the name of privacy concerns



As the AML4 implementation date of 26th June draws nearer, several EU member states have been mounting efforts to weaken or roll back some of the more transparent aspects of the legislation. According to **Bloomberg BNA**, countries “such as Malta, Cyprus and Luxembourg” – whose banking industries and tax-friendly corporate environments rely heavily on being able to offer their clients a certain level of privacy – helped along by the banking-friendly UK, have been leading this anti-transparency charge, protesting that the proposed greater level of transparency could endanger crucial rights to privacy.

On the other side, some EU countries, such as **Austria**, have been actively trying to keep the transparency initiatives in the beneficial ownership registries from being watered down or rolled back. Meanwhile, some highly influential member states, such as Germany and France, appear content to sit back and allow the situation to unfold without actively choosing a side.

In the leadup to a final vote on the ultimate language of AML4, before its official implementation this June, the forces championing privacy over transparency have seemingly already managed to make some headway. For example, at a meeting held in Brussels on 20th December last year, **amendments** were added to the July 2016 version of the regulations, which lessened the level of access that countries are required to provide to the information in their national beneficial owner registries. As a result of these deletions and additions to the law, AML4 has gone from recommending that there be public access to this ownership information to currently only suggesting that access be given to those who can prove a “legitimate interest” in this data.

Since demonstrating legitimate interest could – depending on the way in which each national legislature decides to interpret and codify this regulation – prove quite difficult, even potentially necessitating time-consuming and costly legal challenges in some instances, this development represents a significant setback for champions of greater transparency.

In addition, these policy shifts in AML4 could make matters quite tricky for **compliance** professionals. Because, even though your company might be based in a jurisdiction with a high level of transparency, if you do business with companies in EU countries who have imposed obstacles to greater access, you’ll still be responsible for finding out as much as you can about any potential partners, clients or supply chain members, in order to remain compliant.

Using Orbis to supplement the information in the national registries

Whilst changes to the wording of the AML4 legislation are still possible before the law goes into full effect in just under three months’ time, as things currently stand, it seems unlikely that access to the information in the national beneficial ownership registries will be increased – especially with these powerful anti-transparency forces in play. But, there’s good news for compliance professionals who may have been counting on the improved transparency and greater access to beneficial ownership details that had initially been promised by AML4. You can still have access to the **ownership information** that you need in order to make your business decisions with the highest level of certainty possible by using Orbis, our database which covers more than 200 million companies around the world.

By harnessing Orbis’s rich, structured, accurate and easily accessible ownership data you’ll be able to fill in many of the gaps in the national registries information that might emerge as a result of the weakening of certain transparency requirements in AML4.

White papers

We've published several white papers that explore the issues surrounding ownership and transparency, and that discuss what compliance professionals can do to stay abreast of this complex and evolving topic. You might be interested in reading these two:

In ***Getting to grips with the challenge of beneficial ownership*** we:

- Explain how beneficial ownership is crucial to compliance for a range of regulations
- Describe the challenge of establishing beneficial ownership
- Discuss best practices for entity data management

[Download the white paper](#)



In ***Really getting to know your third parties*** we:

- Look at business reputation protection in an increasingly complex world of third-party corporate compliance
- Discuss plugging your third-party knowledge gaps
- Outline how corporate ownership data can be gathered

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