Is disclosure of beneficial ownership beneficial?

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What do firms disclose and why?
(Berglof and Pajuste, 2005)

• Wide-spread non-disclosure of even the most basic elements of corporate governance; huge variance with strong country effect
• Voluntary public disclosure more prevalent in countries with better functioning legal systems
• Information better in larger firms, firms with lower leverage, firms with higher market-to-book ratios and more concentrated ownership
• Emerging market capitalism with large entrepreneur shareholders controlling companies – how to balance the incentives of controlling shareholders against the protection of minority shareholders
The dark side of opacity (beneficial owners)

- Unclear ownership and governance structures reduce accountability (sustained by owners)
- Related lending/party transaction (e.g., causing financial vulnerability in banking sector)
- Corruption and money laundering
- Political campaign financing – intimately linked to opacity
UK public beneficial ownership register

- Anyone transacting in financial markets, incl. real estate
  - 2 steps: UK-listed + internationally listed companies
- Many jurisdictions followed (altogether 40+)
  - Crown dependencies
  - Ukraine
  - Not the US
- Data quality still poor, but enforcement beginning to bite
- Enormous potential – trace owners around the world
Results from "Data Dive Weekend"

- Six months of data; 1.3mn companies (89% reported)
- Almost 3,000 companies listed beneficial owner as a company with tax haven address - not allowed.
- 76 beneficial owners share the same name and birthday as someone on the U.S. sanctions list.
- Most beneficial owners from the UK, followed by those from Europe, India and China
Ukraine – a test case

- EBRD – knew beneficial owners, but wouldn’t disclose (”not punish the good guys”)
- IMF forced Ukraine to adopt law on disclosure of beneficial ownership – no longer any excuse for EBRD (and others) not to disclose
- Already implemented with some success in banking system to deal with related lending
- Could be used to ”undress” the entire oligarchic structures and trace ill-gotten wealth
Panama Papers: Ukrainian oligarchs “undressed”