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Financial Action Taskforce (FATF)  
2 rue Andre Pascal  
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London, 1 August 2022

**Re: FATF White Paper for public consultation - Revisions to Recommendation 25 (Beneficial Ownership of Legal Arrangements)**

We welcome the opportunity to comment on the consultation on potential changes to Recommendation 25. The banking and finance industry strongly supports reform of beneficial ownership (BO) standards as an important factor in a safer and more transparent financial system. Our recommendations relating to public-private partnerships and information sharing with FIs can be read as including other relevant AML/CFT regulated sectors, including DNFBPs.

First and foremost, reform of the FATF's BO standard is urgently required to address international fragmentation and typically inadequate national regimes, as these are key vulnerabilities in the international AML/CFT regime and wider efforts to counter economic crime. Abuse of BO regimes is a significant enabler of both high-volume and high-value money laundering, and various typologies have been identified by multilateral standard-setters, analyses of international Laundromat cases and UK national assessments of the threat from organised and serious crime. These include abuse of legal persons to undermine BO standards for legal persons, such as using overseas legal persons as to conceal BO of UK companies and land ownership. Inconsistent national definitions, thresholds, data coverage and systems for BO of legal persons have also provided extensive opportunities for regulatory arbitrage by

criminals and reduced the effectiveness of other FATF Standards. Clearer definition of key requirements and a programme to support consistent national implementation would not eliminate all abuses but would reduce the complexity and blind spots of the current international system.

Secondly, reform must also provide clear minimum standards for the public sector to ensure that BO data for legal persons is adequate, accurate and up-to-date. FIs expend considerable resources to understand and analyse available BO information, as do data providers, civil society and law enforcement, but these collective efforts cannot compensate for a lack of public sector checks and enforcement. Where legal arrangements themselves are obliged to maintain and report accurate data on their own beneficial owners there is inadequate enforcement of this obligation, with FIs having to fill the gap in public sector oversight and resourcing. Central BO registers of trusts and other legal arrangements can improve the reliability of BO data, including through the utilisation of innovative technology, public sector data sharing and public sector verification or relying on the due diligence of properly regulated Trust and Company Service Providers.

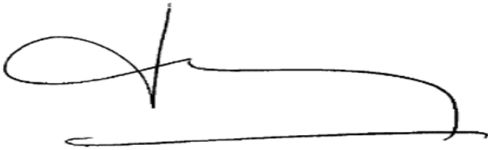
Thirdly, reform of BO standards for legal arrangements should support more efficient AML/CFT approaches, by ensuring that FIs can access reliable BO data to help streamline customer due diligence administration, reduce duplication of routine know-your-customer (KYC) data requests, and improve the targeting and proportionality of ongoing monitoring, reviews and investigations. Access to a central register of BO data for legal arrangements could also improve the quality of BO checks through multiple data sources. These efficiency gains would allow FIs to redeploy resources to higher value activity such as analytics and investigations, resulting in a greater collective impact on economic crime including through the provision of higher value intelligence to law enforcement and other relevant authorities.

Fourthly, reform of standards of BO for legal arrangements could support more effective AML/CFT approaches through enabling better definition and utilisation of BO data. Clearer standards on structured and accessible data would facilitate the use of automation and analytics, increasing the efficiency and risk-based targeting of

public sector resources and enabling more effective international collaboration and public-private partnerships. It is crucial that an internationally compatible approach to BO data is secured now, as this will be considerably easier than trying to retrofit compatibility several years down the line. Privacy-enhancing technologies and permissioned access can support safe sharing of more sensitive BO data with FIs, including through central BO registers and innovative technology such as APIs.

We hope that our contribution is useful and would like to thank you for taking our input into consideration.

Yours sincerely,

A handwritten signature in black ink, consisting of a large, stylized initial 'H' followed by a long, horizontal stroke that tapers to the right.

Mrs Hedwige Nuyens  
Managing Director  
International Banking Federation