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## Offshore secrecy: inside the movement to crack it open

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UK's decision to force overseas territories to abolish corporate secrecy is big step in effort to end money laundering

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□ Companies from the British Virgin Islands, the Cayman Islands, Anguilla and Bermuda have been involved in some of the most egregious corporate profit shifting, tax-dodging and money-laundering schemes ever discovered. Photograph: Ancona Boutique Hotel

When British MPs moved this week to force Britain's Overseas Territories to abolish corporate secrecy by the end of the decade, it was a big moment for anti-corruption campaigners everywhere.

But for one group working towards building a vast, open, global register of who owns what, it was just the beginning.

[Open Ownership](#) was created in late 2016 by seven anti-corruption organisations. Although it is small and not-for-profit, it has large ambitions: it wants to open up the murky world of offshore havens to scrutiny, so that individuals can no longer hide ill-gotten wealth behind inscrutable facades of clandestine jurisdictions.

## Quick guide

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“Every jurisdiction that commits to openly publishing beneficial ownership information brings us closer to our goal of creating a truly global, open register,” said Zosia Szytkowski, Open Ownership’s project lead. “The more data we can link, the fewer places there are left for money launderers to hide.”

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There can be legitimate reasons to use offshore jurisdictions. But kleptocracy – egregious and globalised grand corruption – is enabled by anonymous companies, which strip the fingerprints off stolen money and, having done so, hide it under the cover of supposedly respectable corporations.

Once all traces of the money’s origin have been removed, the thieves can spend it on New York property, European passports or western politicians, and they do it in vast quantities. Global Financial Integrity [estimates illicit financial flows were well over \\$1.1tn](#) in 2013, and the total is growing fast.

Many of these companies came from the British Virgin Islands, Gibraltar, Anguilla and the other pink dots left on the map of the world, which is why Tuesday's vote in parliament was so celebrated.



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But in order for openness to become truly useful, Szytkowski says, data needs to be pooled so that investigators – police, journalists, anti-fraud teams – can literally follow the money across borders. If an individual has hidden his ownership of an asset behind a chain of companies, each registered in a different country, then officers require cooperation from counterparts all over the world just to discover who owns something. Often this takes so long that the criminal has escaped before the task can be completed; other times, the information can't be obtained at all.

“Our intention is not just to open up the data, to make it accessible, but also to make it usable and used,” said Szytkowski. Her team (which is funded by the UK's Department for International Development) has created a standardised format for registries to follow so that when they do publish ownership data they will be consistent with each other, and their data can be automatically compared with information that is already public.

So far only a handful of countries are properly on board. The UK, Denmark, Slovakia and Ukraine have already implemented beneficial ownership, though Denmark is not yet integrated with the Open Ownership system.

In addition, members of the European Union, as well as a handful of countries elsewhere, have promised to join up. The hope is that British overseas territories will be forced to follow suit by 2020.

By having one central database, Open Ownership hopes the data will be searchable, creating something greater than the sum of the parts.

“I am always hesitant to talk about a magic bullet for a problem as huge as kleptocracy and corruption, but we know that shell companies are used en masse in grand corruption cases,” said Nienke Palstra, a researcher from Global Witness who specialises in cracking open anonymous companies. “No doubt as they become more transparent there will be new innovative ways that kleptocrats and others find to launder their money, but it would be a huge step towards addressing that problem.

“Having a global beneficial ownership registry where all countries make public the beneficial ownership of companies in their jurisdiction, that would be a massive improvement and a big step towards solving the problem of shell companies and money laundering.”

Data about Danish companies will be added to the Open Ownership database next, followed by the ownership information for companies that have bid for high-value World Bank contracts, and information from the [Extractive Industries Transparency Initiative](#), a group of countries committed to improving governance in the resources sector.

Sztykowski said she was in talks with authorities in Nigeria, Kyrgyzstan and other countries, which is all very well, but still means that – Britain apart - the registry lacked any of the really important global databases.

This is why parliament’s decision to force Britain’s remaining colonies to adopt corporate transparency is so significant. Companies from the British Virgin Islands, the Cayman Islands, Anguilla, Gibraltar and Bermuda have been involved in some of the most egregious corporate profit shifting, tax-dodging and money-laundering schemes ever discovered, and now those companies’ owners will be visible to everyone.

With these registries added to those of the UK and the other European countries, we will begin to approach a time when, if real-life McMafia villains slip their billions from country to country to evade detection, we will be able to follow them. The addition of the [400,000 companies](#) from the British Virgin Islands alone could be a revelation of greater consequence than even the Panama Papers, to which can be added the secrets of Gibraltar, Cayman, Anguilla and elsewhere.

Of course, dozens of jurisdictions will still sell secrecy – Delaware, Panama, Nevis, the Seychelles, etc – but the more that do join Open Ownership’s database, the more abnormal the holdouts will appear. “We want to see a world where anonymous company ownership just doesn’t exist anymore, where it’s completely normal for anyone to be able to access ownership information, that this information is expected by potential business partners, banks, procurement agencies and so on, and entities that don’t reveal their beneficial owners are subject to intense scrutiny, denied access to finance, public procurement and other business opportunities,” said Sztykowski.

Last week it looked like a dream. This week, it begins to look possible.

*This article is part of a series on possible solutions to some of the world's most stubborn problems. What else should we cover? Email us at [theupside@theguardian.com](mailto:theupside@theguardian.com)*

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