

Concealment of Beneficiary Owner and Financial Institutions

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Abstract

The study focuses on the challenges faced by reporting financial entities (mainly banks) in the process of identification of the beneficiary owner, analyzed from the Albanian perspective. Identifying the ultimate beneficiary ownership remains an important challenge to the financial institutions (FIs) of a country. The identification and registration of the companies with multi-layered ownership at the National Business Center (NCB) was very complex and with shortcomings in the legal and regulatory framework. The new law "On the Register of Beneficiary Owners", does not explicitly require the identification of each share below 25% threshold. The new law does not prohibit the registration of the offshore companies on the national Register of Beneficiary Owners. The Albanian law enforcement agencies are fragile while facing complex ownership structures from these jurisdictions. This study recommends lawmakers to make mandatory the identification and registration of every single shareholder regardless of the number of shares in possession. In order to reduce the reputational risk, authorities should consider registering only companies that have a legal seat in jurisdictions that comply with international standards on Anti-Money Laundering and Countering the Financing of Terrorism (AML/CTF). The necessary recommendations for the amendments in the legal and regulatory framework will improve the identification and registration of the last beneficiary owners and reduce the pressure on FIs.

Keywords: Beneficiary Owner, Financial Institutions, AML/CTF, Know Your Customer, Offshore Financial Centers.

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