



## Isle of Man Government

### **Public Registers of the Beneficial Ownership of Companies**

1. The Isle of Man is dedicated to attracting quality, legitimate business and seeks at all times to prevent the misuse of its finance sector by criminals. The Isle of Man therefore attaches great importance to the maintenance of high standards of financial regulation and supervision.
2. The Island's robust regulatory regime is ahead of many other countries. The Isle of Man has been independently assessed as compliant or largely compliant with 38 of the 40 Financial Action Task Force (FATF) Recommendations under standards introduced in 2012. Measured against these updated Recommendations, the Isle of Man is one of the top performing countries in the world.
3. Being able to identify the beneficial owners of companies is an essential component of an anti-money laundering regime. Criminals can use complex and opaque corporate structures to disguise their identity and information concerning the source or the use of assets of those structures.
4. FATF describes the characteristics of an effective beneficial ownership system as one where measures are in place to (a) prevent legal persons and arrangements from being used for criminal purposes; (b) make legal persons and arrangements sufficiently transparent; and (c) ensure that accurate and up-to-date basic and beneficial ownership information is available on a timely basis.
5. In the Isle of Man legislation is in place to ensure that adequate, accurate and current details are maintained on the true ownership and control for all legal entities and this is confirmed by on-site supervision to ensure compliance. This information is freely available to the FIU, law enforcement agencies and tax collectors on request and in a timely manner.
6. In April 2016, the Isle of Man and UK Governments signed an Exchange of Notes (EoN) to enhance the timeliness of long-standing mutual sharing of beneficial ownership information between the Isle of Man and UK. This reciprocal arrangement commits the Isle of Man and UK to providing their respective law enforcement agencies with adequate, accurate and current beneficial ownership information on all corporate and legal entities incorporated in their jurisdictions and providing information within 24 hours of a request being made, or within one hour for urgent requests.
7. In April 2018 a review of the EoN agreement was carried out by the Isle of Man and UK Governments. The review found that the arrangements were working effectively. A twelve-month review of the operation of the EoN has recently been concluded and is due to be published by the end of June 2019.
8. Arising from the EoN, the Isle of Man established a central register of beneficial ownership in June 2017. The register is held and maintained by the Isle of Man Companies Registry and

overseen by the Isle of Man Financial Services Authority which actively inspects information on the register and assesses compliance with statutory obligations.

9. The Isle of Man is an outward-looking country, which takes careful notice of international best practice. In 2016 the Isle of Man was one of the first countries to support a G5 pilot initiative to automatically exchange beneficial ownership information with law enforcement as well as tax administrations. This will be achieved via the future development of a system of interlinked registries.
10. On 21<sup>st</sup> May 2019 FBI Deputy Assistant Director Steven M. d'Antuono's told the US Senate's Banking, Housing and Urban Affairs Committee, the CDOTs were of "immense value" to the UK's National Crime Agency for their beneficial ownership practices. The Committee heard d'Antuono comment that the CDOT's "frameworks can provide valuable insight into the critical aspects of a successful system for maintaining, accessing, and sharing accurate beneficial ownership information".
11. The Isle of Man is also active in the OECD's Global Forum on Transparency and Exchange of Information for Tax Purposes, a multilateral framework for tax transparency and information sharing, within which over 140 jurisdictions participate. The Global Forum monitors and peer-reviews the implementation of the international standard for the exchange of information on request and automatic exchange of information. The Island's Second OECD Peer Review Report was published in November 2017; it concluded that the Isle of Man continues to be compliant with the international standard on transparency and exchange of information upon request.
12. In December 2017 the EU Code of Conduct Group on Business Taxation confirmed that the Isle of Man is a cooperative tax jurisdiction. The EU Code of Conduct Group had concerns regarding a perceived lack of substance requirements that might result in profits being registered in the Isle of Man without the commensurate economic activity taking place.
13. To address this, in December 2018 the Isle of Man introduced the Income Tax (Substance Requirements) Order which introduced a substance test for certain Isle of Man resident companies that are within relevant business sectors. Those companies engaged in certain activities are required, when filing their income tax returns to report additional information to establish that they have adequate substance in the Isle of Man for example number of qualified employees; operating expenditure and physical presence.
14. In addition a political commitment has been made by the Isle of Man regarding sharing beneficial ownership information with EU Member States. The Isle of Man will work with the EU in the development of interconnected registry systems, as outlined in the Commission Implementing Regulation (EU) 2015/884 of 8 June 2015 with the aim of providing reciprocal access to law enforcement and tax authorities of beneficial ownership information.
15. Recognising the emerging development of consensus at European and increasingly at international level, in June 2019, the Isle of Man joined the other Crown Dependencies in making the following public commitment:
  1. The Crown Dependencies have a longstanding, and independently verified, track record of meeting international standards. We are proud of our global leadership in tax cooperation, transparency and in combatting money laundering and countering the financing of terrorism.

2. Through our work with the EU, the OECD and with other international partners, we meet international standards in respect of transparency of beneficial ownership information. As responsible jurisdictions, we have a proven good neighbour policy with respect to cooperation with the EU matters relation to taxation, fighting financial crime and countering the financing of terrorism.
3. It is in the strategic interests of the Crown Dependencies and to our standing as responsible jurisdictions to commit to further develop the accessibility and transparency of our registers of beneficial ownership for companies consistent with the approach being adopted by the EU. We will do so in a way that is in line with the principles of the EU fifth Money Laundering Directive (5th MLD) within a timeframe that we consider deliverable.
4. We are committed to the following staged approach:
  - a) During 2021, to work collaboratively with the EU on the interconnection of the Islands' central registers of the beneficial ownership of companies with those in the EU. This is part of existing political commitments made by each of us to the EU to ensure that, on a reciprocal basis, legal and beneficial ownership information can be shared with EU designated competent authorities and Financial Intelligence Units.
  - b) To enable access to our central registers of beneficial ownership of companies to obliged entities for due diligence purposes as soon as reasonably practicable following this interconnection referenced in (a) and, in any event, before the end of 2022.
  - c) The EU is due to publish an Implementation Review of the 5th MLD in January 2022. Within 12 months of this publication, we will each bring forward to our own parliaments legislative proposals to establish public access to beneficial ownership data of companies held on a central register, in line with the principles of the EU's 5th MLD.
5. In order to develop the legislation referenced in 4(c), the Crown Dependencies will be informed by global best practice including the progress made in EU Member States to introduce processes to verify, vet and regulate trust and company service providers and the submission of beneficial ownership information.

The practical effect of this commitment is to implement a register of beneficial ownership of companies consistent with the principles of the European Union's fourth Money Laundering Directive: 2015/849 as amended by the fifth Money Laundering Directive: 2018/843 ('The EU Directive').

16. The Isle of Man Government will be working closely with the other Crown Dependencies and with other key stakeholders including industry, on the next steps towards delivering an effective public register. We will also be continuing conversations with the EU to take forward our existing commitments and work with them as interconnected registers are developed.
17. We continue to believe that to truly combat financial crimes like tax evasion and money laundering, action not only needs to be taken globally, but it also needs to be implemented consistently and effectively and independently verified. We will therefore be continuing to work with international partners to further this aim.