

Letting the Public In

Opportunities and Standards for Open Data on Beneficial Ownership, Country-by-Country Reporting and Automatic Exchange of Financial Information

POLICY BRIEF

Overview

To prevent corporate tax evasion and avoidance, corruption, and criminal activity, answers to basic questions like who is behind an anonymous company, or where a company's profit is made, need to be made available to the public. Several governments are considering or have committed to financial transparency measures like public registers of the "[beneficial owners](#)" behind a company, public [country-by-country reporting](#) of multinational companies' profits, and [automatic exchange of financial information on tax and wealth](#) between governments. Having this data is crucial to enabling a public conversation about how to address illicit financial flows effectively.

For the information to be useful, however, it must be accessible and re-usable. This information should be collected, verified, and published in an open data format - so that it is possible to search, filter and explore potentially vast collections of records. According to the Open Knowledge Foundation, "Open data is data that can be freely used, shared and built-on by anyone, anywhere, for any purpose."¹ Technology can offer powerful tools to trace financial flows, but realising this potential needs careful advocacy to balance requirements of data accessibility and comparability, with respect for privacy, political challenges, and a pragmatic global approach.

¹ See <http://blog.okfn.org/2013/10/03/defining-open-data>

The opportunities to use open data as a tool for combatting illicit financial flows vary across each of the transparency pillars:

Pillars	Opportunities for Open Data
Beneficial Ownership (BO)	Structured registers of beneficial ownership should be published as open data by company registration agencies, or other government bodies.
Country-by-Country Reporting (CbCR)	Structured company reports can be published as open data by a country's tax authority or company registration agency, and/or by companies themselves.
Automatic Exchange of Financial Information (AEoI)	<p>Bulk data about individuals is not appropriate for release as open data. However, common data standards remain important to make AEoI effective.</p> <p>Open data approaches can also be applied to aggregate statistics about the process of automatic information exchange; and the aggregate income and deposits that have been reported country by country or category by category.</p>

Beneficial Ownership: Who Controls It?

Right now, you can open a company in most countries without providing any information on the beneficial owner, a recipe for crime and corruption. Those who want to hide their identity can use a web of complex corporate structures, anonymous shell companies, and secrecy jurisdictions. To address this, governments are beginning to collect information about the beneficial owners of all companies in a public register.

Only the United Kingdom, however, is currently publishing a beneficial ownership register as structured open data. Given the early stage of work on BO in the UK, Ukraine, and elsewhere, and the absence of existing global standards, there is an opportunity to develop an accessible and user-centered standard.

There are challenges in establishing an open data standard for this information. Data must uniquely identify companies and specific individual company owners and could incorporate different dimensions of ownership and control including shareholding, rights to profit, and voting rights into these standards. Practice on publishing company registers varies widely across the globe: different levels of detail are made public, many only accessible through data scraping, not bulk open data.²

Though no clear gold standard currently exists, there are starting points towards developing such a standard that could be pursued:

- **Building a prototype BO database:** Here, work by OpenCorporates on the prototype beneficial ownership database WhoControlst³, and on incorporating ownership structures into its own

² OpenCorporates Open Company Data Index highlights this.

³ See <http://alpha.whocontrolsit.com/>

Checklist:

BO Gold Standard Goals

- Identifiers for organisations, including private and listed companies;
- Identifiers for individuals;
- A taxonomy of types of ownership and control;
- A set of recommended bands for publishing ownership shares;
- A framework for recording changes over time;
- A framework for capturing whether ownership is direct or via intermediate parties;
- A framework for capturing the provenance of information

database, can provide an open learning laboratory for how to standardize real world data. Proposals for a Global Beneficial Ownership Register also offer a key opportunity here.

- **Engaging with global processes towards establishing unique organization identifiers:** The lack of standard legal identifiers for financial firms was recognized as a major regulatory gap after the 2007-2008 global financial crisis. In response to this, the Global Legal Entity Identifier (GLEI) was established. This process may result in relevant and open-data backed identifiers for many organizations involved in BO hierarchies, including those in secrecy jurisdictions. However, since LEI only covers legal entities participating in financial markets, it does not offer a full solution for BO data standardization.

Country-by-Country Reporting: Where is Profit Made?

When company financial reports are aggregated on a global basis, it is impossible to fully understand a corporation's actions in a single country. Country-by-country reporting would make the activities of consolidated corporate groups more transparent at country level. In particular, country-by-country reporting will make apparent to legislators, journalists, and other citizens when corporations use transfer pricing to shift profits to tax havens and costs to high tax countries.

However, each of the country-by-country reporting frameworks currently in operation propose their own standards, with different levels of complexity and precision. There is an opportunity to develop best practice standards for publication by companies of machine-readable CbCR data as part of their annual reporting.

There are many challenges to establishing an open data standard for country by country reporting. Data must uniquely identify the companies involved in reporting, represent the subsidiary-parent networks of ownership, ensure consistency of definitions while incorporating accounting and financial reporting standards, and ensure reporting can be global. Though it is not framed as a standard for open data and is not intended for publication, the OECD's XML Schema⁴ for country-by-country reporting is a helpful starting point. However, it features some areas where it permits lower data quality, such as use of unstructured addresses, which should be acceptable only in the transitional period. It is also unclear how data would be validated if using this reporting framework.

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⁴ The eXtensible Markup Language (XML) allows the expression of complex data structures, and supports the validation of data. It is commonly used for machine-to-machine data exchange, although it is more difficult for users to read directly.

Checklist:

CbCR Gold Standard Goals

- Direct publication by companies of their reports;
- Publication via country tax authorities;
- Use of common coding for jurisdictions;
- Use of common codes and encoding for currencies and financial figures;
- Provision of company identifiers;
- Structured data on the relationship of each company to the group;
- Structured data about the financial period covered by the report;
- Clear definitions of all key terms;
- Accessible presentation of summary data in spreadsheet form;

Other CbCR frameworks such as Section 1504 of the Dodd-Frank Act and the EU Capital Requirements Directive IV have established XBRL⁵-based reporting for submitting machine-readable country by country reporting data. Globally, XBRL adoption remains patchy, and has a high technical barrier to both data publication and use. Additionally, the countries implementing XBRL tend to be advanced economies. However, emerging economies are increasingly adopting XBRL, including Brazil, India, China, Latvia, Malaysia, Colombia, Indonesia, and Peru.

The EITI reporting template for summary country by country data is also far from ideal as it does not allow for robust data validation, and will not necessarily generate interoperable data. The focus should be on

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⁵ XBRL is a language in which reporting terms can be authoritatively defined and lets reporting information move between organisations rapidly, accurately and digitally.

providing and testing machine-readable versions of these templates, with clear data validation, along with work towards aligning and defining the vocabularies used in reporting to move towards globally interoperable data.

Automatic Exchange of Financial Information: Where is Wealth Held?

Automatic exchange entails a country providing financial information about foreigners to the account holder's home country government at regular intervals. The G20 and OECD have drafted a Common Reporting Standard (CRS) for Automatic Exchange of Financial Account Information in Tax Matters, with a well-developed schema based on the U.S. Foreign Account Tax Compliance Act (FATCA).

The standard requires reciprocal exchange between tax authorities. The relative cost of providing this information will be disproportionately high for developing countries, whose tax administrations often have fewer resources. This burden could be compounded if the net movement of wealth is from developing countries to developed ones as the data suggests. Developing countries would be required to put in place considerable infrastructure to send minimal levels of data, before receiving a high volume of more critical data from developed countries.⁶

Given that individual taxpayer information cannot be published and there are requirements for safeguards to be in place to prevent unauthorized access or disclosure, the questions that need to be considered for AEol are slightly different:

- Is the proposed standard implementable by developing countries?

⁶ www.swissleaksreviewed.org

Checklist:

AEol Gold Standard Goals

- A clear vocabulary of terms in the data – with harmonised definitions;
- Use of common coding for jurisdictions;
- Use of common codes and encoding for currencies and financial figures;
- Structured data about the financial period covered by the report;
- Clear processes for data quality validation;
- Clear processes for transforming granular data into aggregates;
- Clear policies on data privacy, and approaches to aggregations and anonymization;

- Are there lessons from open data standardization which could make automatic exchange of information more effective?
- Are there any datasets related to automatic exchange of information which should be made available as open data?
- If so, what standards should they follow?

The main opportunity with AEol is supporting the production of robust aggregate data. A data model could be developed, drawing upon terms and definitions from the CRS and FATCA XML schema, that sets out XML or spreadsheet templates for row-by-row reporting of each required measure. Advocacy efforts must choose between focusing on this common technical standard for aggregate statistics disclosures, or instead developing a platform that will bring this data together for analysis.

The Costs of Implementation for Developing Countries

In developing advocacy for countries to adopt standards for collection, transfer and open publication of key data, it is important to be aware of how costs and benefits are distributed. In many cases, developing countries have less developed e-government infrastructures to build upon, but, if implementing new systems, they can build in open standards from the start.

Low income countries have much lower levels of readiness to create and use open data across government, civil society and private sector.⁷ There are no general rules for which standards are easier or more complex to implement in resource constrained contexts. User-testing of any standards in developing country contexts is vital to understand whether or not they will create prohibitive barriers to data production and use. It may be important to develop models for the progressive adoption of a standard, with a basic implementation option that has a low barrier to entry, and more advanced features made optional.

Developing countries may face additional costs to reach levels of data quality and usage possible in countries with well-established e-government platforms, and not all rich countries have advanced e-government systems. It will be important to do a cost-benefit analysis of global standardization, and to properly account for the long-term costs of not standardizing.

⁷ The second edition of the Open Data Barometer reviewed open data readiness across 86 countries. Available here: <http://opendatabarometer.org/2ndEdition/analysis/readiness.html>

Recommendations

Publishing this critical information as open data will help legislators, journalists and citizens to understand loopholes in current laws, and engage in an informed public debate about what should and should not be legal.

The lack of clear open data gold standards on financial transparency platforms presents an opportunity to build them and mainstream open data considerations into the policy conversations. Some opportunities include:

1. **Engage with existing open data policy processes** to secure commitments to publish key data, particularly company registers and BO data;
2. **Play a watchdog role in related standardization processes** around CbCR, BO and AEOI, paying close attention to the technical and policy decisions made, the governance of standards, and the engagement of users in testing the accessibility of the models proposed;
3. **Support the development of prototype standards, and data aggregation platforms** particularly for BO and direct publication of CbCR by companies. Such interventions can help shape the debate, demonstrating the value of collecting specific data fields, adopting particular data structures, or pushing for an open-by-default policy for key data.

This brief is based on a study commissioned by the FTC and completed by the Open Data Services Cooperative. Full paper available [here](#).

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