



GLOBAL FINANCIAL INTEGRITY



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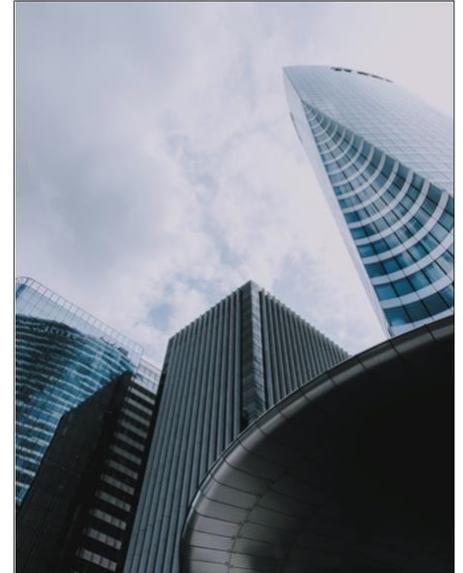
Beneficial Ownership & Colombia: Policy Needs and Opportunities

What is Beneficial Ownership?

The “beneficial owner” is the individual or individuals that truly control and economically benefit from a company. When this information is not available or inaccurate it allows companies to be used as vehicles for illicit activity.

Why is it important to collect this information?

- To combat tax evasion, corruption, money laundering, shell companies, and terrorism financing
- To help law enforcement with investigations
- To provide greater financial and fiscal transparency



Case Studies: Beneficial Ownership in Colombia and the World

- **Illegal mining:** Colombian company Comercializadora Internacional Goldex (Goldex) laundered USD\$700 million through fictitious gold sales. Investigations revealed that roughly **90% of Goldex’s 6,000 “registered” gold suppliers simply did not exist, were owned by deceased persons, or operated small informal businesses unrelated to gold.** Goldex executives also bought at least **US\$7 million** worth of gold from Los Urabeños, one of the largest drug trafficking organizations in Colombia.
- **Corruption:** Bucaramanga mayor Luis Francisco Bohórquez (2012-2015) issued public contracts worth **USD\$4 million** to companies secretly linked to his family. **To mask their ownership, Bohórquez’s family registered the companies** under the names of individuals that attended their church.
- **Human trafficking:** The advertising company Backpage, working through a complex network of anonymous companies, became the world’s largest marketplace for sex trafficking. The company has been implicated in 7 out of every 10 reported child trafficking cases in the United States. Backpage was able to successfully carry out its illegal operations in large part because US law does not require companies to provide beneficial ownership information.

Source: *Illicit Financial Flows and Colombia*, a publication by GFI and Cedetrabajo, November 2019.

Source: “How Corruption Works: Overview of Corruption Cases in Colombia, 2016-2018,” *Transparency for Colombia*, May 2019 and “Guide to Understanding the Case of Fountain of Love,” *Vanguardia.com*, September 2, 2018.

Source: “How Tax Havens like Delaware Help Sex Traffickers Sell Children for Sex”, *Quartz.com*, February 16, 2018.

Policy Solutions

Recommendations for implementation of Beneficial Ownership in Colombia:

- Create a consistent definition for beneficial ownership across all across government agencies. Currently there are at least 5 different definitions of beneficial ownership in use in Colombia amongst the supervisory agencies responsible for finance, customs, company registration, and health. A singular definition is the first step in strengthening financial transparency in Colombia.
- The National Directorate of Taxes and Customs (DIAN) should impose effective penalties for failure to provide accurate and updated beneficial ownership. This is critical to strengthen the important work being done to avoid customs fraud.
- Create a central registry on Beneficial Ownership that makes this information accessible in a timely fashion to all relevant agencies.

Important elements to consider:

- What information will be required, i.e., full name, date of birth, address, origination of funds, etc.?
- What mechanisms will be used to accurately verify and update this information?
- How often will the information be updated?
- Which government agency will be responsible for maintaining this information?
- Which government agencies and which personnel will have access to this information?
- Whether the information will be publicly accessible, anonymously available, or only accessible to government agencies?

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