Verité Research
Strategic Analysis for Asia

PROPOSAL FOR ESTABLISHING A DIGITAL BENEFICIAL OWNERSHIP REGISTER

THE PROPOSAL

Verité Research recommends that the Amendment to the Companies Act, No. 07 of 2007, introducing a Beneficial Owner register, be fully implemented. This could be done through the creation of a digital, publicly accessible Beneficial Ownership register.

SHORT ABSTRACT

In August 2025, Sri Lanka enacted an amendment to the Companies Act, requiring the Registrar of Companies to establish a Beneficial Ownership register.[i] Completing the implementation of this law to create a digital register will enable immediate public access to Beneficial Ownership information about the ultimate human owners of companies that own or control them, thereby strengthening transparency and deterring a range of financial crimes.

TOPLINE VIEW

Objective of the Proposal

- ☐ Economic Growth
- ☒ Governance
- ☐ Justice and Rights
- ☐ Social Welfare
- ☐ Other: ....

Implementing Agency:	Registrar of Companies/Ministry of Trade, Commerce, Food Security and Cooperative Development of Sri Lanka
Primary Beneficiaries:	Public authorities engaged in Anti-Money Laundering efforts General Public
Cost Estimate (if available):	N/A
Policy Type:	Expenditure

HOW IT ADVANCES THE OBJECTIVES

1. Publicly disclosing Beneficial Ownership information improves transparency and accountability by providing the public with the information they need to identify the potential misuse of legal persons.
2. It enhances the objective of governance by enhancing Sri Lanka's Anti-Money Laundering/Count Terrorism Financing (AML/CFT) efforts to reduce financial crimes.
3. It ensures compliance with the International Monetary Fund (IMF) Governance Diagnostic Assessment (GDA) priority recommendations[ii] and Financial Action Task Force (FATF) recommendations.[iii]

CASE FOR THE PROPOSAL

The lack of a Beneficial Ownership register allows legal entities to be abused for corrupt purposes. Not having a Beneficial Ownership register means that Sri Lanka also falls short of the Financial Action Task Force (FATF) and IMF standards.

The anonymity offered by legal persons such as companies is often abused for corruption, illicit financial flows, and tax evasion. The Panama Papers, for instance, exposed over 140 public officials using more than 214,000 offshore entities to hide the ownership of their assets. Similar findings were exposed in the Pandora Papers as well.[iv] Such corrupt arrangements are made possible largely due to the absence of transparency around the true, or beneficial, owners of these offshore entities. In addition to increasing the risk of corruption, the lack of a Beneficial Ownership register can also increase the risk of conflicts of interest within the public procurement process going undetected.[v]

The absence of a Beneficial Ownership register is a significant gap in Sri Lanka's Anti-Money Laundering/Count Terrorism Financing (AML/CFT) framework, which falls short of FATF standards and IMF recommendations. The FATF in its 2015 Mutual Evaluation Report on Sri Lanka, observed that Sri Lanka fell short of FATF Recommendation 24 on Beneficial Ownership.[vi] The IMF has recognized that Sri Lanka's AML/CFT framework may fail to support effective state action on money laundering[vii] due to the absence of a register of Beneficial Owners. Additionally, in the Extended Fund Facility to the Government of Sri Lanka by the IMF, the Sri Lankan government committed to amending the Companies Act to introduce a Beneficial Ownership register.[viii]

The Companies Act has now been amended to provide for a Beneficial Ownership register, in order to overcome the above shortcomings. Failure to operationalise the amendment, however, would result in (i) lack of adherence to the law by the Registrar of Companies, (ii) Sri Lanka continuing to fall short of FATF standards and its commitments to the IMF, and (iii) persisting gaps in Sri Lanka's AML/CFT framework.

HOW DOES IT HELP THE COUNTRY

Establishing a Beneficial Ownership register can address money laundering and corruption risks in Sri Lanka. The rationale for this policy reform is as follows:

1. **Improves the Capacity of Law Enforcement Authorities to Prevent Money Laundering**

A key shortcoming identified in the IMF Governance Diagnostic Agreement (GDA) and the FATF Mutual Evaluation Report was that law enforcement authorities do not have access to Beneficial Ownership information of legal persons. Instead, law enforcement authorities access beneficial ownership information through records maintained by financial institutions.[ix] The creation of a Beneficial Ownership register addresses this key gap in Sri Lanka's AML/CFT framework.

The public disclosure of key pieces of Beneficial Ownership information will also help financial institutions such as banks, finance companies, and insurers to strengthen their customer due diligence efforts. In doing so, financial institutions will be better equipped to detect suspicious transactions and prevent illicit financial flows/transactions.

In light of the above, if the law is fully operationalised, it has the potential to reduce the probability of companies being used as vehicles of corruption and financial crime.

2. **Strengthens Asset Recovery Efforts**

A Beneficial Ownership register allows law enforcement authorities to 'follow the money' in domestic and international crime investigations. The disclosure of Beneficial Ownership information allows law enforcement authorities to trace hidden assets held in the name of shell companies, as it reveals the real persons behind those entities. For instance, the Malaysian Anti-Corruption Commission was able to use Beneficial Ownership information to recover MYR 1.2 billion worth of assets embezzled from the nation, in the aftermath of the 1Malaysia Development Berhad scandal.[x]

A Beneficial Ownership register enables cross-referencing of Beneficial Owners against other systems, such as the Inland Revenue system and asset declarations of public officials, which may reveal instances of unexplained accumulation of wealth by public officials. It would also allow law enforcement to better detect conflicts of interest in government contracts, tax evasion, terrorist financing, illicit enrichment by public officials, and money laundering, all of which drain public funds and weaken services meant for citizens.[xi]

HISTORY OF THE PROPOSAL

Under the Extended Fund Facility with the IMF, Sri Lanka committed to introducing a publicly accessible Beneficial Ownership register. Beginning in August 2024, after several amendments made as a result of two Bill Challenges before the Supreme Court and consistent civil society engagement, the law was enacted in August 2025.

PUBLISHED SUPPORTING ANALYSIS

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REFERENCES AND END NOTES

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gafi/recommendations/FATF%20Recommendations%202012.pdf.coredownload.inline.pdf [last accessed 03 September 2025].

[iv]Maria Constanza, Castro Orduna, and Adriana Fraiha Granjo, *The uses and impact of beneficial ownership information* (Transparency International Help Desk, 2023), p. 2, at https://knowledgehub.transparency.org/assets/uploads/helpdesk/The-uses-and-impact-of-beneficial-ownership-information_2023.pdf [last accessed 04 September 2025].

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[viii] International Monetary Fund, *Country Report No. 2024/161, Article IV Consultation and Second Review Under the Extended Fund Facility, Request for Modification of Performance Criterion, And Financing Assurances Review— Press Release; Staff Report; And Statement by the Executive Director for Sri Lanka* (2024), p. 23, at https://www.imf.org/en/Publications/CR/Issues/2024/06/13/Sri-Lanka-2024-Article-IV-Consultation-and-Second-Review-Under-the-Extended-Fund-Facility-550261 [last accessed 03 September 2025].

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[x] Maria Constanza, Castro Orduna, and Adriana Fraiha Granjo, *The uses and impact of beneficial ownership information* (Transparency International Help Desk, 2023), p.6, at https://knowledgehub.transparency.org/assets/uploads/helpdesk/The-uses-and-impact-of-beneficial-ownership-information_2023.pdf [last accessed 04 September 2025].

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