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Unveiling Hidden Control: Structural Dynamics of Layered and Cross-Jurisdictional SBO Chains

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INTRODUCTION

The issue of multi-tiered ownership structures (frequently with intermediate holding companies based in jurisdictions with preferable tax treaties) is a major problem to regulatory transparency and applicability of Ultimate Beneficial Ownership systems in the Indian context. With Indian companies increasingly turning to more exotic tax havens like Jersey and Panama, to forego the more conventional conduit vehicles used, like Mauritius, the capacity of the regulator to trace the cross-jurisdiction chains of equity is the key to reducing the base erosion. The empirical evidence suggests that Indian multinational enterprises with less export intensity and less assets in terms of intangibles are especially likely to adopt these through-OFC subsidiary forms to support profit shifting. Through a bottom-up network analysis of these corporate hierarchies, researchers may isolate these so-called key firms between a firm's ownership that serve as a pivotal point through which a firm diverts international profits. Such an analytical view is the key to the Ministry of

Abstract: This article discusses the rise of complex Ultimate Beneficial Ownership structures in the Indian corporate environment and how tiered shareholding structures enable indirect control and anonymous ownership changes. These stratified structures tend to blur the role of family-run structures in the Indian context that makes it more challenging to regulate in an attempt to map advantageous ownership with other forms of shareholding than the elderly shareholding breeds. Because they allow promoters to retain a large say in decision makers with relatively little equity, these pyramidal and cross-holding structures are typically exploited by promoters to build up power at the top leadership levels, often through the use of a family connection. Such complex networks often involve shell or offshore vehicles to conceal real ownership, which is a major challenge to the statutory requirements meant to bring about transparency in disclosure of promoter interests. Principal-principal conflicts are intensified by these structural opacities, since dominant promoters can obtain personal gains to the detriment of the minority shareholders, which puts decision-making beyond the restraints of the market. Moreover, the existence of such layers of hierarchies in India tends to extract symbolic compliance with governance changes, since companies through their convoluted, indirect forms of ownership management avoid substantive analysis of independent director involvement.

Keywords: Ultimate Beneficial Ownership, Pyramidal Structures, Corporate Governance, India, Principal-Principal Conflicts, Ownership Transparency.

Corporate Affairs; because it is moving the centre of interest beyond the direct parent-subsidiary relationship to the obscure vehicles of indirect control that are currently out of the traditional regulatory review. Through such computational methods to map adjacency matrices, Indian authorities will be in good positions to determine the difference between valid business activity and conduit-based structures that are aimed at obscuring positive motives. Moreover, the network theoretic aspects of these tools are in tandem with the more recent legislative efforts, such as the Companies Act 2013, which aimed to break out the established corporate elites through fracturing core interlock densities. Nevertheless, recent gaps in application to the Beneficial Ownership registries tend to miss the intricacies of intermediated investments, so even intricate structures can be perpetuated under the level of current scrutiny. In response to this policymakers need to shift towards a bottom-top network structure which places an emphasis on identifying central intermediaries as opposed to direct foreign parenthood monitoring. Such paradigm shift requires a strict review of the

bilateral tax treaty networks because the nature of such fragmentation of global value chain means that firms can take up structural arbitrage advantages between India and its treaty allies. Moreover, empirical data suggests that Indian multinationals, which have low involvement in the development of intangible assets are the key agents behind this structural exploitation, and therefore such firms should be re-examined in terms of their use of conduit-OFCs to avoid taxation. By using sophisticated models of analysis, like multiplex network models, it is possible to discover the latent dependence on tax-routing centralities that cannot be implicitly determined by analyzing each jurisdictional layer separately. Attacking these conduit-Offshore Financial Centers would enable the Indian regulators to transverse the structurally based dependency in capital flight in a pro-active manner, as witnessed in the world-wide efforts to break the network of tax evasion through increased information exchange provisions.

Conceptual Framework of Layered and Cross-Jurisdictional SBO Chains

This model assumes that SBO networks are multi-layered, complicated networks in which the beneficial interest is obfuscated via iterative layering and legal fragmentation. These structural conduits share the feature of decoupling of the lawful ownership with the control of the economy and making it difficult to know the natural persons behind the corporate veil. The strategic insertion, of shell entities between the disclosure requirements on domestic and foreign-registered holding companies, is intensified in the Indian regulatory environment. Herein lays the historical difficulty in the state on dismantling these shadowy arrangements as a result of the continued laxity in classifying tax evasion as a mere administrative tax issue, as opposed to a systemic economic crime. The common occurrence of round-tripping via Mauritius in fact highlights weaknesses in traditional tax enforcement and the Indian government has adopted the General Anti-Avoidance Rule in order to specifically deal with profit-shifting schemes that are natural to these indirect investment vehicles.

2.1. Defining Significant Beneficial Owners (SBOs)

The Companies Amendment Rules are the main regulatory tool, requiring the disclosure of such individuals who have either a direct or indirect ultimate control over or substantially own economic interest in a reporting company. Nonetheless, the effectiveness of such provisions is often compromised by the fact that information is disaggregated in fragmented corporate registries that do not allow to constitute the topology of ownership. Furthermore, the existing reliance on set formulaic filing requirements does not recognise the active development of good faith which, in most cases, can and does take place in synthetic instruments or in the informal contractual types. Therefore, the enduring disconnect between reporting and the reality of economic regulation helps to sustain sophisticated SBO networks that cannot be supervised at a systemic level. To counter this, implementing machine learning

algorithms on real-time analysis of suspicious transaction patterns would offer the predictive richness required to find these synthetic ownership hierarchies.

2.2. Mechanisms of Layered Ownership Structures

These structures usually utilize a nesting strategy, wherein the in between holding vehicles are intelligently placed in between various tax-neutral jurisdictions in order to water down the apparent authority of the natural person in the process of executing control. This architectural intricacy is often supported by malpractice of multi-tiered investment vehicles in the Indian context to synthesize non-transparent webs of ownership along treaty-protectable corridors. Such setups frequently include a series of shell corporations to obscure the eventual beneficial owner, making the identification process a tedious and expensive task that Indian authorities have to go through with. The use of fragmented data sources is also a complication to such investigations, and thus the use of whole blockchain-based public registries is required to meet the criteria of transparency demanded by organizational bodies, including the FATF. Such a unified technological infrastructure in place would lessen the existing information mismatch that impairs the competence of financial institutions to adequately inquire intricate cross-jurisdictional structure of shareholding.

2.3. Challenges of Cross-Jurisdictional SBO Chains

This being due to the absence of sound intergovernmental cooperation frameworks that can help Indian enforcers check ownership data since vital information can be isolated and hiding in the jurisdictions of other countries. Moreover, the lack of standardized procedures in international data sharing adds to the challenge of auditing offshore entities, and this usually makes the effort to seek advantageous proof of ownership, a geographically limited task. To connect these intelligence voids, the Indian authorities must emphasise use of AI-based social network analysis, which will find tacit connections between creditors and debtors since it will map similar centralities throughout world transaction nodes. This method transcends the weaknesses of traditional and manual audits by reconstructing the macro-level indicators with granular corporate registry information to reveal the footprint of the pernicious financial flows.

Regulatory Landscape for SBOs in India

The current regulatory landscape within the Indian context is typified by the market and multi facets of compliance areas with federal governance frameworks and business-based differences frequently standing in the way of consistent application of desirable ownership requirements. Namely, although the Significant Beneficial Ownership registry is kept by the Ministry of Corporate Affairs, the difference between the provisions of the Companies Act and the Prevention of Money Laundering Act creates strategic loopholes on whose

behalf entities can practice regulatory arbitrage.

3.1. The Companies Act, 2013 and SBO Provisions

According to these provisions, whoever has more than 10 percent of the share or who has a strong influence is supposed to be reported, but due to absence of strict measures to verify information, the disclosure becomes incomplete. In addition, the lack of real-time validation procedures can invite the reporting of incorrect data which, up to now, almost shields the real controllers against any form of examination of their actions as per the existing paradigm of reporting. Moreover, the effectiveness of these disclosures is negated by the fact that there is no centralized system that can coordinate data between the Registrar of Companies and the beneficial ownership filings of the financial sector. This institutional discontinuity is also enhanced by the fact that the Serious Fraud Investigation Office has resorted to reactive and post-facto investigative processes that may very often be left behind by the expedited redesign of stratified corporate functions.

3.2. Prevention of Money Laundering Act (PMLA), 2002 Implications

The PMLA offers more aggressive enforcement toolkit, but its application continues to be limited by the weaknesses of having to establish the characteristics of beneficial interest of complex, multi-layered international shell networks. Furthermore, the amount of evidence needed to prove a criminal intent in multiple cross-border and decentralized corporate chains is usually overwhelming in the investigative abilities of domestic forces, generating significant delays in the judicial process. To deal with these systemic weaknesses, India should find a balance between the regulatory definitions in the country and internationally, and terms such as the General Anti-Avoidance Rule should be better aligned with positive ownership reporting disclosures. Also, closer operational synergy between the Securities and Exchange Board of India and the Financial Intelligence Unit would be an advantage that will allow easier detection of illicit capital flows.

3.3. Role of Regulatory Bodies: RBI, SEBI, and MCA

Cross-border flows of capital are regulated by the Reserve bank of India with the help of the Foreign Exchange management Act and the beneficial ownership in the listed entities is controlled by the securities and exchange board of India in order to discourage market manipulation. Nevertheless, the effectiveness of these oversight functions is still impaired by the institutional siloes, which means that an increased integration of digital surveillance models is required to coordinate the flow of data across the Registrar of Companies and the financial regulatory databases. By using sophisticated analysis software like suspicious transaction reporting and well-developed whistleblowing measures, the organizations can detect more easily the patterns suggesting concealment of

ownership. Furthermore, transitioning from reactive oversight to a predictive regulatory model will require the adoption of standardized, real-time reporting formats that enable inter-agency synchronization and eliminate the regulatory gaps currently exploited by shell-based corporate structures. Moreover, the judiciary's evolving interpretation of the PMLA, which increasingly decouples the offence of money laundering from the conviction of predicate crimes, provides a powerful legal lever to pursue illicit assets regardless of the underlying procedural delays.

3.4. International Best Practices and Indian Convergence

Bringing India into international norms, including those of the Financial Action Task Force, requires the shift to the centralized, network type of a registry which will ensure timely availability of proper beneficial ownership information. This alignment would enable the authorities at the national levels to enhance coordination efforts between the use of anti-money laundering and anti-corruption systems through the mobilization of multi-agencies in teams that are well coordinated to accomplish the effectiveness of the asset-recovery activities. In an expansion of the functional mandate of the Financial Intelligence Unit-India, this integration should focus on the flowing exchange of finer intelligence to reduce the latency that is present in the existing cross-agency investigations. Moreover, use of technology-enabled supervisory tools like machine learning to identify the patterns in sophisticated chain of transactions would greatly facilitate the ability of the regulatory authorities to preempt suspicious structural set-ups. Finally, these reforms will be successful only when active integration of area-specific expertise is employed to help investigative bodies map the ever more sophisticated "commercial simulacra" being used by shadow actors. The main focus of following a single, publicly visible, advantageous ownership property list, similar to the transparency requirements stressed by international organizations will be necessary in hitting down the anonymity which now promotes financial impunity.

Structural Dynamics of SBO Chains in the Indian Context

The chains often use a similar, but more detailed approach to the Indian landscape, employing a nested-entity model in which shell companies are strategically incorporated into local holdings in order to obscure the source of funds. These practices tend to take advantage of non-resident corporate cars that make it difficult to trace ultimate beneficial owners since cross-border information sharing is characterized by friction in jurisdiction. Furthermore, the favorable tax treaty benefits positioning and absence of scale-purposeful beneficial ownership information exchange mechanisms between India and effective offshore locations are additionally an incentive to implement these multilayered SBO structures to avoid local regulatory intervention. This erects a recursion impediment to transparency because the dependence on documented

statements is frequently inadequate to reflect the real underlying economic content concealed in the elaborate, multilevel fiduciary structures. This separation of control potential enables those perpetrators to play on such legal gray areas in effect making criminal financial transactions secure against investigation by the Ministry of Corporate Affairs and investigative departments. Moreover, the high rate of existence of these dark networks also demands a compelling investment in superior analytical technologies like those deployed to detect bogus bill suppliers because the information systems have yet to be integrated to realize effective detection of suspicious trading nodes. The repetitive nature of high profile banking frauds and failures by the institutional controls to reach into collusive networks before the capital haemorrhaged heightens such systematic vulnerabilities. To add to these difficulties, an increase in the number of digital money mule networks and the illegal use of roaming SIMs used in transnational cybercrimes even further complicate tracing of these financial flows because they are the root cause behind the layering and concealing of the proceeds of fraud. These digital obfuscation methods are often parallelized with illegal acquisition programs, bribes and extortion money are washed in the shell-company systems to achieve government bids. These abusive actions underscore the necessity of serious digital forensics tools and international cooperation to break the network concept that supports these complex financial offenses. With the current escalation in the synthetic identity fraud and the drawbacks of the more traditional rule-based monitoring approach, Indian financial institutions are in dire need to transition to more adaptive risk management approaches that emphasise real-time detection of these adaptive criminal schemes. Furthermore, behavioral analytics, including network science, need to be integrated to trace the path of the commercial simulacra used by shadow actors, which is virtually the only way to reduce the risks of a more and more sophisticated SBO arrangement. Through systematic structure that would take care of the regulatory issues of jurisdictional arbitrage, India will be able to improve its enforcement posture against corporate entities that can be used as channels in facilitating alternative illicit financial management.

Challenges in Unveiling Hidden Control in India

The default of information silos in between the regulatory, investigative and banking authority remains a persistent obstacle between the successful reconciliation of corporate filings and the factual beneficial ownership information. Such fragmentation is exacerbated by the natural reluctance of institutions to notice anything suspicious mentally healthy blind spots in which shell organizations can innocently allocate their resources on the financial ecosystem.

5.1. Data Availability and Accessibility Issues

The existing regulatory framework has a weakness of centralized and real-time access to the underlying ownership records of various authorities, undermining the capacity of investigators conducting extensive risk

analysis. Moreover, the skewed representation of digital databases in both state and central jurisdiction cannot be used to synthesize high-fidelity datasets that would allow the implementation of powerful machine learning models producing SBO configurations of a complex nature. Such systemic data interoperability would be made worse by the fact that there is no standard digital repository, limiting the depth of analysis necessary to interrupt the advanced AI-driven fraud schemes that are already manifesting themselves in the Indian financial sector.

5.2. Enforcement Challenges and Loopholes

The existing enforcement situation is limited by the historical application of the rule-based audits which are insufficient possible to accommodate the technical sophistication of the contemporary SBO layering having significant regulatory gaps. In particular, the absence of AI-specific regulations in the SEBI-MCA framework does not give an opportunity to apply automated and predictive oversight tools that could detect behavioral algorithms that could testify the presence of an orchestration of shell companies. This regulatory stagnation is further increased by the fact that autonomous algorithms are not legally classified as persons and this makes it harder to hold them liable when they are used to provide market rigging or avoid anti-money laundering measures. Furthermore, the current oversight provisions are reactive, compartmentalized which are unable to cope with the overlap of artificial intelligence and blockchain-based financial services, making it hard to work on systemic information asymmetry and moral hazard.

5.3. Jurisdictional Complexities in Cross-Border Cases

The conflicts between Indian regulatory frameworks and international jurisdictions tend to have a considerable friction result of discrepancies between the reporting standards under the Digital personal data protection act, 2023 and the companies act, 2013. The discrepancies ensure forum shopping so that entities may take advantage of the fragmentary regulatory premises and the murkiness of the underlying beneficial ownership between different geographical sectors. In order to reduce these risks, India needs to immediately also synchronize its cross-border data flow regulations with worldwide requirements to permit investigativeness companies to gain access to the granular ownership information necessary to open the veil of multi-layered financial frameworks that have been globalized. Moreover, the inter-agency coordination mechanisms should be reinforced the same manner data sharing protocols have been combined in the financial and aviation oversight agencies, to overcome the informal system of ad hoc manner of responding to systemic risks that limits proper mitigation.

5.4. Beneficial Ownership Reporting Compliance

A declarative nature of the current compliance burden continues to be impaired by the absence of an

algorithm-provable process certification of the corporate disclosure filing, which makes it possible to continue to file inaccurate or incomplete beneficial ownership claims. The shift to the compulsory, AI-based verification architecture is thus vital to make sure that the reported architecture is an economic truth, as opposed to formal adherence. This change requires the creation of industry-specific nodal agencies, possibly based in existing institutions such as the TRAI or TEC, to create a single mandate of reporting and auditing high-risk beneficial ownership information. This kind of change would be consistent with broader strategic objectives in emerging markets where complex integration of more sophisticated data analytics as well as the mode of inter-agency collaboration is needed to facilitate greater clarity and more intensive regulatory surveillance.

6. Strategies for Enhanced Transparency and Control

In order to close the transparency gap that prevails, India needs to transform, through moving beyond the flat disclosure requirements, to a dynamic, consent-plus, architecture, with an accent on fiduciary responsibility and data verification in context. This solution will involve adoption of a single, blockchain-based registry that will guarantee immutable audit trails and thereby reducing the information collection vulnerabilities and verification shortfall frequently mentioned among international regulatory standards. Also, the deployment of strong RegTech might allow authorities to institute automated algorithmic auditing, which would be strong to withstand the more advanced obfuscation strategies, in turn used by complicated, cross-jurisdictional corporate chains.

6.1. Strengthening Regulatory Frameworks and Enforcement

To harmonize these liquidity control requirements with the global best practice, it is necessary to enhance the independence of supervisory bodies to alleviate the weaknesses in corporate governance, especially in state-owned banks. With the help of AI-driven analytics to track anomalies in transactions, these entities will be able to identify trends that could become indicative of illicit layering, thus changing the regulatory paradigm of periodic reporting to ongoing real-time controls. Moreover, the incorporation of federated learning models may facilitate joint, privacy-sensitive intelligences regarding nodal agencies, avoiding the insular view of data, which is currently disabling resilient AML structures. Furthermore, the conventional key to achieving the constitutional balances between transparency rights and privacy rights would be the inclusion of an independent oversight bureaucracy and judicial experimentation through the establishment of protective disclosure systems.

6.2. Leveraging Technology for SBO Identification

By enabling the integrity of the blockchain-based ledger systems, the flow of funds and the ultimate beneficial

owners can be detected with greater detail by creating an immutable and real-time audit trail of corporate shareholding. Also, by implementing privacy-protected KYC systems based on zero-knowledge proofs, authorities can both confirm an identity and ownership ownership commitments without disclosing sensitive information related to finances, thus balancing the need of transparency with provisions of privacy. Finally, such sophisticated cryptographic measures would make sure the Indian regulations are defect-aligned to the international standards of good care, and the declarative reporting has been gone to the evidence-based approach to control identification.

6.3. International Cooperation and Information Exchange

India should increase its engagement in international information-sharing platforms like the Common Reporting Standard by bilateral treaties that clearly require the reporting of beneficial ownership information to entities that operate in high-risk locations. Such agreements cannot be limited to purely tax-based data exchanges, but rather should seek to establish actual real-time intelligence loops, so that investigators are given the ability to track complex corporate layering across opaque legal frameworks. By institutionalizing these collaborative arrangements, India will be able to eliminate the jurisdictional arbitrage that presently is used by actors to disguise who the true controllers are behind transnational corporate veils of multi layers. In addition, a centralization of domestic Politically Exposed Persons lists management and supported with international mutual recognition arrangements would improve the accountability of these cross-jurisdictional net boxes and assure that the operations of the FIU are normalized as per the high standards of the FATF.

Conclusion

India is at crossroads where cryptographic monitoring and strict inter-jurisdictional data setting is necessary to counter the structural networks of beneficial ownership. Through the synergies of India Stack and the growing distributed ledger efforts the country can create a global standard in cryptographic transparency that anticipates financial fraud and creates trust between international investors. Moreover, the DPDP Act and the Data Empowerment and Protection Architecture should back this transformation so that management of financial data is well robust, compliant, and privacy-focused to carry on the expansion of governance of the digital infrastructure in India. It is all in these technological improvements with reformed intelligence-led regulatory orientation that a successful cross-jurisdictional chain of SBO risks will be mitigated in the future. This kind of transition also requires a change towards predictive enforcement in which vulnerable systems are being corrected before they can be exploited by parties that are involved in offshore capital flight. The next round of the research should focus on the empirical verification of these algorithmic frameworks on large-scale, anonymized corporation datasets to get the

sensitivity of anomaly detection models down to a narrower parameter space. Additionally, the opportunities presented by on-chain accounting and integration of digital currencies is a distinct avenue through which India can formalize mathematical proofs of enforcement and, in the process, discourage financial fraud at the systemic scale. As a result, this development has to incorporate subtle regulatory compliance approaches that take into consideration the dynamics of the Indian financial ecosystem, which is unique so that decentralized innovations are consistent with national security requirements and consumer protection. Here, the initiative of the Securities and Exchange Board of India to compel the usage of blockchain in its ecosystem of services is another step towards the required audit transparency. Nevertheless, the effectiveness of such technological implementations is still dependent on the elimination of inherent contradictions between the requirements of transparency that are incorporated in the Digital Personal Data Protection Act, 2023, and the need to subject corporate disclosure to specific control. Future research should thus question the nature and way in which these emerging distributed technologies are being discursively deployed by various organizational agents, so that the strategic re-scripting of the concept of blockchain by the Indian state is aligned to other forms of democratic control.

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