



## Article

# Navigating the SBO Framework under the Companies Act: A Critical Analysis of Compliance and Enforcement Mechanisms

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**Abstract:** This paper presents a critical analysis of the effectiveness of Significant Beneficial Owner framework as integrated in the Companies Act- the design, implementation and the effectiveness of compliance and enforcement processes. The discussion goes into the complexity of the tension between promoting corporate transparency and alleviating the practical weight of the disclosure, especially with regards to identifying ultimate beneficial owners that are not necessarily placed on the books. This policing drive towards a higher transparency, particularly after major financial scandals, highlights the inter-global struggle of fighting illegal financial movements through revealing the real beneficiaries of corporate frameworks. The advantage of these registered beneficial ownerships has been embraced globally as an effective tool to enable a competent government via rapid access to vital information with the presence of adequate resources and investigative capabilities. In spite of such developments, the continued absence of harmonization in the definition of a beneficial owner and existence of national central registers between jurisdiction still pose major concerns to the overall effectiveness of such systems. The paper will thus analyze the unique compliance challenges of the entities operating in the UK, with an analysis of how the Persons of Significant Control register, the Trusts Registration Service, and the recently introduced Register of Overseas Entities interact. This analysis will be carried to a comparative analysis with the international standards, especially those, which have been pursued by the Financial Action Task Force, to determine the contribution made by the UK in the global war against financial crime by means of an increased transparency.

**Keywords:** Affordable housing; urban governance; land law; institutional coordination; housing regulation

## INTRODUCTION

A modern day pillar of corporate governance, the beneficial ownership framework popularly referred to the SBO framework, is intended to promote transparency and push back against illicit financing practices. It particularly seeks to name the natural individuals who ultimately own or control a corporation unless their names are written down specifically in official books, thus filling the gaps of history that facilitated opaque ownership. This Reviews is a critical analysis of the efficacy of SBO structure under the Companies Act with reference on systems that have been put in place to enforce and secure compliance on compliance practicality, specifically with the registration and verification of information on ultimate ownership interests. The success of these registers in preventing financial crime depends upon their capability to offer effective authorities with direct and quick entry to correct proprietorship information, which essentials robust resource base and the ability to survey as uploaded

information. But continued concerns with issues of data accuracy and verification data, exemplified through the UK issues surrounding beneficial ownership data, brings up the imperative as a major hindrance to the wholesome achievement of these goals, notwithstanding the intent to deal with these issues by reforms. In fact, the introduction of friendly ownership registries is an important measure, but their effectiveness is considerably limited unless the government is well able to track and trace suspicious transactions, as well as to impose strict penalties in case of failure to do so. The absence of uniform financial fines and the low frequency of legal action against non-compliant parties by national supervisory organizations contribute to these deficiencies in enforcement, as is the case in other European Union member states. It is this shortcoming that makes the ability of such structures to nurture financial transparency a limitation indeed and that further developments of transnational legal frameworks

is warranted to curb legal vehicle malpractices at the global level. This is also complicated by the very nature of beneficial ownership transparency in which the difference between information that is available, and owned by the state, and information that is truly publicly owned, albeit containing some error, tends to negate the intended purpose of such registers. To make things worse, the private sector, and especially financial institutions, are frequently flummoxed by the complex procedure of gathering full positive ownership data, especially where faced with byzantine, multi-jurisdictional shareholding practices and the determination of politically exposed persons or dubious legal entities. Globally registered data infrastructure would be of immense benefit in helping both the players in the private sector to meet compliance requirements and the governments to trace the finance crime such as money laundering, corruption, and tax avoidance. The lack of a community expectation that states should capture beneficial ownership at the time of entity establishment further exacerbates such problems, conferring an atmosphere in which lawbreakers can hide their identities both through law enforcement agencies and financial institutions. This regulatory loophole has allowed shell companies, most of which are started with limited and little to no attention, to flourish, and subsequently act as proxies in facilitating illegal financial transactions, making the process of tracking and attaining beneficial owners of financial offenders even harder. It is further complicated by the complexity of shell companies, trusts, and foundations that do not tie assets to their actual holders, allowing offshore banks to pretend that they do not have any clients in particular jurisdictions, making it harder to find initial beneficial owners. This lack of revealing is also very disastrous considering the fact that the key financial hubs of the UK, Europe, USA and Asia in most cases assist in such corporate veils and as such, end up supporting illegal money operations instead of fighting it.

## 2. Conceptual Framework of Beneficial Ownership

Determining beneficial ownership has become a critical transparency condition and distinguishes between the natural person who will ultimately benefit or control an asset and the nominal legal owner. This type of difference is essential in interrupting illegal funding operations, bribery, and tax offenses that use shroudy proprietaries of ownership associations to register the real proprietors of the company associations and financial tools.

### 2.1. Defining Beneficial Ownership

The conceptual challenge of providing beneficial ownership is based on the complex and sometimes deliberately obscure corporate arrangements that are done so as to hide actual ownership, often based on heavy reliance on nominee shareholders and complicated intercompany ownership arrangements used in more than one jurisdiction. This is also complicated by the fact that the legal definition and reporting thresholds vary among different national frameworks, providing a way to arbitrage regulations and rendering the history of ultimate beneficial owners difficult to consolidate. In particular, the lack of clarity of the definition of the term

of beneficial owner may be a loophole on its own since ambiguity leads to further obscurantism to hide the real owner behind, especially in cases in which the disclosure thresholds of the same are exceedingly high. An example is thresholds of 25% ownership or control, as taken over by certain jurisdictions, which can effectively facilitate beneficial ownership holders to reorganize to be beneath disclosure rules, disrupting the goal of transparency. These wide definitions of beneficial owners have traditionally created differences in understanding, especially in cases that concern international legal norms such as tax treaties, where the term was first introduced due to purely commercial reasons and not necessarily to reap benefits.

### 2.2. International Standards and Best Practices

The push towards improved corporate transparency on a global basis has seen the emergence of international standards to strengthen beneficial ownership disclosure, and organizations such as the Financial Action Task Force have revised their recommendations to combat the concealment of beneficial ownership of legal entities. These recommendations normally suggest that those that finally own or control an asset, or in this case a company, are identified directly or indirectly. Such attempts seek to access multi-strata company frameworks and find the natural individuals who end up benefiting, which has been difficult by the different legal regulations and the rising cost and intricacy of identification procedures. But still the lack of a widely agreed definition of a beneficial owner and the fact that some national definitions are varied can frequently lead to major obstacles in setting up total beneficial ownership registers, especially when the controlling party is a legal person as opposed to a natural person. Such cross-border variations in the definition of acceptable standards and reporting requirements under national laws as illustrated by the Companies Act 2016 and the Anti-Money laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act in Malaysia bring serious ambiguity in the mind of compliance professionals.

### 2.3. Rationale for SBO Regulations

The main justifications behind the SBO regulations laws are to alleviate cases of abuse of corporate vehicles through illegal practices by creating a direct line of responsibility and ownership. These rules seek to prevent money laundering, terrorist and other financial crime by effectively discouraging the transfer of natural persons who are the ultimate beneficiaries or controllers of the legal entities thereby enhancing integrity of the financial system and countering corporatism. This greater visibility is meant to give regulatory authorities and enforcement agencies the leverage they need to follow illicit money and infiltrate individuals using corporate formations to conduct illicit activities [2]. Moreover, these regulatory frameworks enhance international cooperation by availing a standard mechanism of exchanging beneficial ownership information, which is essential in interdicting transnational economic crimes. Although these efforts have been made, it is significantly difficult to practically implement, as one of its main issues is that the cost of successful compliance is a significant barrier to minimizing the needs of

transparency with privacy and verification concerns, due to existing restrictive laws on banking secrets.

### 3. The SBO Framework under the Companies Act

Article 56 of the Companies Act 2016 of Malaysia requires that any beneficial ownership be disclosed and this is done by keeping benefit owners registers and it helps to better understand the company by providing better transparency. Such legislative regime is aimed at meeting international anti-money laundering and counter-terrorism financing requirements, yet its practical implementation is often met by numerous challenges like: incomplete, or insufficient beneficial ownership database and the continuing misunderstandings by the idea or protocol of Know Your Customer or KYC [3].

#### 3.1. Key Provisions and Requirements

The intrinsic problems of implementation supersede issues of the compliance of corporate gatekeepers, such as company secretaries, who do find difficulties in comprehending their responsibilities and meeting them in the state of anti-money laundering regime. It is complicated even more by the fact that in various statutes there are differences in legal definitions and reporting thresholds, which raises significant concerns about the need to harmonize legal positions in order to provide consistent enforcement and compliance [4]. As an illustration, regulatory structures exist in form of the Financial Services Act 2013, as well as the Anti-Money laundering, Anti-Terrorism Financing and Proceeds of Unlawful activities Act of 2001, though, there seems to be a significant change existing between policy compliance and actual knowledge of front line banking officers. This gap highlights the significance of tighter training and better guidelines in order to fit the difference between intent and practice in determining beneficial owners who might be intentional in hiding their identities [5]. These challenges are further compounded by the disjointed nature of the regulatory environment, with different definitions of the concept of beneficial ownership across different pieces of Malaysian law, and when such a law does exist, this definition remains fairly vague and thus lacks effectiveness as an effective enforcement measure.

#### 3.2. Identification of Registrable SBOs

The issue that remains legal is how a clear differentiation between legal and beneficial ownership can be made between legal ownership, which is frequently that of the registered shareholder, and beneficial ownership that is an individual(s)- or individuals- who are at the end of the day control or benefit the economic position of a company despite what is formally legal title. This is essential in fighting financial crimes because there is advanced illegal financial systems that often use legal frameworks and trusts to hide identity of the real benevolent proprietor. Although the existing regulatory regime in Malaysia is directed at coordinating this by targeting at determining ultimate beneficial owners, the real-life enforcement remains challenging by the unavailability of full and precise beneficial ownership information. The nature of some company structures being opaque, and the deliberate obfuscation of some

valuable owners information by bad actors, contributes immensely towards the poor quality of information of beneficial ownership available in regulation, frustrating efforts of regulatory measures. This reiterates a longstanding problem of regulatory compliance whereby the intentional concealment of an ownership beneficial information under the guise of jurisdictional arbitrage and the vagaries of international company law is common to conclude the resulting avoidance and escaping of responsibilities.

#### 3.3. Reporting Obligations and Deadlines

Firms are required to file a report containing the disclosure of their beneficial ownership with the regulatory bodies before specified timeframes and failure to do so may be subject to very high penalties. This aggressive reporting is intended to enhance increased transparency, but the trade-offs of such reporting, particularly in the context of an interlocking international company ownership, are continuing to form a formidable challenge [6]. These commitments are frequently undermined by the inconsistency of legal definitions regarding beneficial ownership that may impose a disjointed and unequal application in various jurisdiction and fields and thus provide loopholes to be exploited. These discrepancies may permit the perpetuation of opaque ownership methods with regard to illegal financial practices, which becomes influential given the controversial issues surrounding beneficial ownership registers in other global jurisdictions, the UK and the Seychelles. Furthermore, the fact that a universally harmonized definition of a beneficial owner does not yet exist and there is also a significant amount of variation in how beneficial ownership transparency initiatives are applied by countries, due to the differences in understanding of the terms ultimately owns and controls, risks affecting the effectiveness of the beneficial ownership transparency agenda across the globe.

#### 3.4. Exemptions and Exclusions

This inconsistency in defining and identifying the beneficial owners worldwide can be a hindrance to the capacity of both the private and governmental body in collecting and verifying the needed information effectively, thus, packaging financial crimes. More so, the 25 percent share ownership, which is frequently used as a measure of control through indicative means, can be used as a mechanistic tool by bound parties, and may fail to detect the actual beneficial owner following a thorough evaluation. The complex ownership structures around this threshold approach may be avoided by structuring ownership in a complex manner, especially in jurisdictions where financial transparency is weak, and malicious actors may find it tactical to divide ownership in a complex manner so as to be below the detection limits.

### 4. Compliance Challenges and Facilitators

Successful compliance depends on the necessity to deal with a number of inherent challenges, such as the inherent ambiguity of quantifying the reporting requirements, and the much heavier burden of reporting actors to correctly record and disclose beneficial ownership data [7]. This is complicated by the fact that

different jurisdictions have differing legal frameworks that frequently include different definitions and thresholds of useful ownership, complicating the process and raising the cost of identification. In addition to that, the multifaceted levels of money transactions in an internationalized system add to the glory and it is tedious to trace the ultimate origin and flow of money and also to support the perpetration of illegitimate actions.

#### **4.1. Challenges in SBO Identification and Verification**

The main difficulty with SBOs identification is the intentional obfuscation of hands by more advanced types of financial crime perpetrators, who often rely on shell companies and elaborate corporate shells to cover their tracks and hide their criminal operations. This is also not helped by the fact that definitions of beneficial ownership across international borders have not been harmonized and this has presented arduous jurisdiction opportunities and deterred information exchange across borders critical in implementation of the verification process. The natural challenges of verifying beneficial ownership is further complicated by a lack of an inter-agency coordination and a centralized, accessible registry capable of cross-referencing that data among multiple national and international sources. The challenges also are compounded by having low thresholds in beneficial ownership identification in parts of the world, like a 10 percent capital or voting rights test, which creates a very large number of people who must be identified, especially where ownership is diffuse or pyramidal [8].

#### **4.2. Administrative Burden on Companies**

The sheer amount of paper work and rigorous due diligence involved to meet SBO regulations places a heavy administrative and financial strain on businesses particularly small and medium-sized businesses, which usually have no special resource to wade through the complicated conditions. This burden is not only increased by the companies going international and operating in more than one jurisdiction that might have relatively different beneficial ownership reporting requirements and regulatory interpretations, but also an effective, flexible internal compliance regime needs to be built. In addition, inadequate resources and analysis capacity in financial intelligence units and other capable authorities also tend to hinder proper processing and analysis of the mass volumes of valuable ownership data, thereby restricting their capacity to detect and stem financial offenses. These systemic failures, in conjunction with the lack of an international framework in sharing Know Your Customer information, pose serious barriers to the success of timely and proper identification of beneficial owners [9].

#### **4.3. Role of Professional Advisors in Compliance**

Taking into consideration the sophisticated framework of rules and regulations, professional advisors are now playing a greater role in assisting businesses to navigate their way in the mazes of SBO identification and disclosure by adhering to the anti-money laundering and counter-terrorist financing policies. They are pivotal in their ability to interpret subtle legal conditions especially

in jurisdictions having evolving beneficial ownership registries and the development of effective internal controls to reduce risks that are involved with opaque corporate structure. These experts play a critical role in negotiating the complexities of pyramidal businesses and nested legal persons, which may present a highly difficult task of determining ultimate beneficial owners, and in many cases, the specialization of corporate entities [8].

#### **4.4. Technological Solutions for Compliance Management**

The introduction of RegTech applications creates good prospects of harmonizing the compliance operation, using the artificial intelligence and blockchain to auto-gather data, increase the accuracy of verification, and keep the records of beneficial ownership changes up-to-date. Such technological innovations can greatly decrease the overhead on the companies and regulators through the provision of real time information on the ownership structures as well as the detection of the red flags that may be a pointer to illicit financial operations. Nevertheless, the successful implementation of such technologies requires the resolution of issues concerning data interoperability, meeting the standards in various regulatory settings, and the consistent adjustment to more advanced techniques of obfuscation utilized by criminal organizations. Moreover, the lack of enthusiasm among national regulators to adopt new innovative solutions that have the potential to make pan-European Know Your Customer processes more uniform and fast also obstructs the successful implementation of these technologies within current compliance tasks [10].

#### **5. Enforcement Mechanisms and Effectiveness**

The implementation of SBO laws is the key to preventing unwarranted financial practices and promoting transparency in the corporate system, which requires a powerful system of fines, regulative control, and the collaboration with other countries. Such a structure should include stiff penalties on non-compliance, coupled with aggressive supervisory interactions to assess compliance and detect systemic vulnerabilities.

##### **5.1. Penalties for Non-Compliance**

Case law non-compliance with SBO rules is normally met with heavy ones, personal liability on directors, and, in extreme situations, criminal actions, thereby intensifying the legal necessity to follow it to the letter of the law. Such disciplinary action is to inculcate a culture of transparency and accountability especially following the growing suspicion surrounding corporate governance and financial integrity. In addition, the effectiveness of such penalties depends in many cases on their regular use and the ability of regulatory authorities to identify and successfully prosecute violation. Regardless of such efforts, inherent weaknesses in the establishment of beneficial owners remain, often caused by acts of fraudulent representation of senior management by legal persons as beneficial owners [11].

##### **5.2. Regulatory Oversight and Audits**

Regulatory bodies utilize various tools of supervision, such as regular audit, special inspection, as well as data

analysis, to determine compliance criteria with SBO requirements and determine the verisimilitude of reported beneficial ownership information. This control is essential to detect inconsistencies and cases of intentional obfuscation, which tend to be reinforced by sophisticated legal structures that evade requirements of transparency. In more recent developments, the greater emphasis on policing can be observed, as the regulatory authorities are progressively meting out substantial civil monetary fines on the violations of the anti-money laundering laws, indicating a strategic shift towards punishing the violations through harsher penalty arrangements [12]. The efficiency of these sanctions depends not only on their rudeness but also on their regularity and impartiality of the judicial and regulatory institution, as well as constant monitoring and updating to meet the new subterfuge in the financial sector.

### 5.3. Case Studies of Enforcement Actions

Discussion of particular enforcement measures shows that regulatory authorities take different methods including a fine to obligatory remedial action, which means compliance control is flexible. The cases studies tend to highlight the intricate nature of establishing beneficial ownership evasion and the legal tussle that may follow particularly when it is an international case. These cases often outline the problem with extraterritorial jurisdiction and the necessity of the improved collaboration between the countries regarding its regulation to successfully break the illicit financial networks. Moreover, the efficacies of such enforcement initiatives are regularly questioned in relation to their capacity to disclose the actual owners of the illegal riches, thereby solidifying the necessity of powerful advantageous ownership disclosure provisions. This urgency is especially relevant given the actions of the courts that have reduced the measures that help the population obtain beneficial ownership information, compelling them to resort to other methods to guarantee the transparency without infringing on the privacy measures [13].

### 5.4. Cross-Border Cooperation in Enforcement

Due to the cross-boundary factors of a financial crime, cooperation of regulatory and law enforcement bodies on a global level is essential in the efficient following of beneficial ownership across borders and criminalizing perpetrators of financial offenses. This collaboration is important as a way of addressing the obstacles that may arise because of differences in legal systems, data protection laws, and the complex use of offshore companies to hide the ultimate beneficial owners. This kind of cooperation tends to need information exchange arrangements, coordinated investigation, and mutual enforcement methods to break highly organized money laundering groups and destroy terrorist money trading to fight the vice. The growing use of sophisticated AI compute requires government enforcement teams to take personal investigations and spot checks into companies so to assure compliance especially with the information and expertise asymmetry between providers of technologically powerful compute and those at the emerging government regulatory skills. This active government involvement is essential to reducing the

threat posed by the obscurity of sophisticated computational procedures and to maintain that advances in technology will not unwillingly provide fresh venues of unlawful financial dealings. This highlights the importance of strong inter-global collaboration to build universally relevant standards and rules to oversee and regulate AI-based financial systems, so that a concerted roster in curbing financial crime presents a common face against financial crime in more and more digitalized global economies. This involves taking advantage of mutual legal assistance treaties and developing public-private collaboration to improve information dissemination and coordination among international actors, improving their capacity to monitor and disorient transnational criminal groups using cryptocurrencies [14].

## 6. Impact and Outcomes of SBO Framework

The above discussion has explained the complexities of compliance and enforcement in the SBO framework and its strengths and kerosine weaknesses, which it still lacks in material approaches. Although these frameworks have made principal progress in regulatory refinement, transferring to real practice continues to pose challenges, especially in terms of harmonising standards across borders and the transformative avoidance system adopted by illegitimate participants.

### 6.1. Enhancing Corporate Transparency

The SBO framework, requiring the public disclosure of ultimate beneficial owners, should not only demystify the nature of complex corporate structures it should also reduce the risks posed by anonymous shell companies which are commonly used to conduct illegal financial operations. This added transparency will be invaluable in helping expose financial crimes, like money laundering and terrorist financing, giving the law enforcers and those responsible regulatory organizations a better understanding of the real economic beneficiaries of corporate entities. Such proactive disclosure mechanism is also the basis of the moves to reinstate corporate governance credibility and transparency through the accountability of politics and the minimization of chances of corruption and illegal enrichment [15].

### 6.2. Combating Financial Crime and Illicit Flows

The incorporation of the technologies of artificial intelligence and machine learning is becoming more seriously considered an essential facilitator in the fight against financial crimes, and it provides highly developed opportunities to detect complicated patterns, deviations, and concealed connections that assume the existence of illegal activities. Through advanced algorithms, these technologies are able to process huge amounts of data in order to identify dangerous transactions and networks which would otherwise remain unknown and contribute immensely to the anti-money laundering and counter-terrorist financing processes. Besides, the perceived anonymity of cryptocurrencies can be defeated by tracking transactions down and charting the movement of funds, and by relating them to the real world to intervene and freeze assets. This combination of sophisticated analytics and regulatory measures such as SBO is important towards

one integrated compliance operations framework, coordinating anti-money laundering, environmental, social, and governance criteria, and monitoring of transactions to improve risk management and regulatory reporting [16].

### 6.3. Impact on Investment and Business Environment

The increased transparency and diminished financial crime due to well-developed SBO structures can have a positive impact on the investment and business environment because of added trust and predictability. By discouraging illegal financial transfers and encouraging corporate responsibility, these structures draw in legitimate investments and hone a reputation of an area that does business in an ethical manner, which may ultimately make capital less Hungorous and market work more efficiently. On the other hand, lack of strict SBO policies may scare-off foreign direct investment owing to increased sense of corruption and financial instability which will cause flight of capital and slow down economic growth. Furthermore, as a governance mechanism, blockchain technology has the potential to promote corporate transparency even further, with its immutable, decentralized documentation of transactions offering trustworthiness to all involved parties and providing a real-time view of the financial data. The technological combine with its inbuilt attributes of transparency and immutability have a tremendous contribution to the prevention of financial offence such as money laundering and terrorist financing, and potentially tackling issues of corporate governance [17].

### 7. Critique of the Current SBO Framework

Although the benefits have been identified, the existing SBO frameworks usually grapple with issues like the jurisdiction arbitrage, whereby opaque ownerships in one of the jurisdictions overshoot transparency initiatives in another jurisdiction. Also, the legal gaps, privacy, and verification issues that comes with central lists of beneficial owners make them even less effective in terms of realizing full corporate disclosure [18].

#### 7.1. Gaps and Ambiguities in Legislation

There is a major weakness in the lack of uniformity in definition of beneficial owner in various national legislations, which results to regulation loopholes that advanced criminal elements have taken advantage to conceal their identities and business operations. These definitional variations allow the strategic organization of ownership in terms of multiple jurisdictions, practically making the full disclosure either difficult or allowing to avoid disclosure regulations. Also, a lack of international standardized data sharing and cross-border-related agreements do not help address these issues, making them harder to enforce in combating transnational illicit finance [19]. The nature of global financial networks complicates beneficial ownership disclosure requires an integrated solution to their due to the inactivity of a single global standard, which perversely opens the regulatory arbitrage route and wets continuation of illegal financial business practices. To redistribute those links, it is essential to not only find a global agreement on what goes in a beneficial ownership but to also design interpretative data systems and mutual legal assistance regimes that will help in the equitable exchange of

information in jurisdictions when the need to do so arises.

### 7.2. Practical Implementation Issues

Implementation of the SBO frameworks is usually impaired due to the administrative challenge of reporting entities especially the small and medium-sized corporations to provide the information of the beneficial ownership correctly and reliably verified [20]. This is exacerbated by the fact that establishing beneficial ownership often uses multi-layered corporate organisational structures and nominee systems which then make it difficult to conduct the due diligence of the situation, which could be quite time-consuming and error-prone [17]. Furthermore, the technological constraints of tracking and monitoring transactions involving cryptocurrency, and in particular those in decentralized finance systems, add further complications to the process of establishing beneficial ownership in cases involving digital assets. The quality and verification of beneficial ownership information is also a crucial issue, and insufficient resources and enforcement options frequently compromise the effectiveness of central registers on preventing financial crime.

### 8. Conclusion

This general discussion has critically developed the SBO framework in the Companies Act, and emphasized not only the central importance of such a framework in improving corporate transparency and preventing financial illicit practice, but also presenting how it has widespread issues in practical implementation and harmonization by legislature. It reiterates the need to have a strong globally coordinated response to beneficial ownership registration as way to adequately curb financial crimes and enhance the integrity of the global financial system. To do so, the long-standing problem of inconsistencies in definitions shall be resolved, the accuracy and availability of valuable ownership registers should be increased, and more cooperation between different countries should be established to reduce arbitrage in jurisdiction and illegal financial flows. One of the elements of this harmonization is to formulate standard information sharing criteria and the correctness of data in beneficial ownership registers which is currently obstructed by the uncertainties in defining beneficial owners and the absence of standardized reporting. This involves working on the issues of incorporating reporting within the current systems and also dealing with the issues of making the reporting requirements the unnecessary burden to the companies. Moreover, the efficiency of these structures is undermined by the low ability of the parties involved in the private sector to examine complex, multi-jurisdictional stockholding arrangements, which can oftentimes mask ultimate beneficial owners. In fact, the trust of self-reported information in much SBO regimes in the lack of a strong mechanism of independent verification of the information tends to be submitted false or incomplete, further undermining transparency which is the much needed result in transparency these systems. The case of the system in the UK, where much of its functionality is currently a passive consumer of information rather than a proactive entity with the

capacity to verify data, is a reason why such a serious reform is required to make sure there are no loopholes and that there is a readily enforceable unit that would enforce its policies. Thus, to achieve a paradigm shift towards a more proactive, risk-based method of UBO identification, the concept of the former ought to become the process of collecting data but realizing the strategies of exploring the complex web of ownership structure and seriously checking a reported data. It involves the exploitation of state-of-the-art technology-based solutions, as well as nurturing the creation of the public-and-private flexibilities, to improve verification procedures and to defeat the obstacles created by high levels of obfuscated measures.

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