

Cameroon: Beneficial Ownership in 2023

April 2023

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1. Introduction

In January 2023, Cameroon introduced an obligation for legal entities to declare beneficial owners as part of the Finance Law for the 2023 fiscal year. This briefing examines how this law furthers Cameroon’s journey to full beneficial ownership transparency. At the same time, the briefing points out loopholes and gaps that need to be addressed if Cameroon is to effectively use beneficial ownership transparency as a tool in tackling illicit financial flows related to tax evasion, the financing of terrorism, money laundering and corruption.

Further, the implementation of such a framework is aligned with global trends towards transparency. As our research shows, as of May 2022, out of 141 countries analysed, 97 had already enacted laws that require the registration of beneficial ownership with a government authority.¹ These reforms are rising fast up the policy agenda because of the potential of ownership transparency to prevent and counter illicit financial flows. These flows include the cross-border transfers of money from or for tax evasion, corruption, money laundering and the financing of terrorism.

The briefing, prepared by the Centre Régionale pour le Développement Endogène et Communautaire (CRADEC) and the Tax Justice Network, establishes the case for beneficial ownership transparency (section 2), what beneficial ownership transparency is (section 3), the status in Cameroon (section 4), and future and further improvements (section 5). A checklist of effective beneficial ownership transparency is included in the Annex, based on the Tax Justice Network’s Roadmap for Effective Beneficial Ownership Transparency.²

2. The case for beneficial ownership transparency

Setting up or strengthening the beneficial ownership framework so that it is effective is important in Cameroon. Beneficial ownership transparency is a fundamental tool in tackling financial resources that are taken from the African continent through illicit means. According to the State of Tax Justice 2021, published by the Tax Justice Network, Cameroon loses US\$315.6 million in potential tax revenue annually, due to corporate tax abuse and tax evasion by wealthy people.³ This sum can only be recovered if the administration can clearly identify the beneficial owners of assets and financial flows that should be subject to the Cameroonian jurisdiction. In addition, in its 2021 report, the National Anti-Corruption Commission estimated that losses from corruption

¹ Andres Knobel and Florencia Lorenzo, *Beneficial Ownership Registration around the World 2022* (December 2022) <<https://taxjustice.net/wp-content/uploads/2022/12/State-of-Play-of-Beneficial-Ownership-2022-Tax-Justice-Network.pdf>> [accessed 16 December 2022].

² Andrés Knobel, *Roadmap to Effective Beneficial Ownership Transparency (REBOT)* (7 February 2023) <<https://taxjustice.net/wp-content/uploads/2023/02/Roadmap-to-Effective-Beneficial-Ownership-Transparency-Version-1-2023.pdf>> [accessed 8 February 2023].

³ Global Alliance for Tax Justice, Public Services International, and Tax Justice Network, *The State of Tax Justice: 2021* (16 November 2021) <https://taxjustice.net/wp-content/uploads/2021/11/State_of_Tax_Justice_Report_2021_ENGLISH.pdf> [accessed 7 May 2022].

amounted to CFAF 17.6 billion (US\$26 million).⁴ Both these figures reveal just the tip of the iceberg because quantifying the amounts lost to tax abuse and corruption is notoriously difficult.

In Africa, a key milestone was the African Union and UN Economic Commission for Africa's publication of the High-Level Panel Report on Illicit Financial Flows out of Africa in 2015, which established beneficial ownership transparency as a key tool in the fight against illicit financial flows.⁵ Indeed, Africa and Cameroon's future relies on ensuring revenue is available to finance development. This was reaffirmed by the UN High Level Panel on International Financial Accountability, Transparency and Integrity for Achieving the 2030 Agenda (FACTI). In their landmark report, launched in 2021, the FACTI panel highlighted that “[i]llicit financial flows (IFFs)—from tax abuse, cross-border corruption, and transnational financial crime—drain resources from sustainable development. They worsen inequalities, fuel instability, undermine governance, and damage public trust. They contribute to States not being able to fulfil their human rights obligations”.⁶

More countries are adopting beneficial ownership transparency rules. By 2022, 97 out of 141 jurisdictions assessed by the Tax Justice Network's Financial Secrecy Index had laws requiring beneficial ownership to be registered with a government authority.⁷ In Africa, at the start of 2023, 23 of 54 African countries have a law, and more than half have made commitments to disclose publicly the owners in specific sectors (extractive industries and public procurement for IMF-financing for the Covid-19 response).⁸ Although this is an important development, no country achieves full transparency in this assessment, and even countries with robust beneficial ownership frameworks still have a lot to improve. Therefore, until all countries register beneficial owners in a comprehensive manner, there is elevated risk of finances and assets being moved out of sight of government authorities, which is why it is imperative Cameroon has a watertight framework and implementation.

Cameroon has been seeking to increase its tax revenues for several years. According to statistics on country revenues published by the Organisation for Economic Co-operation and Development (OECD), the tax to GDP ratio in the country was only 14.2% in 2020.⁹ This is two points lower than the average of the 30 African countries analysed by the study. Yet, instead of pursuing policies to close the loopholes that allow the wealthier sectors of society to abuse tax,

⁴ Yannick Kenne, 'L'Etat du Cameroun a perdu plus de 17 milliards en 2020 à cause de la corruption', *EcoMatin*, 23 September 2021 <<https://ecomatin.net/letat-du-cameroun-a-perdu-plus-de-17-milliards-en-2020-a-cause-de-la-corruption/>> [accessed 18 January 2023].

⁵ African Union Commission and United Nations Economic Commission for Africa, *Illicit Financial Flow: Report of the High Level Panel on Illicit Financial Flows from Africa* (2015) <https://www.uneca.org/sites/default/files/PublicationFiles/iff_main_report_26feb_en.pdf> [accessed 8 November 2017].

⁶ United Nations FACTI Panel, *Financial Integrity for Sustainable Development: Report of the High Level Panel on International Financial Accountability, Transparency and Integrity for Achieving the 2030 Agenda* (25 February 2021) <https://uploads-ssl.webflow.com/5e0bd9edab846816e263d633/602e91032a209d0601ed4a2c_FACTI_Panel_Report.pdf> [accessed 25 February 2021].

⁷ Knobel and Lorenzo, *Beneficial Ownership Registration around the World 2022*.

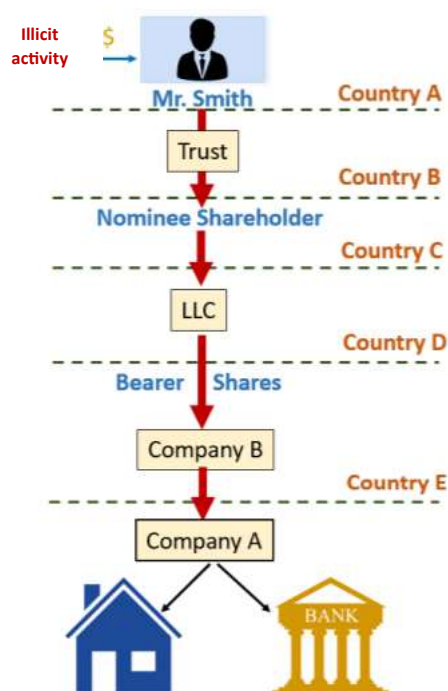
⁸ Rachel Etter-Phoya and others, *Beneficial Ownership Transparency in Africa in 2023* (Forthcoming).

⁹ African Union, African Tax Administration Forum, and Organisation for Economic Co-operation and Development, *Revenue Statistics in Africa - Cameroon, 2022* <<https://www.oecd.org/tax/tax-policy/revenue-statistics-africa-cameroon.pdf>> [accessed 18 January 2023].

the Cameroonian authorities have chosen to strengthen indirect taxes such as customs and especially the Value Added Tax (VAT). This regressive tax may deepen inequality as more than 40% of the population already lives on less than US\$1.9 a day.¹⁰

Cameroon has made commitments to publishing beneficial owners. The country, as an oil producer and holder of mineral wealth, is part of the Extractive Industries Transparency Initiative (EITI), an international body that sets standards on transparency in the extractive sector. The EITI Standard requires implementing countries to disclose beneficial ownership information for extractive companies from 1 January 2021.¹¹ The Cameroonian government also made a commitment to disclose beneficial owners of companies contracted for Covid-19 related expenditure under IMF financing facilities.¹²

Figure 1. Economic activity through a complex system of legal vehicles



3. Understanding beneficial ownership

A **beneficial owner** is always a natural person who owns, controls, or ultimately benefits from a legal vehicle, but their identity can be obscured by various legal entities or structures. **Beneficial ownership** refers to all the beneficial owners of a legal vehicle. It can be a very challenging task to understand beneficial ownership because the natural person(s) (the actual living and breathing person) can own or control a legal vehicle in a number of ways, such as through shares, nominees, joint ownership arrangements, voting rights or other rights to make decisions or exert control.¹³ The longer the chain of legal vehicles and the more jurisdictions the entities span, the harder it becomes to work out who

controls each layer of legal vehicles and to identify the real owner at the top of the chain – e.g., to identify Mr Smith in Figure 1.¹⁴ When individuals use

¹⁰ World Bank, 'Cameroun | Data', 2023 <<https://donnees.banquemondiale.org/pays/cameroun>> [accessed 18 January 2023].

¹¹ Extractive Industries Transparency Initiative, 'EITI Requirements', *EITI*, 2019 <<https://eiti.org/eiti-requirements>> [accessed 2 December 2022].

¹² International Monetary Fund, 'Implementation of Governance Measures in Pandemic-Related Spending', 2022 <https://www.imf.org/en/Topics/governance-and-anti-corruption/implementation-of-governance-measures-in-pandemic-related-spending-may-2022#_ftnref2> [accessed 23 September 2022].

¹³ Global Forum on Transparency and Exchange of Information for Tax Purposes and Inter-American Development Bank, *A Beneficial Ownership Implementation Toolkit*, 2019, 8 <https://finance.belgium.be/sites/default/files/201903_OECD_IDB_BeneficialOwnershipToolkit_EN.pdf> [accessed 13 April 2019].

¹⁴ Global Forum on Transparency and Exchange of Information for Tax Purposes and Inter-American Development Bank, *A Beneficial Ownership Implementation Toolkit*, 5.

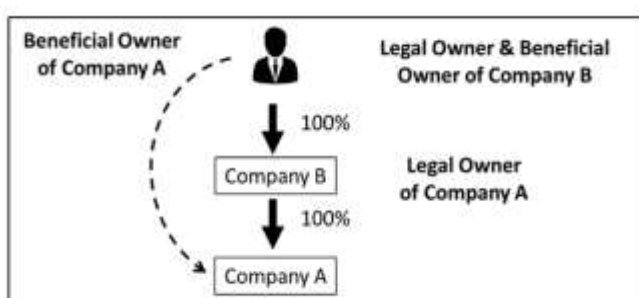


nominees or bearer shares, it becomes even more difficult to identify and verify beneficial owners.

It is also difficult to identify beneficial owners when the beneficial owner or their legal vehicles are resident in jurisdictions that do not have a public beneficial ownership register and/or are not party to automatic exchange of information agreements.

Figure 2. Legal and beneficial owner of a company

Figure 2 presents the difference between a beneficial and legal owner and how they sometimes may be the same person. Here, the legal owner of Company A is Company B, yet Company B is owned by a separate individual, who is both the legal and beneficial owner of Company B and the beneficial owner of Company A. This is an example of a simple ownership chain, but



if registration requirements in the country where this ownership chain is based were not comprehensive, the authorities may only know about

Company B as the legal owner of Company A and not know about Company A's beneficial owners. If Company B's ownership of Company A was set up by nominee directors (e.g., the beneficial owner's lawyers), the beneficial owner of Company A—the natural person—can remain hidden to the authorities. More legal vehicles and structures could be added to make an overly complex web of ownership. This could be set up across different jurisdictions, making it near impossible for a tax authority or public protector to track who is actually benefiting from the arrangement where beneficial ownership registration is not required.

Legal vehicles include both legal entities (such as companies limited by shares or guarantee and private foundations) and legal arrangements (such as trusts or similar). The **legal owner (LO)**, in contrast to the beneficial owner, refers to the direct or immediate holder or owner of a legal vehicle (the first tier). A legal owner may be a natural person (e.g., a nominee shareholder) or another legal vehicle. If a natural person directly owns and controls a legal vehicle, s/he would be the legal owner and the beneficial owner at the same time. While legal ownership registration (the first tier) cannot replace beneficial ownership registration (the last tier), both are necessary. Still, many countries fail to register even these legal owners or to require that such information be updated, such as in the case of a transfer of shares in a company, or the appointment of a new beneficiary of a trust.

A **legal entity** is used synonymously with legal person, juridical person, or legal body. It refers to entities that have legal personality and that may own assets, enter contracts, or use the court system under their own name. Trusts, in contrast, are not considered legal persons in some areas, especially in Common Law countries (although they may be considered to have legal personality in some

civil law countries). A **legal arrangement** is used synonymously with legal structure. The FATF refers to trusts as legal arrangements. There are some borderline cases falling between legal entities and arrangements.

Beneficial ownership registration for all legal vehicles is different from beneficial ownership in the context of due diligence for financial institutions, which is a requirement in most countries, including in Cameroon for banks and other designated financial institutions to collect information on their customers, including beneficial ownership information. Here, we are looking at whether legal vehicles must register their beneficial ownership with a government authority and whether this information can be accessed by all relevant stakeholders, including members of the public.

4. The state of beneficial ownership disclosure in Cameroon

Beneficial ownership registration for all legal vehicles is different from beneficial ownership in the context of due diligence for financial institutions, which is a requirement in most countries, including in Cameroon for banks and other designated financial institutions to collect information on their customers, including beneficial ownership information. Here, we are looking at whether legal vehicles must register their beneficial ownership with a government authority and whether this information can be accessed by all relevant stakeholders, including members of the public.

Beneficial ownership disclosure in Cameroon has undergone a meaningful change at the start of 2023, with the adoption of a provision in the Finance Law. Prior to this period, there were several legal frameworks addressing disclosure of beneficial ownership by legal entities, but it is with the 2023 Finance Law that the country has established a legal framework that allows for the systematic collection of comprehensive and up-to-date information on beneficial owners, although there are still significant areas of need improvement as outlined below. Further, implementation of the law is contingent on the development of “a separate instrument,” which by 28 January 2023, was yet to be published.

The Finance Law for the year 2023¹⁵ has included the following provisions:

- Legal persons as well as administrators of legal entities under Cameroonian or foreign law established in Cameroon, whether they are subject to corporate tax or personal income tax or not, must identify their beneficial owners and keep an updated register to this effect.
- Beneficial owners to provide legal entities with the information necessary to identify them.
- Legal entities must disclose to the tax authorities the information necessary to identify their beneficial owners, under penalty of a fine as provided for in Article L99 of the Book of Tax Procedures, within 30 days of registration and by 15 March of each year.

¹⁵ Section V, Article L8 Quinquies, Finance Act 2023, <https://www.prc.cm/fr/multimedia/documents/9449-loi-n-2022-020-du-27-12-2022>

This signals great progress and commitment on the part of the Government of Cameroon. However, there are several areas of improvement, which should specifically be considered both in designing the specific document that will outline conditions for implementation as well as future improvements to the law. Nevertheless, some information provided by the tax authorities and analysis of the non-legally binding Guide (*Guide de Mise En Oeuvre Du Standard Du Beneficiare Effectif Au Cameroun*) signed by the Ministry of Finance in October 2022,¹⁶ have given us an idea of how the implementation of this principle might take place in the future¹⁷.

Below, we consider the how effective the changes will be and what else needs to be in place to ensure beneficial ownership disclosure is effective. What does effective beneficial ownership transparency look like? The Tax Justice Network's Roadmap for Effective Beneficial Ownership Transparency includes 10 key aspects.¹⁸ These are considered alongside the current situation in Cameroon with the change in law.¹⁹

Defining the beneficial owner

For corporate entities: In the most effective form, every individual (natural person) who directly or indirectly has at least one share, one vote or any interest or right to dividends, profit or assets of a legal vehicle should be considered a beneficial owner, including if they have exposure to economic benefits based on financial instruments (eg convertible stock, put or call options, or contracts). Additionally, those with the right to appoint/remove at least one director should also be beneficial owners. Finally, those who exercise control via other means including influence or power of attorney to manage, administer, or represent the entity or any of its assets, or have influence or veto rights over the administration, disposition or use of income or assets, including the management of bank accounts, should be considered beneficial owners.

For trusts and private foundations: In the most effective form, all parties to the trust/foundation, including the legal and economic settlors or founders, protectors/enforcers, trustees/foundation council members and beneficiaries, and any natural persons with effective control over or special roles in the trust/foundation should be considered beneficial owners. In the case of combined ownership structures, wherein any of the parties mentioned above is not a natural person (e.g., a trust company as the trustee), then the natural persons who directly or indirectly own or control (or benefit from) any of the (non-natural person) parties to the trust or private foundation should also be considered beneficial owners, regardless of the percentage interest in the legal arrangement they hold.

¹⁶ Ministry of Finance, *Guide de Mise En Oeuvre Du Standard Du Beneficiare Effectif Au Cameroun* (October 2022).

¹⁷ Virtually attended a Workshop on the BO organized by EITI Cameroon, 14 December 2022

¹⁸ Andrés Knobel, *Roadmap to Effective Beneficial Ownership Transparency (REBOT)* (7 February 2023) <<https://taxjustice.net/wp-content/uploads/2023/02/Roadmap-to-Effective-Beneficial-Ownership-Transparency-Version-1-2023.pdf>> [accessed 8 February 2023].

¹⁹ This section is drawn from Rachel Etter-Phoya, Eva Danzi and Riva Jalipa, *Beneficial Ownership Transparency in Africa in 2020* (2020) <https://taxjusticeafrica.net/wp-content/uploads/2021/02/BO-Study-1_The-state-at-play-in-2020.pdf>.

In Cameroon, the provision in the Finance Law does not address the definition question, and the application instrument is still yet to be published. But according to Section 36 of the Guide on Beneficial Ownership implementation signed by the Ministry of Finance in October 2022, which so far applies only in the context of due diligence measures, the beneficial owner is “the person or persons who own or control a legal entity. This ownership or control can be exercised in diverse ways: for example, by holding the controlling interest (20% or more) of a legal person. Other means include controlling a significant percentage of voting rights or the ability to appoint or remove members of an entity's board of directors. There are other ways to exercise effective control; Control may take the form of influence or veto over decisions taken by an entity, agreements between shareholders or partners, family, or other relationships with decision-makers, or by holding marketable securities or convertible shares of an entity”²⁰. The Guide also provides stages to determine a beneficial owner.

In step one, “[t]he beneficial owner is defined as the natural person(s) (acting alone or jointly) exercising ultimate control over the company through a (direct or indirect) participation of at least 20 % (whether shares, rights of vote, property or any other right). If after applying step 1, doubts remain as to whether the persons with controlling interests are the beneficial owners, or where no natural person exercises control through his shareholding, beneficial ownership is considered to be natural persons, if any, who exercise control of the legal person by other means.

For companies, a third stages suggests that where no natural person is identified in the context of the Implementation of steps (1) and (2), the relevant natural persons who occupy the positions of senior directors, are designated as beneficial owners. These include: “[t]he manager for general partnerships, limited partnerships, limited liability companies, partnerships limited by shares and civil partnerships; the Managing Director for public limited companies with board of directors; the sole Chief Executive Officer or the Chairman of the Management Board for public limited companies with a management board and supervisory board; the President and, where applicable, the Chief Executive Officer for simplified joint-stock companies”.

Although Cameroon’s 2016 mining code provides for beneficial ownership disclosure with a threshold of 5%²¹, the Guide makes it clear that the threshold standard which will be requested for all legal person will be 20%, as the beneficial ownership definition refers to a natural person who ultimately has a direct or indirect interest in a legal vehicle. Thus, any natural person holding or having control over less than 20% of a company might not be requested to disclose its beneficial ownership status. However, according to the guide, persons who jointly hold more than 20% of a company, should disclose their beneficial ownership, “insofar as, each of them may, through the shares held jointly, put a draft resolution on the agenda of a general meeting of shareholders”. Cameroon should consider lowering or implementing no threshold to make sure there is no loophole in the definition.

²⁰ Section 36, BO Standard Application Guide, Cameroon

²¹ 2016 Mining Code and OHADA Uniform Act

Scope

All types of legal vehicles (companies, trusts, partnerships, foundations, Anstalt, etc), regardless of whether they are considered a legal person or possess separate legal personality, should have to register their legal and beneficial ownership information before they are allowed to operate in a country's economy by owning assets, or providing or acquiring goods or services. Exceptions to the scope of registration should not be allowed for any legal vehicle. Typically, most countries only cover legal persons, like companies, but not legal arrangements, like trusts. Some countries only cover a limited range of partnership types, or they exempt companies listed on the stock exchange or state-owned enterprises.

With the 2023 Finance Law, the scope of people requested to report beneficial ownership information to an administrative body has broadened, and thus, “[l]egal persons as well as administrators of legal entities under Cameroonian or foreign law established in Cameroon, whether or not they are subject to corporate tax or personal income tax, must identify their beneficial owners and keep an updated register to this effect”. They are also required to report this information to the tax administration. In the implementing instrument of this law, the scope must be the widest possible, to include state owned companies.

At minimum, the registration of beneficial ownership information should be required on the moment of incorporation of all types of legal vehicles. However, in an ideal scenario, all legal entities created or operating in a country should be required to register beneficial ownership information with authorities. For that, the following three criteria should trigger the registration of beneficial owners with an authority.²²

- 1) Place of incorporation or governing law: A prerequisite for a legal vehicle to legally exist and operate in an economy should be the registration of its beneficial owners. This includes legal persons (such as a company) incorporated in a country, or trusts created in accordance with the laws or governed by the laws of a country.
- 2) Local operations: Legal vehicles incorporated domestically, especially foreign legal vehicles, that seek to operate in a country should register their beneficial owners. Here “operate” should be understood as any legal vehicle that has interests in real estate, a bank account, or in a registrable asset located in a country as well as those that provide goods and services or earn income subject to tax.
- 3) Resident participant: Countries should require domestic and foreign legal vehicles to register beneficial owners where residents in that country are related to a vehicle, such as by being a shareholder, director, settlor, protector, trustee, or beneficiary.

²² Andres Knobel, 'The EU's Latest Agreement on Amending the Anti-Money Laundering Directive: At the Vanguard of Trust Transparency, but Still Further to Go', *Tax Justice Network*, 2018 <<https://taxjustice.net/2018/04/09/the-eus-latest-agreement-on-amending-the-anti-money-laundering-directive-still-further-to-go/>> [accessed 2 May 2022].

The Financial Law 2023 makes it mandatory for all type of legal persons regardless of if they are subject to taxation or not, to disclose to the tax authorities the information necessary to identify their beneficial owners within 30 days of registration and update them by 15 March of each year. We understand that this would include, at least, legal entities incorporated locally and foreign legal persons liable to tax. However, there is a need for the triggers to be further specified in a detailed regulation.

Registered information

Comprehensive identity information about a beneficial owner and the type of ownership should be recorded. Ideally, for recording a beneficial owners' identity, this should include their name, address, national identification number, date of birth and tax identification number. Information on beneficial ownership arrangements should include how the individual controls the legal vehicle (for example, ownership, voting rights, the right to appoint majority of the board of directors), the percentage of their ownership or control, the date from when they became a beneficial owner, and if applicable, the legal chain or nominees through which the beneficial owner exercises control.

This requirement is not specifically addressed by the law, and still needs to be explained in a specific regulation.

Verification

Beneficial ownership registration information is typically declared by the beneficial owner or legal vehicle themselves so verifying the information is vital.²³ This could include validating information through an online form (such as with tax identification), cross-checking information for consistency (eg checking if the registered name and address match other relevant government records), and designing a system to flag strange cases (eg if a person with no declared income, bank account or local residence appears to own a large local company). Additional actions could be taken, such as requiring financial institutions to report mismatches between the holder of an account for a legal vehicle and the registered beneficial owners, requiring information to be certified by a corporate service provider or notary and making the information publicly available to deter falsification, since non-governmental organisations and journalists have proven themselves willing to investigate information and to reveal inaccuracies.²⁴

The beneficial ownership registration law provides no indication as to whether and how verification would take place. The Guide provides only information for due diligence process and not for registration with a government authority.

²³ For a more in-depth discussion on verification of beneficial ownership information, see Andres Knobel, *Technology and Online Beneficial Ownership Registries: Easier to Create Companies and Better at Preventing Financial Crimes* (Rochester, NY, 1 June 2017) <<https://papers.ssrn.com/abstract=2978757>> [accessed 7 May 2020]; Andres Knobel, 'Beneficial Ownership Verification: Ensuring the Truthfulness and Accuracy of Registered Ownership Information', *SSRN Electronic Journal*, 2019 <<https://www.ssrn.com/abstract=3320600>> [accessed 3 September 2019].

²⁴ For example, see Robert Palmer and Sam Leon, 'What Does the UK Beneficial Ownership Data Show Us?', *Global Witness*, 2016 <<https://www.globalwitness.org/en/blog/what-does-uk-beneficial-ownership-data-show-us/>> [accessed 7 May 2020].

Sanctions

Non-compliance with beneficial ownership registration requirements, such as not providing, providing incomplete, or falsifying information, should result in sanctions. Monetary penalties may act as a deterrent but might also simply be considered a worthwhile cost by beneficial owners for engaging in illegal, lucrative activities. Criminal sanctions might be more effective. Most importantly, beneficial ownership registration must be a pre-condition for legal vehicles to operate in a country, as mentioned above. As a minimum, the ideal sanction should at least require that registered information prevails over secret (unregistered) agreements. This means if Mary is registered as the beneficial owner, but Olu is the individual with effective control pursuant to a secret agreement, all corporate decisions taken by Olu should be considered void, and Mary should be able to vote, control and receive dividends (because after all, she is registered as the beneficial owner), even if that violates the secret agreement.

The 2023 Finance Law provides for sanctions to taxpayers who do not comply with the beneficial ownership declaration obligation. A fine of CFA 5 million (approximately US\$8000) is imposed for failure to keep a register of beneficial owners at the level of companies or for failure to communicate and a fine of CFA 250 000 to CFA 5 million (US\$400-8000) for failure to declare beneficial owners to the General Tax Directorate. However, the Finance Law does not provide for sanctions in the event of incomplete data or false declarations. The sanctions here fall on the beneficial owner themselves and not the legal entity. Moreover, the penalties provided for do not seem sufficient and are not sufficiently dissuasive, especially for large companies and those operating in the extractive or hydrocarbon industries.

Access

Ideally, all information should be held in a central register, available for free to the public in open data format. This is because requiring payment to access information and permitting non-machine-readable images, such as of hand-written documents, are obstacles for access and use.

The current evolution of discussions within the administration seems to opt for a system where this information will be kept by the tax administration, and will not be accessible to other administrations, and moreover not at all to the public. This option might be guided by the fact that ultimately the adoption of the beneficial ownership reporting principle was further supported by the authorities' desire to comply with the minimum requirements of the Global Forum, in preparation for the next OECD peer review which is expected to take place during the first quarter of 2023. Also, the country does not have a law on personal data protection.

This issue is not specifically addressed by the 2023 Finance Law. To be easily accessible to a wider public, it is important that the registration and storage of information are done in an electronic form.

5. Recommendations

The Cameroonian authorities have taken decisive action by legislating on the obligation to declare beneficial ownership. However, the following recommendations are suggested, in the context of the elaboration of the application texts of this provision.

- **Scope:** The administration should ensure that all legal entities effectively provide and update information on their beneficial owners. This also includes state-owned companies.
- **Triggers:** The regulation should further specify what triggers the requirement to register beneficial ownership information. Authorities should make sure that this covers all relevant legal vehicles operating in the country.
- **Definition:** it is important to adopt a reporting threshold that is sufficiently consistent to identify most beneficial owners. Within the IMF program and the EITI process, the country has already experienced an exceptionally low threshold requirement and can make use of that experience.
- **Sanctions:** The implementing legislation should provide for a broader regime of sanctions. They should be sufficiently dissuasive to discourage non-disclosure practices. In addition to financial sanctions, prohibitions on voting rights or other sanctions may be adopted.
- **Access:** The restriction of public access to the register of beneficial owners due to the lack of a legal data protection framework can be addressed with an exceptional waiver of confidentiality, on non-essential information, such as domicile. The following reforms must be undertaken to improve the accessibility of information on beneficial owners. They should be in free and open data format (i.e., copyable text and tabular/structured). Ultimately, that information should be stored in a downloadable database of legal and beneficial owners and interconnection of registries (AUSGIE, Tax Administration, Mining registry). Public disclosure commitments already exist in extractives through the EITI and in public procurement for COVID-19 spending from financing from the IMF.
- **Update:** Cameroon has adopted an annual update of beneficial ownership information. However, as well as for the incorporation process, changes to ownership should be updated within 15/30 days of change. Moreover, the government must ensure that updates on changes to ownership should include details on seller or nature of the transaction, relationship to the seller/issuer, and value of the transaction (or justification in case of free transaction).

6. Annex 1: Steps for effective beneficial ownership transparency

The following information is drawn from the Tax Justice Network's Roadmap for Effective Beneficial Ownership Disclosure and may serve as a checklist for government and a rallying point for other civic groups and actors in working towards effective disclosure.²⁵

Step 1. Which types of legal vehicles should be subject to ownership registration?

| Minimum | Benchmark | Effective |
|--|--|---|
| <ul style="list-style-type: none"> ✓ All legal persons and trusts are subject to legal and beneficial ownership registration, with exceptions, e.g.: ✗ listed companies ✗ investment funds ✗ state-owned enterprises ✗ NGOs ✗ low risk entities ✗ etc | <ul style="list-style-type: none"> ✓ All legal persons and trusts are subject to legal and beneficial ownership registration, including listed companies and investment funds, with some exceptions, e.g.: ✓ listed companies ✓ investment funds ✗ state-owned enterprises ✗ NGOs ✗ low risk entities ✗ etc | <ul style="list-style-type: none"> ✓ All legal vehicles are subject to legal and beneficial ownership registration with no exceptions: ✓ listed companies ✓ investment funds ✓ state-owned enterprises ✓ NGOs ✓ low risk entities ✓ etc. |

Steps: 2. Who should be identified as a legal owner?

| | Minimum | Benchmark | Effective |
|-------------------------------|---|-----------|--|
| Companies | <ul style="list-style-type: none"> ✓ All shareholders or members are registered as legal owners | | <ul style="list-style-type: none"> ✓ All who have a title or any direct interest in the legal vehicle are defined as legal owners |
| Trusts and foundations | <ul style="list-style-type: none"> ✓ The settlor, trustee, protector, and beneficiaries are registered as legal owners | | <ul style="list-style-type: none"> ✓ All who have a title or any direct interest in the legal vehicle are defined as legal owner |

²⁵ Knobel, *Roadmap to Effective Beneficial Ownership Transparency (REBOT)*.

Step 3. Who should be identified as a beneficial owner?

| | Minimum | Benchmark | Effective |
|-------------------------------|--|--|---|
| Companies | ✓ Natural person who passes a threshold should be a beneficial owner. | ✓ Natural person with at least one share or vote should be a beneficial owner. | ✓ Natural person who in any way owns or benefits from a legal vehicle, or who controls it (e.g., power of attorney, influence, convertible stock, financial instrument) should be a beneficial owner. |
| Trusts and foundations | ✓ All settlors, trustees, protectors, beneficiaries, and any other individual with effective control over the trust or foundation should be beneficial owners. | <p>✓ Minimum met</p> <p>✓ Applying the relevant beneficial ownership laws to any party to the trust/foundation that is a legal person.</p> | <p>✓ Minimum met</p> <p>✓ If the party to a trust/foundation is a legal person, identify the beneficial owners as indicated under “Effective” in above row (no thresholds).</p> |



3. What conditions should trigger required ownership registration?

| | Minimum | Benchmark | Effective |
|-------------------------------|--|--|--|
| Legal person | <p>Triggers for registration:</p> <ul style="list-style-type: none"> ✓ Locally incorporated | <p>Triggers for registration:</p> <ul style="list-style-type: none"> ✓ Minimum met ✓ Having local assets above a determined value ✓ Conducting specific activities. | <p>Triggers for registration:</p> <ul style="list-style-type: none"> ✓ Benchmark met ✓ Having any asset or operation in the country ✓ Having a participant (e.g., legal owner, beneficial owner, director, etc) in the country. |
| Trusts and foundations | <p>Triggers for registration:</p> <ul style="list-style-type: none"> ✓ Having a local trustee | <p>Triggers for registration:</p> <ul style="list-style-type: none"> ✓ Minimum met ✓ Created according to local laws ✓ Holding real estate in the country ✓ Establishing business relations in the country ✓ Having a party resident in the country (e.g., as settlor, trustee, etc). | <p>Triggers for registration:</p> <ul style="list-style-type: none"> ✓ Benchmark met ✓ Having any type of asset or operation in the country |

4. Which identification details should legal and beneficial owners be required to register?

| Minimum | Benchmark | Effective |
|--|--|--|
| <p>Owner details to register:</p> <ul style="list-style-type: none"> ✓ Full name ✓ Address ✓ National identification number ✓ Tax identification number ✓ Date of birth ✓ Nature of legal and beneficial ownership | <p>Owner details to register:</p> <ul style="list-style-type: none"> ✓ Minimum met ✓ Full ownership chain ✓ Politically exposed person status ✓ Civil status | <p>Owner details to register:</p> <ul style="list-style-type: none"> ✓ Benchmark met ✓ All nationalities / residencies ✓ Updated legal entity identifier ✓ Identity of direct family members |

5. How often should legal and beneficial ownership registries be updated?

| Minimum | Benchmark | Effective |
|---|--|--|
| <ul style="list-style-type: none"> ✓ Legal and beneficial ownership information should be updated annually | <ul style="list-style-type: none"> ✓ Minimum met ✓ Changes to ownership should be updated within 15/30 days (about 4 and a half weeks) of change | <ul style="list-style-type: none"> ✓ Benchmark met ✓ Updates on changes to ownership should include details on seller or nature of the transaction, relationship to the seller/issuer, and value of the transaction (or justification in case of free transaction) |

6. Who should have access to legal and beneficial ownership registries, and how should registries be accessed?

| | Minimum | Benchmark | Effective |
|---------------|--|---|---|
| Access | <ul style="list-style-type: none"> ✓ Central, public online access | <ul style="list-style-type: none"> ✓ Minimum met ✓ Free in open data format (i.e., copyable text and tabular/structured) | <ul style="list-style-type: none"> ✓ Benchmark met ✓ Full downloadable database of legal and beneficial owners and interconnection of registries |
| Search | <ul style="list-style-type: none"> ✓ Search by company name | <ul style="list-style-type: none"> ✓ Minimum met ✓ Search by beneficial and legal owner names ✓ Advanced filters | <ul style="list-style-type: none"> ✓ Benchmark met ✓ Search by any field (type of company, name, or address of beneficial owner, etc) ✓ Boolean searches |
| Data | <ul style="list-style-type: none"> ✓ Identification details ✓ Dates and nature of beneficial ownership | <ul style="list-style-type: none"> ✓ Minimum met ✓ Full history of changes to beneficial ownership | <ul style="list-style-type: none"> ✓ Benchmark met ✓ Full ownership chain ✓ Full history of transactions affecting the ownership chain (including parties involved, dates, values of transactions and reasons for each transaction) ✓ Red flags |

7. How should beneficial ownership registries verify the integrity of information submitted?

| Minimum | Benchmark | Effective |
|--|---|--|
| <ul style="list-style-type: none"> ✓ Public access to allow all to analyse the information ✓ Require financial institutions to also report discrepancies | <ul style="list-style-type: none"> ✓ Minimum met ✓ Cross-checks against other government databases (e.g., tax administration, civil register, or pre-filling of forms based on registered data) | <ul style="list-style-type: none"> ✓ Benchmark met ✓ Cross-checks and red-flagging based on all relevant local and foreign databases and zero-knowledge proof checks ✓ Exploration and profiling of a typical structure of beneficial ownership to determine outliers |

8. How should sanctions be used in the case of non-compliance with legal and beneficial ownership registration requirements?

| Minimum | Benchmark | Effective |
|---|--|--|
| <ul style="list-style-type: none"> ✓ Robust economic and criminal sanctions ✓ Suspension of local tax id (impossibility to operate locally) | <ul style="list-style-type: none"> ✓ Minimum met ✓ Removal from the register ✓ Financial institutions are prohibited from operating with legal vehicles found non-compliant (at least with update of information or where discrepancies were found) | <ul style="list-style-type: none"> ✓ Benchmark met ✓ Any non-compliant vehicle is prevented from being incorporated. Pre-existing ones are suspended and then removed from the register. ✓ “Constitutive effect” applied (rights exist only as of and following registration) ✓ non-compliant legal vehicles are not allowed to exist, operate or hold any asset ✓ Any transaction with a non-compliant legal vehicle has no legal validity |



9. Who should have access to legal and beneficial ownership registries, and how should registries be accessed?

| | Minimum | Benchmark | Effective |
|-----------------------------|---|--|--|
| Bearer shares | <ul style="list-style-type: none"> ✓ Immobilize bearer shares with a government authority (not a bank or lawyer) | <ul style="list-style-type: none"> ✓ Prohibit new bearer shares and establish deadline for conversion of pre-existing bearer shares ✓ Unregistered bearer shares should lose all rights (not merely suspend rights until conversion) | <ul style="list-style-type: none"> ✓ Benchmark met ✓ Prohibit bearer shares throughout the ownership chain. No local legal vehicle should be allowed to have in its ownership chain a legal vehicle that issued (or could issue) bearer shares |
| Discretionary trusts | <ul style="list-style-type: none"> ✓ Identify all discretionary beneficiaries, regardless of whether they receive a direct distribution or not | <ul style="list-style-type: none"> ✓ Minimum met ✓ Identify those who receive indirect distributions (e.g., the trust pays for their credit card bills) | <ul style="list-style-type: none"> ✓ Prohibit discretionary trusts ✓ For a person to be allowed to receive a direct or indirect distribution, the trust instrument must be amended, and the person must be registered as a beneficial owner |
| Nominees | <ul style="list-style-type: none"> ✓ Prohibit nominees | <ul style="list-style-type: none"> ✓ Minimum met ✓ Apply verification to detect fraudulent nominees (e.g., one person owns hundreds of companies) | <ul style="list-style-type: none"> ✓ Benchmark met ✓ Apply “constitutive effect” (rights exist only as of and following registration) ✓ Utilise advanced analytics to detect fraudulent nominees (e.g., compare declared income, assets, credit card consumption) |



| | | | |
|--|---|--|---|
| Listed companies and investment funds | <ul style="list-style-type: none"> ✓ Cover and apply low thresholds on listed companies and investment funds | <ul style="list-style-type: none"> ✓ Minimum met ✓ Instead of using “low” interest thresholds (e.g., 5%) which would fail to cover many investors, apply thresholds on the value of the investment (e.g. interest in listed company above USD \$50,000) | <ul style="list-style-type: none"> ✓ Benchmark met ✓ Increase coverage by applying no thresholds: anyone with at least one share or USD 1 should be identified as a beneficial owner |
| State-owned enterprises | <ul style="list-style-type: none"> ✓ Require state-owned enterprises and their subsidiaries to file a nil return explaining why they are exempted ✓ Require beneficial ownership registration from the part of the enterprise that is not held by the State | <ul style="list-style-type: none"> ✓ Minimum met ✓ Identify all representatives or officials (e.g., minister) who have control or decision-making power over the state-owned enterprise | <ul style="list-style-type: none"> ✓ Benchmark met ✓ Identify the full ownership structure and all subsidiaries of the state-owned enterprise |
| Complex ownership structures | <ul style="list-style-type: none"> ✓ Prohibit bearer shares in the ownership chain ✓ Analyse ownership structures (e.g., number of layers) to detect outliers | <ul style="list-style-type: none"> ✓ Minimum met ✓ Prohibit the ownership structure to include foreign legal vehicles if (1) they are from countries without (public) legal and beneficial ownership registries, or (2) they are “exotic” vehicles (e.g., Anstalt, protected cell company, discretionary trust, etc) for which the local beneficial ownership legal framework has no specific provisions | <ul style="list-style-type: none"> ✓ Benchmark met ✓ Disallow structures with more complexity than X layers (based on an understanding of the legitimate number of layers), unless the vehicle justifies a non-secrecy and non-tax commercial reason for such structure |



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|--|---|---|--|
| Asset beneficial ownership registries | <ul style="list-style-type: none"> ✓ Require legal ownership information to be collected and registered on all relevant assets (e.g., real estate, aircrafts, vessels, crypto, art, etc) ✓ Ensure the beneficial ownership register covers any foreign legal vehicle with assets in the country | <ul style="list-style-type: none"> ✓ Have existing asset registries (e.g., real estate register) collect beneficial ownership data to cross-check data against the beneficial ownership register | <ul style="list-style-type: none"> ✓ Benchmark met ✓ Connect asset registries and beneficial ownership registries to deduce and expose the beneficial ownership of assets, particularly for cases where assets are held by legal vehicles. ✓ Ensure the beneficial ownership definition is as comprehensive as possible (e.g., low thresholds, considers ownership, control, or benefit, etc) ✓ Require value information to be included |
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