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ЗДСРМ ЗДРУЖЕНИЕ НА ДАНОЧНИ СОВЕТНИЦИ НА РЕПУБЛИКА МАКЕДОНИЈА

PROJECT:
"USING BENEFICIAL OWNERSHIP DATA TO REDUCE CORRUPTION"

ANALYSIS



Use of Beneficial Ownership Data to Combat Corruption in North Macedonia



- SUMMARY -

Skopje, December 2024

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Analysis Summary: North Macedonia

- North Macedonia's Registry of Beneficial Ownership was established in **January 2021,** while data contained therein were first made available in April 2021.
- In general, competent institutions in the country **rarely use** beneficial ownership data to prevent, detect and sanction money laundering and fight terrorism, and it seems that these data are not used for other purposes and for preventing corruption, crime and abuses in other areas.
- The institutions and the competent Financial Intelligence Office dispose with **different information** on the number of cases against money laundering and financing of terrorism.
- In the analysed period (2022 to April 2024), the Office **has received 194 initiatives** from competent authorities, 21 of which were further processed and resulted in **submission of reports** to the Basic Public Prosecution Office Against Organized Crime and Corruption. Furthermore, in the same period, the Office presented this prosecution office with 50 suspicious transaction reports compiled in ex-officio capacity.
- Among the total of 71 reports which the Office submitted to the Public Prosecution Office, **70% were developed in ex officio capacity,** while the remaining 30% were composed upon previously received initiative from competent authorities.
- Among the total of 17 institutions to which the Office is referred for cooperation, eight of which directly enlisted in the law as holding competences in the area of fight against money laundering and financing of terrorism, **only two institutions dispose with specific data on the number of cases** in which they have used data from the Registry of Beneficial Ownership.
- North Macedonia **did not assume the commitment** recommended by IMF during the COVID–19 crisis related to publication of beneficial ownership data for companies awarded pandemic-related public procurement contracts.
- The country **did not implement** the commitment assumed under the Open Government Partnership National Action Plan 2021–2023 concerning publication of beneficial ownership data for companies that have participated in tender procedures and have been awarded public procurement contracts.
- Both the European Union and OECD noted insufficient use of data contained in the Registry of Beneficial Ownership.
- To promote use of beneficial ownership data, the country is **recommended** to expand the coverage of beneficial ownership, facilitate access to beneficial ownership data for a broader spectrum of interested parties, establish links with other databases and sets of data, ensure greater interoperability among the institutions and improve the process for data verification.

Context

Widespread corruption in the country, combined with low number of court cases, creates uncertainty, undermines citizens' trust in the public sector, prevents economic development and threatens the rule of law. For the first time since the country's independence, citizens refer to corruption as the top priority problem in the society, placing it much higher than problems of existential nature such as unemployment, high prices and low wages. Instead of tangible anticorruption results, the last several years brought about continuous changes to relevant regulations, adoption of new plans, strategies and tools under the impact of current anticorruption trends. On the other hand, adequate enforcement of such documents suffers from insufficient effort, resulting in lack of significant anticorruption outcomes.

In that respect, aimed at alignment with international and EU standards in fighting money laundering and financing of terrorism, the initiative for establishment of the Registry of Beneficial Ownership was accepted in 2021. However, unlike the situation in other countries, from its establishment in our country, the registry has failed to fully attain its purpose and has not yielded any significant effects in terms of increased transparency of company ownership structures and use of such information to combat corruption and prevent illegal financial flows.

On that account, impartial monitoring of the actual application of information from this registry by institutions with anticorruption competences, law enforcement agencies and prosecution services is of crucial importance. Moreover, the fight against corruption necessitates cross-referencing and verification of data contained in this registry against other registries and data disposed by some of these institutions.

The absence of public pressure could result in improper use of the registry and could reduce its existence to formality which, in turn, would not create any positive effects in terms of desired anticorruption results.

Additionally, it is extremely important for beneficial ownership data to be used for reducing corruption and abuses in public procurement, which accounts for more than 1 billion EUR annually. On the initiative by the Centre for Civil Communications, OGP National Action Plan 2021–2023 featured a commitment related to publication of beneficial ownership data for companies awarded state tenders, while the new OGP National Action Plan 2024–2026 includes an extended commitment on publication of beneficial ownership data for companies awarded public procurement, concessions and public-private partnership contracts.

Having in mind that implementation of this commitment is inevitably uncertain, it is of outmost importance to engage in efforts for cross-referencing, verification and retroactive analysis of beneficial ownership data in the period since the registry was established for the purpose of detecting possible existence of conflict of interests and abuse of power on the part of politically prominent individuals in the area of public procurement, which is highly vulnerable to corruption. Hence, this analysis was developed to evaluate past experiences related to use of data from the Registry of Beneficial Ownership in anticorruption efforts, detect shortcomings and weaknesses, and identify space for improvements.

Establishment of the Registry of Beneficial Ownership in North Macedonia

The domestic legal framework that governs publication of beneficial ownership data by enlistment of such information in a separate registry is comprised of the Law on Prevention of Money Laundering and Financing of Terrorism[1] adopted in June 2018 and relevant secondary legislation for establishment of the registry adopted in October 2018. While the term "beneficial ownership" was first introduced in the Law on Prevention of Money Laundering and Financing of Terrorism[2] from September 2014, the Registry of Beneficial Ownership was established only after adoption of the eponymous law in 2018.

Nevertheless, the Registry of Beneficial Ownership was officially launched as late as January 27th, 2021, while data contained therein are made accessible from April 27th, 2021.

In July 2022, new Law on Prevention of Money Laundering and Financing of Terrorism[3] was adopted and featured an identical definition of beneficial ownership as the one featured in the previous law from 2018. Pursuant to Article 2 of the Law, "beneficial owner" is any natural person/persons who ultimately own or control the client and/or natural person/persons on whose behalf or for whose account a transaction is made. The term also includes natural person/persons who ultimately and effectively control a legal entity or a foreign legal arrangement.

The same article from the law also stipulates that "the registry of beneficial ownership" is an information system that enables receipt, recording, processing, keeping, storing and exchange of data and/or documents on beneficial ownership in electronic format.

Under Article 20, the Law stipulates that beneficial owner of a legal entity is "a natural person/persons who ultimately own or control a legal entity by means of direct and/or indirect ownership of sufficient percentage of shares, stocks or voting rights, including ownership interest in the legal entity through bearer stockholdings or another form of control.

For the purpose of the Law, direct and/or indirect ownership by a natural person is established against predefined indicators, as follows:

- indicator of direct ownership implies ownership of over 25% of shares, voting rights and other rights in the legal entity or ownership of 25% + 1 stock; and
- indicator of indirect ownership implies ownership or control by a natural person over one or several legal entities which, individually or jointly, hold over 25% of shares or 25% + 1 stock.

1 Law on Prevention of Money Laundering and Financing of Terrorism, Official Gazette of RNM no.120 from 29.06.2018.

2 Law on Prevention of Money Laundering and Financing of Terrorism, Official Gazette of RM no.130 from 03.09.2014.

3 Law on Prevention of Money Laundering and Financing of Terrorism, Official Gazette of RNM no.151 from 04.07.2022.

In cases where a natural person/persons cannot be established as beneficial owner/owners on the basis of these indicators or in cases where the legal entity is uncertain whether a natural person/persons identified in compliance with these provisions is beneficial owner/owners, then the beneficial owner is "a natural person/persons holding top management position at the legal entity, i.e. a natural person/persons who, by law and the internal acts, is authorized to manage and is held accountable for the legal entity's operation".

According to Article 29 of the Law, the Registry of Beneficial Ownership is established "to ensure transparency in terms of ownership structure of legal entities". The Registry, kept in electronic format, is established, kept, maintained and managed by the Central Register of the Republic of North Macedonia.

The Financial Intelligence Office, courts, state authorities and other involved entities (as referred to in Article 5, Article 130 par. (1) and Article 131 par. (1) of the Law) have unreserved and free access to data contained in the registry.

Other legal entities and natural persons are given access to data from the registry, in the form of information, upon payment of relevant fee pursuant to the Central Register of RNM's Tariff List.

Article 5 of the Law establishes that entities under obligation to implement law-stipulated measures and activities aimed at detection and prevention of money laundering and financing of terrorism include:

1) financial institutions and subsidiaries, branches and business offices of foreign financial institutions that operate in the Republic of North Macedonia in compliance with the law;

2) legal entities and natural persons whose business or professional activity concerns provision of following services:
   a) intermediation in trading with immovable property, including intermediation in signing lease contracts where the monthly lease amount exceeds 10,000 EUR in MKD counter-value according to the middle exchange rate of the National Bank of the Republic of North Macedonia;
   b) audit and accounting services;
   c) consultation in the field of taxation or provision of any form of assistance, support or advice, directly or indirectly, in the field of taxation;
   d) investment consultation; and
   e) services for organization and implementation of auctions;

3) notaries, attorneys and law firms that exercise public authorizations in compliance with the law;

4) organizers of games of chance that organize games of chance in the Republic of North Macedonia in compliance with the law;

5) service providers to trusts or legal entities;

6) the Central Securities Depository;

7) legal entities lending money in exchange for movable and immovable assets (pawnbrokers);

8) entities trading or acting as intermediaries in trading with works of arts, including in cases where this activity is performed by art galleries or auction houses and the value of individual or multiple related transactions exceeds 10,000 EUR in MKD counter-value according to the middle exchange rate of the National Bank of the Republic of North Macedonia;

9) entities storing, trading or acting as intermediaries in trading with works of arts where the activity is performed in free zones and the value of individual or multiple related transactions exceeds 10,000 EUR in MKD counter-value according to the middle exchange rate of the National Bank of the Republic of North Macedonia; and

10) providers of virtual asset services.

For the purpose of beneficial ownership, these entities are obliged to conduct "client analysis" in cases where there is suspicion in truthfulness or adequacy of previously received data about the client's or the beneficial owner's identity.

As regards beneficial ownership, the client analysis implies identification of the beneficial owner/owners and implementation of adequate measures to verify their identity by using documents, data and information from reliable and independent sources, assuring the entity's knowledge of the actual owner.

In cases where, after having established the beneficial ownership, the entity has raised doubts in reliability of data, documents or other business documents obtained, it is obliged to request a notary-certified written statement by the client's legal proxy, given under full moral and material accountability, before engaging in any business dealings or before making any transactions.

Using Beneficial Ownership Data to Prevent Money Laundering and Financing of Terrorism and to Combat Corruption

Article 130 par. (1) of the Law on Prevention of Money Laundering and Financing of Terrorism enlists the institutions that could present the Financial Intelligence Office with an initiative in cases where they have reasons that give rise to suspicion about money laundering and financing of terrorism, those being:

- Public Prosecution Office of the Republic of North Macedonia;
- Ministry of Interior (MoI),
- Financial Police Administration (FPA),
- Customs Administration (CA),
- Intelligence Agency (IA),
- Ministry of Defence (MoD),
- National Security Agency (NSA), and
- State Commission for Prevention of Corruption (SCPC).

Based on responses obtained to information requests made under the instrument for free access to public information addressed to each of these eight institutions, it could be inferred that, in the period from 2022 to April 2024, only four institutions, i.e. half of them, have submitted such initiatives.

According to responses obtained, initiatives have been submitted by the Public Prosecution Office, the Ministry of Interior, the Customs Administration and the National Security Agency.

As part of their responses, two institutions (Ministry of Defence and State Commission for Prevention of Corruption) reported they have not submitted such initiatives, one institution (Financial Police Administration) does not dispose with such information, while the fourth institution (Intelligence Agency) noted that the requested information is classified and therefore does not fall in the domain of public information.

Based on data disclosed by the institutions, a total of 138 initiatives have been submitted in the analysed period, most of which were submitted in 2023 (75 initiatives). At the level of individual institutions, the Public Prosecution Office has submitted the highest number of initiatives (62), followed by the National Security Agency (42).

Initiatives submitted on the grounds of suspicion about money laundering and financing of terrorism
(based on data disclosed by the institutions)

Institution	2022	2023	2024 (by April)	TOTAL
PPORNM	28	31	3	**62**
NSA	10	28	5	**43**
MoI	9	8	4	**21**
CA	3	8	1	**12**
TOTAL	**50**	**75**	**13**	**138**

According to data obtained from the Financial Intelligence Office, however, it could be inferred that all eight institutions have presented the Office with such initiatives. Nevertheless, the number of initiatives per institution reported by the Office does not match the number of initiatives reported by the individual institutions, except in the case of the Public Prosecution Office.

The biggest difference in number is observed with the Ministry of Interior, which self-reported submission of 21 initiatives, while the Office indicated that, in the analysed period, this ministry has submitted 74 initiatives.

The Customs Administration is the only institution to have self-reported more initiatives than the number indicated by the Office in its response. In that, the Customs Administration reported submission of 12 initiatives, while the Office referred to submission of only 4 initiatives by the Customs Administration.

According to the Financial Intelligence Office, the Financial Police Administration, which declared that it does not dispose with the requested information, has actually submitted 7 initiatives.

Based on the response from the Office, while the Intelligence Agency responded that this piece of information is classified and therefore not in the public domain, it has submitted 4 initiatives.

Breakdown of the number of initiatives on the grounds of suspicion about money laundering and financing of terrorism, as reported by individual institutions and by the Financial Intelligence Office

Institution	2022		2023		2024 (до април)		ВКУПНО	
	Self-reported	**Reported by the Office**	**Self-reported**	**Reported by the Office**	**Self-reported**	**Reported by the Office**	**Self-reported**	**Reported by the Office**
PPORNM	28	28	31	31	3	3	62	62
NSA	10	7	28	24	5	7	43	38
MoI	9	34	8	35	4	5	21	74
CA	3	3	8	1	1	0	12	4
FPA	no records	5	no records	2	no records	0	/	7
NBRNM	0	1	0	0	0	0	0	1
SCPC	0	2	0	1	0	0	0	3
IA	classified	1	classified	3	classified	0	/	4
MoD	0	0	0	0	0	1	0	1
TOTAL	**50**	**81**	**75**	**97**	**13**	**16**	**138**	**194**

Pursuant to Article 131 of the Law on Prevention of Money Laundering and Financing of Terrorism, in cases where the Office, acting in ex-officio capacity or upon previously received initiative, has found suspicions that a criminal act of money laundering or financing of terrorism had been committed, it develops a report and submits it to the Basic Public Prosecution Office Against Organized Crime and Corruption.

Hence, acting upon the total of 194 initiatives submitted by competent authorities, the Office has developed and presented the Basic Public Prosecution Office Against Organized Crime and Corruption with 21 reports, as follows:

- in 2022, it submitted 13 reports and 1 report supplement;
- in 2023, it submitted 7 reports and 1 report supplement; and
- in 2024, by April, it submitted 1 report.

Furthermore, the Office presented the Basic Public Prosecution Office Against Organized Crime and Corruption with 50 additional reports developed in ex-officio capacity and related to so-called suspicious transactions, as follows:

- in 2022, it submitted 31 reports and 13 report supplements;
- in 2023, it submitted 14 reports and 6 report supplements; and
- in 2024, by April, it submitted 5 reports and 1 report supplement.

All in all, it could be inferred that, in the analysed period, i.e. 2022, 2023 and by April 2024, the Office has presented the Public Prosecution Office with a total of 71 reports, of which 70% were developed in ex-officio capacity and the remaining 30% were compiled upon previously received initiative from any of the 10 institutions enlisted above.

The Financial Intelligence Office does not dispose with information on the number of reports on suspicion about money laundering and financing of terrorism that include data on beneficial ownership. Its response referred to the fact that, for every legal entity and natural person that is subject of analysis by the Office, actions are taken to browse the Central Register for information about beneficial owners and check whether they appear in ownership and management structures of legal entities.

As regards cooperation with other countries in terms of data and information exchange, the Office has secured beneficial ownership data to 13 requests made by other countries, as follows: 2 in 2022 and 11 in 2023.

On the other hand, the Office has submitted 28 requests to other countries with inquiries about beneficial ownership data, as follows:

- 15 requests in 2022;
- 9 requests in 2023; and
- 4 requests in 2024, by April.

In the analysed period, the Office has also received unsolicited and spontaneous information on beneficial ownership in 9 cases, as follows:

- 3 cases in 2022;
- 4 cases in 2023; and
- 2 cases in 2024, by April.

And vice versa, the Office has also presented financial intelligence authorities in other countries with unsolicited and spontaneous information on beneficial ownership, as follows:

- 6 information in 2022;
- 2 information in 2023; and
- 4 information in 2024, by April.

Pursuant to Article 75 par. (3) of the Law, the Financial Intelligence Office is referred to continuous cooperation with a number of state institutions, those being:

- Ministry of Interior;
- Ministry of Defence;
- Ministry of Justice;
- Ministry of Foreign Affairs;
- Public Prosecution Office of the Republic of North Macedonia;
- Intelligence Agency;
- National Security Agency;
- Financial Police Administration;
- Customs Administration;
- Public Revenue Office;
- State Foreign Exchange Inspectorate;
- Securities and Exchange Commission of the Republic of North Macedonia;
- National Bank of the Republic of North Macedonia;
- Agency for Supervision of Fully Funded Pension Insurance;

- Insurance Supervision Agency;
- State Commission for Prevention of Corruption;
- State Audit Office;
- Central Register of the Republic of North Macedonia; and
- other state authorities and institutions, as well as other organizations, institutions and international bodies fighting money laundering and financing of terrorism.

Among the 17 institutions to which the Office is referred for cooperation (Article 75), eight of which are directly named in the Law as having competences in the area of fighting money laundering and financing of terrorism (Article 130), **only two institutions dispose with specific number of cases** in which they have used data from the Registry of Beneficial Ownership, those being: National Security Agency and Insurance Supervision Agency.

By the cut-off date for this analysis, the National Security Agency has secured data from the Registry of Beneficial Ownership in **two cases** that involved two legal entities.

In the analysed period, the Insurance Supervision Agency has secured data from the Registry of Beneficial Ownership in **40 cases** (25 in 2022 and 15 in 2023) that involved, i.e. concerned 60 persons (40 in 2022 and 20 in 2023).

In its response, the State Foreign Exchange Inspectorate confirmed use of data from the Registry of Beneficial Ownership **"in all cases of regular inspection supervision"** and **"for all legal entities",** but did not report the exact number of cases and of persons involved.

The Securities and Exchange Commission responded that it uses beneficial ownership data only for **small number of entities,** but does not keep precise records thereof.

Seven institutions responded **they did not need beneficial ownership data,** i.e. **have not used data** from the Registry of Beneficial Ownership (Ministry of Defence, Public Revenue Office, State Audit Office, Ministry of Justice, Ministry of Foreign Affairs, National Bank and Agency for Supervision of Fully Funded Pension Insurance).

Four institutions **do not keep records** and **do not dispose with information** on use of data from the Registry of Beneficial Ownership (State Commission for Prevention of Corruption, Public Prosecution Office, Ministry of Interior and Financial Police Administration).

The remaining two institutions did not respond to the information request, one of which indicated that the requested information is classified (Intelligence Agency), while the other did not respond at all (Customs Administration).

As regards the inquiry about the number of cases related to corruption and conflict of interests which implied efforts for securing data from the Registry of Beneficial Ownership and the number of persons for whom beneficial ownership data was secured, the State Commission for Prevention of Corruption responded that "[SCPS] **does not dispose with the requested information,** i.e. **does not keep records** on searches made in the Registry of Beneficial Ownership". The State Commission is granted direct access to the Registry of Beneficial Ownership and has not submitted any initiative to FIO in the analysed period.

Use of data from the Registry of Beneficial Ownership to combat corruption

Institution	Number of cases in which the institution secured data from the Registry	Number of persons for which data from the Registry was secured	How are data from the Registry secured?	Number of cases that raised doubt in reliability of data secured
SCPC	does not keep records	does not keep records	direct access	/
PPORNM	no information	no information	through CRRNM	no information
MoI	does not keep records	does not keep records	direct access	does not keep records
FPA	does not dispose with such information	does not dispose with such information	direct access/ through CRRNM	does not dispose with such information
CA	no response	no response	no response	no response
IA	classified information	classified information	classified information	classified information
MoD	has not taken action	has not taken action	direct access	has not taken action
NSA	2 cases	2 legal entities	indirect access	has not raised doubts
PRO	has not requested data	has not requested data	has not secured data	has not requested data
SAO	has not used services	has not used services	has not used services	has not used services
MoJ	has not used services	has not used services	has not used services	has not used services
CPC	has not requested data	has not requested data	has not requested data	has not requested data
MFA	has not used data	has not used data	has not used data	has not used data
SFEI	in all cases of regular inspection supervision	for all legal entities subject to regular inspection supervision	indirect access	no doubts
SEC	small number/does not keep records	does not keep records	direct access	no doubts thus far
NBRNM	has not used data	has not used data	has not used data	has not used data
ASFFPI	no need	no need	no need	no need
AIS	2022: 25, 2023: 15, 2024: no	2022: 40, 2023: 20, 2024: no	direct access	no cases of doubt

The Public Prosecution Office of RNM (PPORNM) responded to the information request and to the appeal lodged before and approved by the Agency for Protection of the Right to Free Access to Public Information indicating that "the Public Prosecution Office of the Republic of North Macedonia does not process beneficial ownership data, i.e. the requested information **is not an information that exists with or is disposed by** the Public Prosecution Office of the Republic of North Macedonia". This response was given to inquiries about the number of cases in which the institution has secured data from the Registry of Beneficial Ownership, the number of persons for whom beneficial ownership data was secured, the number of cases in which, after establishing beneficial ownership, the institution has raised doubt in reliability of such data, and even to the inquiry whether the Public Prosecution Office has direct access to the Registry of Beneficial Ownership or secures such data indirectly, i.e. by submitting a request to the Central Register. PPO disposes only with data on the number of initiatives presented to FIO, as follows: 28 initiatives in 2022, 31 in 2023 and 3 initiatives in 2024, by April 1st.

The Ministry of Interior (MoI) first responded that the requested information "does not fall within in the domain of MoI's work" and only disclosed the number of initiatives presented to FIO, as follows: 9 initiatives on 2022, 8 in 2023 and 4 in 2024, by April. MoI's response to the letter requesting supplementary information, i.e. answers to other inquiries about the number of cases in which the institution secured data from the Registry of Beneficial Ownership, the number of persons for whom beneficial ownership data was secured, the number of cases in which, after establishing beneficial ownership, the institution has raised doubt in reliability of data secured, referred to the fact that **"MoI does not keep such records"**, which prevents them to provide accurate records in response to the information request. Moreover. MoI reported that police officers have direct access to databases kept by the Central Register.

In its response, the Financial Police Administration (FPA) answered all inquiries with a statement that read: "**there is no legal obligation for keeping such records"** and that it is a matter of "information which the Financial Police Administration, as information holder, **does not dispose with**", except for the inquiry about the method of access to the Registry of Beneficial Ownership. Otherwise, FPA reported that "beneficial ownership data are secured by means of **direct access to** the Registry of Beneficial Ownership, as well as **through** the Central Register".

The Customs Administration (CA) did not respond to all inquiries made under the information request except for the number of initiatives submitted to FIO, as follows: 3 initiatives in 2022, 8 initiatives in 2023 and 1 initiative in 2024, by April. As regards the inquiries about the number of cases in which the institution secured data from the Registry of Beneficial Ownership, the number of persons for whom beneficial ownership data was secured, the number of cases in which, after establishing beneficial ownership, the institution has raised doubt in reliability of such data and whether the institution has direct access to the Registry of Beneficial Ownership, the Customs Administration provided a meaningless statement that read: "as regards obtaining data from the Registry of Beneficial Ownership and having in mind that existing options for browsing logs in the Central Register's system require 180 copy-paste interactions, it is expected that a new version, currently under development, will soon be launched and will feature new browser add-ons".

The Intelligence Agency (IA) did not respond to the information request because the inquiries made therein concerned "classified information/data that relate to security and intelligence activities". The Agency submitted the same response after it was presented with an appeal, adding that it has conducted a "harm test" and has assessed that all information requested **"represent classified information** whose disclosure could harm the institution's operation". This statement was also made in response to the inquiry whether the Agency has direct access to the Registry of Beneficial Ownership or secures these data indirectly.

In its response, the Ministry of Defence (MoD) reported that, in the indicated period (2022, 2023 and 2024), it has not submitted any initiatives to FIO pursuant to Article 130 of the Law on Prevention of Money Laundering and Financing of Terrorism, as well as that it has direct access to the Registry of Beneficial Ownership. As regards inquiries about the number of cases in which the institution secured data from the Registry of Beneficial Ownership, the number of persons for whom beneficial ownership data was secured, and the number of cases in which, after establishing beneficial ownership, the institution has raised doubt in reliability of such data, the Ministry of Defence informed that **"[it] has not acted in such cases".**

The National Security Agency (NSA) is one of the two institutions that **disclosed and fully responded to the information request** made under the instrument for free access to public information. In the analysed period, NSA has secured data from the Registry of Beneficial Ownership about two legal entities, indicating that data were secured indirectly, through the Central Register. As regards the number of initiatives presented to FIO, the Agency has submitted 10 initiatives in 2022, 28 in 2023 and 5 initiatives in 2024, by April. To present, the Agency has not raised doubt in reliability of beneficial ownership data secured from the registry.

The Insurance Supervision Agency (ISA) is the second institution that fully disclosed information requested and answered all inquiries. This Agency has secured data from the Registry of Beneficial Ownership for 25 cases in 2022 and 15 cases in 2023, indicating there are no cases by the cut-off date in 2024 (April). As regards the number of persons for whom beneficial ownership data was secured, the Agency has checked 40 persons in 2022 and 20 persons in 2023. The Agency has direct access to the Registry of Beneficial Ownership and, by the cut-off date for this analysis, has not had cases that raised doubt in reliability of beneficial ownership data retrieved.

The Public Revenue Office (PRO) responded to all inquiries made under the information request in the following manner: "thus far, PRO **has not submitted a request** to the Central Register of RNM **to secure data from the Registry of Beneficial Ownership".**

The State Audit Office (SAO) provided an identical answer to all inquiries, which read: "the State Audit Office **has not used such services** (a/n services provided by the Registry of Beneficial Ownership)".

An identical response was obtained from the Ministry of Justice (MoJ), indicating that: "in the period of 2022, 2023 and by April 2024, [MoJ] **has not used services provided by the Registry of Beneficial Ownership** either directly or indirectly through the Central Register and therefore cannot respond to the inquiries made in the information request".

A similar response was applied by the Commission for Protection of Competition (CPC), which read: "thus far, the Commission for Protection of Competition **has not requested data** from the Registry of Beneficial Ownership".

An identical answer reading "**has not used data** from the Registry of Beneficial Ownership" was obtained from the Ministry of Foreign Affairs (MFA).

The State Foreign Exchange Inspectorate (SFEI) responded that data from the Registry of Beneficial Ownership are secured **for all legal entities and in all cases of** regular inspection supervision, without indicating the number thereof, although this response was appealed as incomplete. Furthermore, the Inspectorate reported that beneficial ownership data are secured indirectly, through the Central Register, as well as that there are no cases that have raised doubt in reliability of data retrieved from the Registry of Beneficial Ownership.

The Securities and Exchange Commission (SEC) indicated that: "when processing its cases, [the Commission] does not have great need to check data from the Registry of Beneficial Ownership and therefore informs that **the number of cases in which such data were requested is small".** The Commission further clarified that it secures beneficial ownership data for legal entities in certain, more complex cases. It **does not keep separate records on the number of data secured** from the Registry of Beneficial Ownership and has direct access thereto. By the cut-off date for this analysis, the Commission has not raised doubt in reliability of beneficial ownership data secured.

In its response, the National Bank of the Republic of North Macedonia (NBRNM) noted that "it **does not directly use and does not have direct access to** the Registry of Beneficial Ownership and that, in compliance with the law, all information received as part of its supervision functions do not qualify as public information". It further clarified that commercial banks are obliged to identify beneficial ownership when implementing measures to combat money laundering and financing of terrorism, whereby they should not exclusively rely on data from the Registry of Beneficial Ownership.

The Agency for Supervision of Fully Funded Pension Insurance (ASFFPI) provided a uniformed response to all inquiries, as follows: "thus far, [the Agency] **did not need to secure data** from the Registry of Beneficial Ownership"

In response to the information request made under the instrument for free access to public information inquiring about the method of access to the Registry of Beneficial Ownership) by the institutions involved (referred in Article 33 par. (2) and (3) of the Law on Prevention of Money Laundering and Financing of Terrorism), the Central Register reported that "it has developed systems and has secured technical conditions for direct access to this registry for all competent authorities and entities enlisted in Article 5 of the Law". In that, the Central Register positively responded to requests for direct access to the Registry of Beneficial Ownership submitted by 366 competent authorities and entities.

Finally, low or non-existing use of beneficial ownership data on the part of the institutions is best represented by the fact that most of the 22 institutions addressed with the information request under the instrument for free access to public information needed further clarifications in order to respond and a total of seven appeals had to be lodged before the Agency for Protection of the Right to Free Access to Public Information.

(Non)Implementation of Measures Recommended by IMF and Envisaged in OGP National Action Plan

Immediately after the outbreak of the coronavirus pandemic, i.e. in early 2020, many countries across the world addressed the International Monetary Fund with requests for emergency funding, to which the Fund secured funds under its "emergency facilities" in the form of financial assistance for countries whose economies are seriously affected by the emerging crisis. However, due to the need for emergency funding to be made available immediately and the enormous risks of irrational spending and abuse of funds that are common at times of crisis, IMF's process for approval of emergency financing included an additional conditionality. In particular, prior to disbursement of IMF funds, the governments were required to commit to implementation of policies and safeguards aimed at ensuring transparency and accountability of pandemic-related public spending, as follows:

- publish information on pandemic-related public procurement contracts;
- publish beneficial ownership data for companies awarded such contracts;
- public reporting on pandemic-related costs; and/or
- conduct and publish audits of such costs.

Each country committed to a different set of measures which had to be enlisted in its letter of intent addressed to IMF together with the request for emergency funding. Although North Macedonia did not explicitly commit to such measures in its letter of intent,[4] it seems that, in practice, it implemented three of the four requirements put forward by IMF.

The Electronic Public Procurement System introduced a clear designation of crisis-related procurement and these contracts were made publicly available. A designated website was designed and hosted information on crisis-related public spending, while the State Audit Office conducted and published audit reports on pandemic-related public spending.

The only requirement which the country failed to implement concerns publication of beneficial ownership data for companies awarded public procurement contracts, at least those related to efforts aimed at coping with the COVID–19 crisis.

North Macedonia's OGP National Action Plan 2021–2023 featured a commitment[5] proposed by the civil society for publishing the names of companies that have participated in tender procedures and have been awarded public

[4] Link to the letter of intent: https://www.imf.org/en/Publications/CR/Issues/2020/04/16/Republic-of-North-Macedonia-Request-for-Purchase-Under-the-Rapid-Financing-Instrument-Press-49340

[5] Link to the commitment: https://ovp.gov.mk/nap_proposals/%D1%98%D0%B0%D0%B2%D0%BD%D0%BE-%D0%BE%D0%B1%D1%98%D0%B0%D0%B2%D1%83%D0%B2%D0%B0%D1%9A%D0%B5-%D0%BD%D0%B0-%D0%B2%D0%B8%D1%81%D1%82%D0%B8%D0%BD%D1%81%D0%BA%D0%B8%D1%82%D0%B5-%D1%81%D0%BE%D0%BF%D1%81/

procurement contracts in the Electronic Public Procurement System. Although this commitment was not implemented, the new OGP National Action Plan for the period 2024–2026 includes a new commitment[6] in this regard, now expanded to also cover concessions and public-private partnership contracts.

In its 2023 Country Report for North Macedonia[7] the European Commission notes that "North Macedonia has been rated compliant or largely compliant for 28 of 40 FATF recommendations. Among the shortcoming identified are a modest number of convictions related to money laundering, concerns about the proportionality, dissuasiveness and effectiveness of pecuniary sanctions, the quality of data in the Registry of Beneficial Ownership, lack of sanctions for failures related to basic or beneficial ownership information, technical deficiencies on confiscation, lack of systematic approach to conducting a financial investigation, and low number of suspicious transaction reports compared to the risk, context and size of the country".

In its last Economic Profile for North Macedonia,[8] OECD has assessed that "the country's Registry of Beneficial Ownership, established in 2021, lacks enforcement and verification, risking increased money laundering and informal economic activities".

6 Link to the commitment: https://ovp.gov.mk/nap_proposals/1-2-%D1%98%D0%B0%D0%B2%D0%BD%D0%BE-%D0%BE%D0%B1%D1%98%D0%B0%D0%B2%D1%83%D0%B2%D0%B0%D1%9A%D0%B5-%D0%BD%D0%B0-%D0%B8%D0%BC%D0%B8%D1%9A%D0%B0%D1%82%D0%B0-%D0%BD%D0%B0-%D0%B2%D0%B8%D1%81%D1%82%D0%B8/

7 https://neighbourhood-enlargement.ec.europa.eu/system/files/2023-11/SWD_2023_693%20North%20Macedonia%20report.pdf

8 https://www.oecd.org/content/dam/oecd/en/events/2024/10/grc_north-macedonia/MKD-Key-findings-ppt.pdf

Recommendations

Having in mind all aspects covered by this analysis and related to worldwide practices on publishing beneficial ownership data, especially by establishing and using such registries, the following recommendations are valid in respect to prevention, detection and sanctions against money laundering, financing of terrorism, corruption and other forms of public fund abuses, aimed at improving state-of-affairs in North Macedonia.

In general, efforts are needed to:

- Ensure adequate access (different interested partes are granted access to different levels and scopes of information contained in the registry[9]), functions and quality of information in order to allow proactive use of beneficial ownership data by a much broader spectrum of interested parties such as: audit houses, journalists, civil society organizations, private sector, etc.; for example, audit houses could use these data to detect affiliations and arrangements among companies participating in public procurement, civil society organizations and the media could use beneficial ownership data to detect public officials with possible covert stakes in companies awarded state contracts, while the business sector could use these data to reduce risks and improve knowledge about their business partners and associates.

- Expand the scope of beneficial ownership information, by setting a lower threshold for individual ownership that is currently defined at 25%, by ensuring group coverage of affiliated persons/entities, etc.

- Expand interoperability for use of beneficial ownership data in order to prevent, detect and sanction corruption and abuses, not only in the area of combating money laundering, financing of terrorism and illegal financing, but also in other areas such as public procurement, subsidies, state aid, concessions, political party donations, financing of political campaigns, etc.

- Link data from the Registry of Beneficial Ownership with other registries and databases such as the Electronic Public Procurement Systems, concessions, public-private partnerships, real estate cadastre, treasury, customs, state aid, public permits and licenses, elected and appointed officials, asset declarations and conflict of interest statements, etc.

- Improve data verification and accountability, and allow monitoring (by making data publicly available, thus facilitating reporting on inconsistencies by citizens, civil society organizations, journalists, business entities, etc., data correction and increased responsibility).

Above enlisted recommendations will be further detailed and elaborated in a separate policy paper.

[9] Fernando, Francisca, Richard Berkhout, Unmasking Control: A Guide to Beneficial Ownership Transparency, IMF, 7 October, 2022 (p. 48)

