



# Beneficial Ownership in the Fishing Sector and Links to Corruption

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## Key takeaways

- » Complex corporate structures, while legal, and jurisdictions that allow or encourage the use of such mechanisms such as flags of convenience and financial secrecy jurisdictions, obscure the identity of beneficial owners in the fisheries sector.
- » The lack of transparency, oversight, standardized rules, and enforcement around beneficial ownership facilitates corruption and complicates efforts to combat IUU fishing.
- » Large-scale reforms are needed to regulate the use of complex company structures, improve transparency of ultimate beneficial owners, and prevent the exploitation of opaque jurisdictions and flag states that facilitate illegal fishing and associated crimes.

## Introduction: Beneficial Ownership Opacity

Seafood supply chains are notoriously opaque, characterized by considerable length, the involvement of different jurisdictions, and the ability to register vessels in a country where the owner is not a citizen or resident. This creates immense regulatory and tax challenges and contributes to the corruption in the fisheries sector tied to IUU fishing.<sup>1</sup> This complexity makes the fisheries sector particularly vulnerable to the negative impacts of beneficial ownership secrecy. Specifically, unscrupulous operators of fishing vessels and processing facilities of seafood are able to take advantage of a lack of regulations and use complex ownership structures to hide the true identities of their actual owners, or beneficial owners – the person(s) who exercise ultimate effective control over the entity (fishing vessel, processing facility, etc.) or arrangement (FATF 2014). Lax transparency requirements, protections for privacy, complex corporate arrangements, and minimal to no oversight of activities enables these actors to obscure their identities, engage in illegal

<sup>1</sup> For more see Freitas (2021): [Corruption in the Fisheries Sector: Import Controls, Transparency and WWF Practice](#).

activities, and escape punishment (Kinnard 2021).<sup>2</sup>

Few jurisdictions require the identities of beneficial owners to be transparent, so in many places, this opacity is itself legal. But a lack of transparency enables illegality and corruption. It helps bad actors evade penalties and sanctions and allows them to continue operating illegally. The concealed beneficial owner would be able to maintain access to fisheries, ports of landing, and markets for processing and sale, without being held responsible for any illegality they engage in or enable. Secrecy like this is a key enabler for almost all crimes that take place along the fisheries supply chain, including illegal fishing, embezzlement, drugs and weapons smuggling, and human trafficking (UNODC 2019).

## Methods used to conceal beneficial ownership

As mentioned, the lack of transparency of the identities of beneficial owners enables corruption, in the laundering of money, gaining access to fishing grounds outside of the owners' jurisdiction, and fishing illegally. But it is also facilitated by corruption, particularly in acquiring flags of convenience, registering in tax havens, and establishing joint ventures and other arrangements with foreign nationals. This section explains each of these three methods in turn.

### Flags of Convenience (FoC)

The flag states of fishing vessels have several international obligations to effectively control those vessels. These obligations, contained in various international agreements and documents, range from monitoring and control of fishing activities and ensuring minimum labor standards on vessels, to pollution prevention and maritime safety (Pew 2019).<sup>3</sup> Appendix I outlines the broad scope of the

### Key terms

**Beneficial owner:** the person(s) who exercise(s) ultimate effective control over the entity (fishing vessel, processing facility, etc.) or arrangement (FATF 2014).

**Fishing Joint Venture:** An agreement between a foreign government or private companies with domestic entities in exchange for local fishing rights, often used to comply with or circumvent local ownership requirements or minimum percentage local ownership.

**IUU Fishing:** Illegal, unreported, and unregulated (IUU) fishing is found in all types of fisheries; occurs both on the high seas and in national waters; and concerns all aspects and stages of the capture and utilization of fish (FAO 2001).

**Flag of Convenience (FoC):** a state in which the owners of a ship register their vessel and whose flag the vessel then flies, regardless of the residence or ties of the owners to that country. FoCs are characterized by lax registration requirements and little to no enforcement.

**Legal corruption:** an act that leverages public policy or office for personal gain at the expense of general welfare, even though that act is legal (Kaufmann and Vincente 2006)

**Tax haven:** a jurisdiction that offers very low or zero taxes for foreign investors, characterized by secrecy and often a refusal to cooperate with other jurisdictions in exchanging information.

responsibility of the flag state and demonstrates that the flag state is legally bound to control the activities of vessels flying that flag (Pew 2019).

However, some states are known to have lax implementation and little oversight and enforcement of laws. These "flag of convenience" countries allow

<sup>2</sup> See this resource for a more detailed overview of the impacts of beneficial ownership opacity in natural resource management

<sup>3</sup> The key international instruments establishing flag State obligations and standard to detect, deter, and eliminate IUU fishing are: Food and Agriculture Organization (FAO) of the United Nations Agreement to Promote Compliance with the International Conservation and Management Measures by Fishing Vessels on the High Seas; 1995 Fish Stocks Agreement; Port State Measures Agreement; and, UN Convention on the Law of the Sea. (Other non-binding measures promoting responsible standards are the FAO Code of Code for Responsible Fisheries; Voluntary Guidelines for Flag State Performance; International Plan of Action to Prevent, Deter, and Eliminate Illegal, Unreported, and Unregulated Fishing.).

the owners of a foreign vessel to register their ship and use their flag while operating, without requiring any actual link to the country – i.e. the vessel’s home port is not in the country, the vessel’s owners are not citizens, and the vessel is not operating in the country’s waters. Vessel registration is cheap and easy, with beneficial ownership information not required. Unscrupulous owners and operators registering their vessels to these states are more easily able to operate illegally, via limited regulatory oversight, low or no taxes, and a lack of law enforcement. Flags of Convenience in essence, then function as a form of “[legal corruption](#).”

The International Transport Workers’ Federation (ITWF) currently lists 35 registries<sup>4</sup> as flags of convenience, with the largest numbers of fishing vessels registered to Honduras, Panama, and Cambodia. There are

even three landlocked countries (Bolivia, Moldova, and Mongolia) with registers (SIF). Table 2 lists the countries that have been identified as FoCs by the ITWF.

The ITWF estimates that about 15% of the world’s large-scale fishing vessels are registered to FoCs or listed as ‘flag unknown’ and the International Commission for the Conservation of Atlantic Tunas (ICCAT) estimates that 10% of tuna is caught illegally by vessels flying flags of convenience (SIF). But contrary to the large impacts on IUU that FoCs enable (Miller and Sumaila 2014), the public benefits to many FoCs are relatively small (EJF 2020). Mongolia is believed to gain only a few hundred thousand dollars per year from the fishing vessels registered to their flag, an incredibly small amount compared to the millions of dollars in profits made by some IUU operators (SIF).

Vessel owners involved in illegal fishing commonly change the country of registration, a practice called “flag hopping.” The fishing vessel Yongding, for example, which had long been implicated in IUU fishing of Patagonian toothfish, was finally detained in Cape Verde in 2016. It had registered under nine flags, including many notorious FoCs, and operated under at least 11 different names since 2001 (SIF). In addition, many of the countries operating FoCs are also tax havens (Galaz 2018). One study found that while only 4% of all registered fishing vessels fly the flag of a tax haven country, 70% of all vessels involved in IUU fishing have been flagged in a tax haven jurisdiction, illustrating the close ties between illegal fishing and financial crimes (Galaz 2018).

As part of lax FoC oversight, vessel owners can employ cheap labor from the global labor market, which can mean low wages, poor on-board conditions, inadequate food and drinking water, and long periods of hazardous work without proper rest for workers (ITWF). This labor abuse, ranging from child labor to forced labor and modern-day slavery, is commonplace and may be facilitated by corrupt arrangements with

**TABLE 2 - Flag of Convenience Countries**

|  |                          |
|--|--------------------------|
| » Antigua and Barbuda                      | » Jamaica                |
| » Bahamas                                  | » Lebanon                |
| » Barbados                                 | » Liberia                |
| » Belize                                   | » Malta                  |
| » Bermuda (UK)                             | » Madeira                |
| » Bolivia                                  | » Marshall Islands (USA) |
| » Cambodia                                 | » Mauritius              |
| » Cayman Islands                           | » Moldova                |
| » Comoros                                  | » Mongolia               |
| » Cyprus                                   | » Myanmar                |
| » Equatorial Guinea                        | » Netherlands Antilles   |
| » Faroe Islands (FAS)                      | » North Korea            |
| » French International Ship Register (FIS) | » Panama                 |
| » Georgia                                  | » Sao Tome and Principe  |
| » German International Ship Register (GIS) | » St Vincent             |
| » Gibraltar (UK)                           | » Sri Lanka              |
| » Honduras                                 | » Tonga                  |
|  | » Vanuatu                |

<sup>4</sup> Some states have more than one registry, with some registries within a country having more lax requirements than others. The French International Ship Register, for instance, has more lax requirements than the French Register.

inspectors or law enforcement. Human trafficking and forced labor, in particular, are linked with other illegal maritime activities that use the unobserved nature of fishing, particularly on the high seas in areas beyond national jurisdiction, to commit crimes, including drugs and weapons smuggling, fisheries management

regulation violations and associated crimes such as document fraud, tax evasion, and corruption (ITC 2021; UNODC 2019).<sup>5</sup>

## Complex Corporate Structures

Complex corporate structures that insulate beneficial

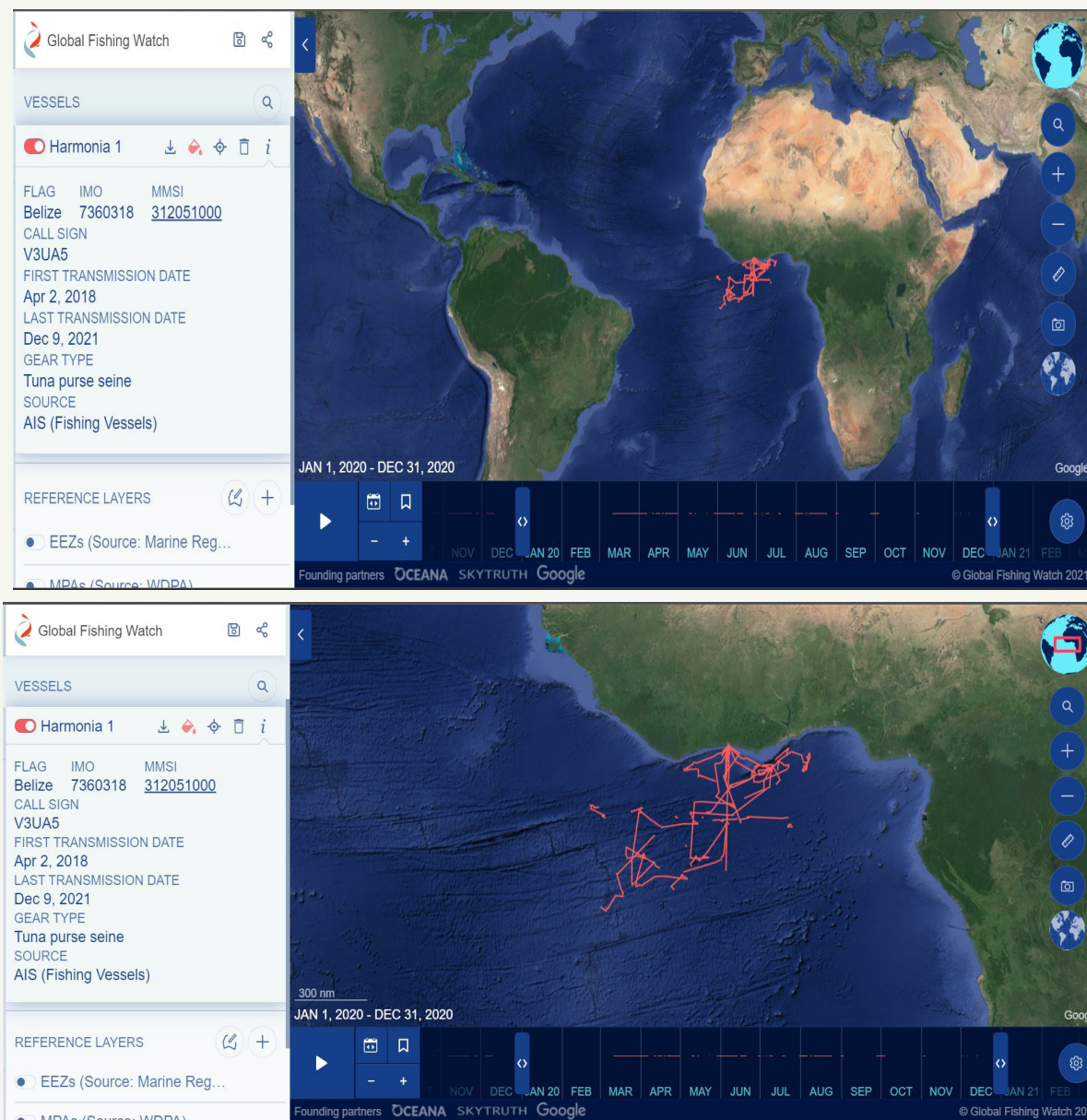


Figure 1: Global AIS tracks (pink) of fishing vessel flagged to Belize. This snapshot, taken from the Global Fishing Watch database, shows the 2020 global AIS (automatic identification systems, a vessel tracking system using transceivers on ships) tracks of a fishing vessel. The vessel is flagged to Belize, but its departure, operations, and arrival were all off the coast of West Africa.

<sup>5</sup> Fishing is increasingly observed from sources such as Global Fishing Watch, and more often observed when it occurs within a country's exclusive economic zone (EEZ). However, enforcement of rules is limited within EEZs, and the area beyond national jurisdiction, particularly outside of a regional fisheries management organization, is effectively an area without rules, precluding countries from easily enforcing laws against IUU.

owners from scrutiny are also a common tactic that allows a person to maintain their operations even when convicted of wrongdoing. The lack of information on the beneficial owner, the involvement of numerous actors in more than one jurisdiction, and the existence of FoCs (many of whom are also tax havens) already make tracing financial flows in the sector difficult and fisheries particularly vulnerable to financial crimes and money laundering. Using shell companies in jurisdictions that offer high levels of secrecy and using FoCs that offer lower transparency can further insulate IUU fishing activity from scrutiny, with these opaque structures making it difficult to determine who owns and controls a particular vessel as well as the level of connection among vessels from seemingly unrelated fleets (C4ADS 2020).

Even after court cases have concluded that vessels are guilty of illegal fishing, there are few limits that temporarily or permanently remove them from fishing (if they are still operational). A fishing vessel will sometimes simply re-emerge with a changed name, a different FoC flag state, or a new vessel registration, even though the ownership of the vessel has remained unchanged (C4ADS 2020). For example, the fishing vessel *Thunder*, notorious for its IUU fishing of toothfish in the Antarctic, was owned by a Panamanian shell company and most recently flagged to Nigeria at the time of its pursuit by authorities, and eventual sinking, in 2015. The ship had had at least six different previous names (each registered under a different flag), with ownership hidden through shell companies from Seychelles, Nigeria, and Panama. Investigations by Interpol and numerous authorities eventually uncovered the beneficial owner as a Spanish national, though this link was hidden

because of the shell companies and use of a FoC (Urbina 2015).

The use of secrecy around the beneficial owner can be used to provide a facade of legitimacy to an otherwise improper transaction. A Nordic Council of Ministers report found, for example, that a Minister of Fisheries may award valuable fishing authorizations and quota allocations to a company in which the minister is the true beneficiary but is the hidden owner (NCM 2018), rather than a more equitable distribution of the quota. It is also suspected that companies with the same beneficial owner use a front company to trade fish (NCM 2018).

Hiding the identity of the beneficial owner also enables and protects the laundering of proceeds from any illegal activity, by separating the individuals from their illicit proceeds. Owners and operators who fish illegally and commit fisheries crimes need to disguise the origin of their criminal money so that they can protect it from seizure and use it more easily (FiTI 2021). The long value chains in the fisheries sector provide several opportunities for money laundering at different stages: during the purchase of expensive assets, such as fishing vessels or fishing gear, during the stage of selling products, in the payment of wages to crews, etc. Through a process of placement, layering, and integration,<sup>6</sup> the illegal proceeds gained by beneficial owners can be laundered and presented as being derived from legitimate activities all while maintaining the secrecy of the beneficiary of those illicit financial gains (FiTI 2020).

## Concealing Foreign Ownership

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<sup>5</sup> Fishing is increasingly observed from sources such as Global Fishing Watch, and more often observed when it occurs within a country's exclusive economic zone (EEZ). However, enforcement of rules is limited within EEZs, and the area beyond national jurisdiction, particularly outside of a regional fisheries management organization, is effectively an area without rules, precluding countries from easily enforcing laws against IUU.

<sup>6</sup> Placement is the process of depositing or inserting unlawful cash proceeds into traditional financial institutions. Layering is the process of separating the proceeds of criminal activity from their origin by using multiple banks and accounts, having intermediaries make transactions through corporations and trusts, and many different techniques to disguise the funds (converting cash to traveler's checks, money orders, wire transfers, letters of credits, stocks, bonds, or purchasing valuable assets, such as art, jewelry, real estate). The transactions are designed to hide the audit trail and provide anonymity. Integration is the stage at which the laundered funds are reintroduced into the legitimate economy, appearing to have originated from a legitimate source. <https://calert.info/details.php?id=1239>

Fishing vessels are not always owned by those companies or individuals who obtain an authorization to fish from national authorities. For example, fishing vessels can operate through charter arrangements or joint ventures. These arrangements may be encouraged, particularly in developing countries, to ensure that national stakeholders benefit from commercial fishing (often dominated by foreign capital and vessels), and to increase the opportunity to transfer fishing capacity and technology (FiTI 2020).

African countries, for example, for decades have been encouraging the creation of joint ventures with foreign industrial fishing companies – Chinese, Russian, European (Spanish, French), Korean – to develop their

industrial fishing capacity (CFFA 2020). However, the foreign operators in these joint ventures often have very limited knowledge of the local ecosystems, the state of fisheries resources, or the dynamics of the local fisheries sector (CFFA 2020). Unscrupulous local actors can also offer political influence and insider knowledge to the foreign fishing company (Standing 2015). In the commercial prawn sector in Mozambique in the 1990s, for example, a government policy requiring companies form joint ventures, primarily with Japanese and Spanish companies, to access the fishery “became a mechanism for enriching senior members of the government and the security forces” (Buur 2012).

## Case Study - Using Network Mapping to Identify Overlapping Ownership

The origin of groundfish that enters the United States from China can be difficult to confirm with absolute certainty, due to the lack of traceability or transparency requirements for most fishing operations. This is made more complicated by the fact that groundfish from a variety of countries is imported to Chinese facilities for thawing and processing prior to re-export to seafood companies abroad. This can raise questions about the true origins and legality of groundfish exports and re-exports entering the United States and Canada from Chinese consignors.

In 2020, the Center for Advanced Defense Studies (C4ADS) investigated ownership of vessels and processing facilities in China that were linked to illegally caught and/or processed fish later exported to the U.S. C4ADS conducted a review of trade data and a network analysis for Chinese consignors, cross-referenced with Russian export data for groundfish in 2018. Their analysis found that 51 Chinese companies (in a master list of 159 consignors) were importing haddock and Alaska pollock products from Russian fishing companies (C4ADS 2020).

Using this groundfish company master list, C4ADS then conducted corporate network mapping for specific Chinese consignors in an attempt to identify their beneficial owners, as well as any overlapping ownership between seemingly disparate companies. C4ADS did identify overlapping commercial relationships between Chinese consignors and seafood processing companies involved in the groundfish trade. Their analysis further found that the US was unknowingly importing seafood (Alaska pollock and other groundfish species) from a Chinese

As a result of these types of company structures that hide ultimate beneficial ownership, enforcement efforts are frequently focused on the vessel (the asset) rather than the actual culprits (C4ADS 2020). Highlighting the connections between actors involved in connected supply chain companies and understanding the different company structures used by fisheries operations is crucial to strengthen the ability of fisheries monitoring, control, surveillance, and enforcement (MCS) agencies to effectively detect and investigate infringements, administer penalties, and exclude operators exploiting these structures (C4ADS 2020). processing facility that was illegally employing North Korean laborers.

While joint ventures are in many instances technically legal, they enable corruption by allowing companies or officials from wealthier states to essentially bribe their way into accessing the resources of another country (C4ADS 2020). Information on these arrangements is often not made public, such as the names of national shareholders in joint ventures, or those responsible for chartering foreign vessels (FiTI 2020). Civil society organizations, such as the Coalition for Fair Fisheries Arrangements and the African Confederation of Artisanal Fisheries Professional Organizations, have in recent years criticized and denounced these joint ventures for their opacity and involvement in systematic fraudulent practices (CFFA/CAOPA 2015).

As a result of this corruption, these joint ventures have often led to investments that are damaging to the conservation of fisheries resources and harmful to the livelihoods of the coastal communities that depend on them (CFFA 2020). As global fish stocks decline, Africa's coastal waters are becoming more and more sought after by international fishing fleets, creating the incentive for further corruption-enabled overfishing. In Namibia, for example, a fifth of the country's members of Parliament hold shares in fishing companies (Henley 2019). A recent case, involving an Icelandic company, Samherji, high-ranking Namibian politicians and officials, and fisheries quota allocations, revealed how these schemes work.

On paper, Samherji's Namibian subsidiary companies were majority Namibian-owned (as required by Namibian law). But Samherji viewed these owners as front men, funneling the profits through them back to the company's base of operations in Iceland and taking full advantage of international tax loopholes to reduce taxes paid to the Namibian government (Bricetti 2021). In addition, because the quota allocations Samherji desired were already licensed to different operators, the company paid bribes (in

the millions of dollars) to several Namibian officials to acquire new licenses. The licenses were then sold below market value to a subsidiary of Samherji, and the excess money was pocketed by the Icelandic company and the government officials (Bricetti 2021). The scheme was only revealed when a whistleblower within Samherji leaked emails in 2019.<sup>7</sup> Namibia's Minister of Fisheries and Minister of Justice, and Samherji's CEO, were all forced to resign due to their involvement in the scandal (Henley 2019).

## Initiatives to Address Secrecy and Increase Transparency

There are some promising initiatives around beneficial ownership transparency (BOT) broadly. In the United States, for example, the "[Anti-Money Laundering Act](#)", would, among other provisions, create a central registry to track the beneficial ownership of business entities formed in or registered in the United States (JDSupra 2021). A more limited form of the bill, the Corporate Transparency Act, was passed in 2020.<sup>8</sup> Under that Act, a "reporting company" must disclose and update the names and identifying information of all "beneficial owners" or be subject to substantial financial and criminal penalties. The UK and some EU member states have also launched processes to establish a central register of corporate ownership information, although the information is not yet being used for the fishery sector.

Internationally, the G20 released principles on BOT in 2014 (G20 2014). Despite uneven adoption among the G20 countries, this framework makes clear that identifying beneficial ownership of entities participating in a financial transaction should be a priority for governments (See Appendix 2 for the G20 [ten key principles on beneficial ownership transparency](#).) Most recently, the primary international organization pushing for BOT, Open Ownership,

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<sup>7</sup> Transparency around the identities of the beneficial owners of the operating vessels could help to expose the links between the politically exposed persons and the company awarded the license as part of broader checks that can raise red flags for corruption in procurement and licensing.

<sup>8</sup> National Defense Authorization Act. 2020. Sec. 7154 Strengthening the role of anti-money laundering and other financial tools in combating human trafficking. <https://www.congress.gov/116/plaws/publ92/PLAW-116publ92.pdf>

released their “Open Ownership Principles for Effective Beneficial Ownership Disclosure.” These nine principles provide a framework for implementing comprehensive BOT, covering data disclosure and collection, availability and accessibility, and quality and reliability (Open Ownership 2021). The Principles focus on the technical characteristics of effective disclosure regimes and are based on the findings of practitioners and researchers working with governments, civil society, and the private sector in over 40 countries.

Within the fisheries sector, the [Fisheries Transparency Initiative \(FiTI\)](#) highlights efforts to increase transparency around the beneficial ownership of vessels. FiTI addresses the importance of beneficial ownership in its [Standard](#), which defines what information on a country’s fisheries sector should be published online by national authorities. FiTI requires implementing countries to publish information on the country’s legal definition of beneficial ownership, the availability of a public register, the rules and procedures for incorporating beneficial ownership in filings by companies to corporate regulators, stock exchanges or agencies regulating the access to fisheries, and the current status and discussions around beneficial ownership transparency (FiTI 2017). Several countries have already signed on to the FiTI Standard, and the Seychelles, as the first country to report on its commitments, recently passed new legislation (Beneficial Ownership Act of 2020) that requires that every legal person or arrangement maintain an up-to-date register of beneficial owners (Seychelles FiTI Report 2021).<sup>9</sup>

Transparency initiatives like FiTI, though, also face

challenges. In contexts where opacity is greatest, accountability is often weak, and the effects of efforts to improve transparency may not always translate into improved resource management (Brunnschweiler et al. 2021).<sup>10</sup> To achieve those improvements, when information is made public, civil society and government champions must support and use it to push for actual accountability, whereby any malfeasance is properly sanctioned.

## Recommendations

Clearly, increasing transparency and verification around the ultimate beneficial owners of seafood supply chain actors, especially for fishing vessels but also for processors, is key to fighting corruption and associated illegal activities. The recommendations below outline several measures authorities can take to increase transparency and combat the types of schemes that leverage convoluted corporate structures and secrecy around their beneficial owners to get away with corrupt and illegal activities in the fishing sector.

First, governments should observe their international obligations and responsibilities to respect and enforce existing laws and standards governing the transparency and management of fishing operations. Effective enforcement would be supported by the following:

- » Regional fishery management organizations (RFMOs), flag states, and coastal states should increase ownership reporting requirements for fishing vessels and companies. These rules should **require vessel owners to report ultimate**

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<sup>9</sup> The administration of this database is mandated under Section 13 of the Beneficial Ownership Act, which stipulates that the Financial Intelligence Unit shall be the nodal agency to maintain Seychelles’ Beneficial Ownership database. The FIU indicated that this database will become active (and online) by mid-2021. While the register and the database will not be publicly available, the Act makes provision for access to information for specified institutions under Section 13(4) and Section 14. [www.sfa.sc/index.php/doc/publications/fti-reports?task=download.send&id=111&catid=33&m=0](http://www.sfa.sc/index.php/doc/publications/fti-reports?task=download.send&id=111&catid=33&m=0)

<sup>10</sup> Only introducing transparency in, for example, an authoritarian context is unlikely to lead to greater levels of accountability in addressing corruption. In some situations, transparency may not even create new knowledge since local civil society organizations may know what is going on, but they simply may not have the power to do anything about it. Some empirical research on a similar but more established initiative, the Extractive Industries Transparency Initiative (EiTI), has shown that the initiative has had less impact on developmental goals and a more modest impact on resource governance (Lujala 2017).

**beneficial ownership when registering with a flag state or requesting authorization to fish.** To increase accountability, countries should also be encouraged to publish a record of registered vessels

» **Governments and/or RFMOs should then make ownership information public and transparent.**

Access to beneficial ownership information will assist regulatory and enforcement agencies to detect, track, and disrupt investment in illegal fishing vessels and operations. That would curtail IUU operators' ability to tamper with vessel identity to gain access to ports, fishing grounds, and flag registrations, and cut down on the impunity of IUU vessels who often repeat their offenses. **Public** registers of beneficial ownership would also allow dirty money to be more easily traced and make it more difficult and less attractive for people to benefit from the proceeds of corruption and crime.

» States should also **require registration for flagging of any vessels that are home-ported in their state and/or where the beneficial owner is a resident.** This will prevent vessels from operating under flags of convenience.

» A fishing vessel's application for registration or license that is identified or suspected of being owned through a shell or front company, or a joint venture that does not meet legal requirements regarding national ownership, **should be refused a flag and/or fishing authorization.** Enforcement officials should make public any legal or administrative actions taken against fishing vessels to increase awareness of non-compliant vessels and vessel owners.

» Where **foreign ownership** of vessels fishing in EEZs is authorized, either directly or through a joint venture, **the legal requirements and existence of these partnerships should be made public and transparent.** And where it is banned, such provision should be enforced.

» The use of shell companies in **joint venture agreements that involve access to national fisheries resources or flags should also be prohibited.** Joint ventures between foreign

companies and government agencies require strong legal frameworks, should not involve the government agency responsible for fisheries management and law enforcement, and should be public and transparent.

Second, all information published needs to be verified. Verifying information on the beneficial ownership of a company or fishing vessel is both critically important and extremely difficult, because dishonesty in disclosing such information to public authorities remains a serious problem (FiTI 2020).

» **Proactive disclosure** on beneficial ownership of businesses is therefore a positive step, but it may not always produce reliable information for the public (FiTI 2020). To maximize the impact of disclosures and beneficial ownership registers, it is important that authorities can trust that the data provided is accurate and up to date. A good verification system will address both accidental error and deliberate falsehoods (Open Ownership 2020). The Open Ownership [Principles on verification](#) could serve as a model for countries to adopt. Verification should be done by ensuring values conform to known and expected patterns; cross-checking information against existing authoritative systems and other government registers; and checking supporting evidence against original documents.

Where action may be lagging in governments observing their responsibilities, external actors can encourage reform. Companies and major market states, like the EU, US, and Japan, which have in place or are developing some form of import controls, can help drive transparency and management efforts in countries that they source products from:

» **Information on the beneficial owners of fishing vessels** should be a condition of market access for imported seafood. The [EU IUU control regulation](#) requiring catch documentation and the [US Seafood Import Monitoring Program \(SIMP\)](#) both require some information related to the identity of the vessel, the captain, licensing, and registration, but they currently fall short of requiring the identity of

the beneficial owner of the vessel.

- » These programs should also require information on **beneficial ownership for transshipment vessels and processing facilities** as part of the information collected and traceability requirements (Grant, Freitas, and Wilson 2021) at the time of entry for seafood imports. Along with the fishing vessel, these three actors in a supply chain – fishing vessels, transshipment vessels, and processing facilities – are most at risk for the entry of illegal products and/or for human rights and labor abuses of workers (Freitas 2021).
- » Additionally, companies, particularly wholesalers and retailers, should refuse to source from vessels and processing facilities that fail to provide this information.
- » Enforcement of import control schemes should **target products from FoCs for inspections and audits of catch documentation**. Those products are at greater risk of being illegally caught, so similarly, companies along the supply chain should reconsider sourcing or increase due diligence on products from vessels that were registered in FoCs.
- » Major market states and large companies with sustainability and legality commitments should encourage **countries they source from to commit to the Fisheries Transparency Initiative (FiTI)**. That would oblige those countries to disclose basic information on their fisheries sector, including information related to the ultimate beneficial ownership of actors in the sector.
- » Unique vessel identifiers and **IMO numbers should be required for all fishing vessels**. The IMO (International Maritime Organization) requires a history of identity and ownership of registered vessels, which increases operational transparency.
  - » The [FAO Global Record of Fishing Vessels](#) is a global initiative to make available certified data from state authorities about vessels and vessel-related activities. The Global Record would be strengthened further by associating the **unique vessel identifier for a vessel, the IMO number, with additional information that can be used to confirm the vessel's identity**

**from point of construction, including changes in name, flag, or ownership.**

Finally, it is important to recognize that many of the above reforms will be resisted by the actors currently benefiting from beneficial ownership opacity. Those actors may be in positions of significant power in some jurisdictions, requiring action by civil society.

- » By understanding the changes needed, and the way the current systems are abused, civil society stakeholders and natural resource management practitioners can **push for reforms and build capacity and support** for the policies above that will be necessary first steps toward progress.
- » Civil society and journalists should also work to **verify key information that has been disclosed**. This can be done in partnership with agencies open to such collaboration, but can also be pursued independently. See examples from Global Witness ([2018](#)), Transparency International ([2021](#)), and Directorio Legislativo ([2020](#)).

## Conclusion

The corruption that leads to a poorly regulated and opaque global fishing industry enables illegal fishing operators to function with limited risk of detection and/or punishment and further threatens the health and stability of marine ecosystems, the livelihoods and food security of coastal communities, and the safety and well-being of workers. Transparency on beneficial ownership is thus key to preventing, detecting, and prosecuting illicit activities. Large-scale reforms are needed to regulate the use of complex company structures, improve transparency of ultimate beneficial owners, and prevent the exploitation of opaque jurisdictions and flag states that facilitate illegal fishing and associated crimes. Such efforts will help to reduce the impacts of corruption and help enforcement agencies more effectively target not only illegal fishing vessels, but also those who ultimately profit from their operations.

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## Appendix I - Flag State Obligations

| Category                                  | Description   |
|---|---|
| » Registration of vessel                  | » Registration procedures must be public and transparent  |
| » Record keeping                          | » The country keeps a record of fishing vessels containing all relevant information (name of vessel, owners' information, inspection reports, etc.)   |
| » Issuance of authorizations and licenses | » The authorization, license, or permit documentation must specify where transshipment is permitted and under what circumstances  |
| » Reporting from vessels                  | » Domestic laws and regulations require persons responsible for conducting fishing to collect and report information on catches of target and nontarget species   |
| » Monitoring, control, and surveillance   | » Domestic inspection programs must be established  |
| » Infractions                             | » Monitoring, control, and surveillanceThe domestic legal framework must specify which fishing activities constitute infractions  |
| » International cooperation               | » The flag state has clear protocols on how to communicate and work with other states and/or regional fisheries management organizations on matters concerning IUU fishing in waters beyond national jurisdiction |

## **Appendix II - G20 Principles on Beneficial Ownership Transparency**

1. Countries should have a definition of 'beneficial owner' that captures the natural person(s) who ultimately owns or controls the legal person or legal arrangement.
2. Countries should assess the existing and emerging risks associated with different types of legal persons and arrangements, which should be addressed from a domestic and international perspective.
  - a. Appropriate information on the results of the risk assessments should be shared with competent authorities, financial institutions and designated non-financial businesses and professions (DNFBPs) and, as appropriate, other jurisdictions.
  - b. Effective and proportionate measures should be taken to mitigate the risks identified.
  - c. Countries should identify high-risk sectors, and enhanced due diligence could be appropriately considered for such sectors.
3. Countries should ensure that legal persons maintain beneficial ownership information onshore and that information is adequate, accurate, and current.
4. Countries should ensure that competent authorities (including law enforcement and prosecutorial authorities, supervisory authorities, tax authorities and financial intelligence units) have timely access to adequate, accurate and current information regarding the beneficial ownership of legal persons. Countries could implement this, for example, through central registries of beneficial ownership of legal persons or other appropriate mechanisms.
5. Countries should ensure that trustees of express trusts maintain adequate, accurate and current beneficial ownership information, including information of settlors, the protector (if any) trustees and beneficiaries. These measures should also apply to other legal arrangements with a structure or function similar to express trusts.
6. Countries should ensure that competent authorities (including law enforcement and prosecutorial authorities, supervisory authorities, tax authorities and financial intelligence units) have timely access to adequate, accurate and current information regarding the beneficial ownership of legal arrangements.
7. Countries should require financial institutions and DNFBPs, including trust and company service providers, to identify and take reasonable measures, including taking into account country risks, to verify the beneficial ownership of their customers.
  - a. Countries should consider facilitating access to beneficial ownership information by financial institutions and DNFBPs.
  - b. Countries should ensure effective supervision of these obligations, including the establishment and enforcement of effective, proportionate and dissuasive sanctions for non-compliance.
8. Countries should ensure that their national authorities cooperate effectively domestically and internationally. Countries should also ensure that their competent authorities participate in information exchange on beneficial ownership with international counterparts in a timely and effective manner.
9. Countries should support G20 efforts to combat tax evasion by ensuring that beneficial ownership information is accessible to their tax authorities and can be exchanged with relevant international counterparts in a timely and effective manner.

10. Countries should address the misuse of legal persons and legal arrangements which may obstruct transparency, including:
- a. prohibiting the ongoing use of bearer shares and the creation of new bearer shares, or taking other effective measures to ensure that bearer shares and bearer share warrants are not misused; and
  - b. taking effective measures to ensure that legal persons which allow nominee shareholders or nominee directors are not misused. (G20 2014)

#### About Targeting Natural Resource Corruption

The Targeting Natural Resource Corruption (TNRC) project is working to improve biodiversity outcomes by helping practitioners to address the threats posed by corruption to wildlife, fisheries and forests. TNRC harnesses existing knowledge, generates new evidence, and supports innovative policy and practice for more effective anti-corruption programming. Learn more at [tnrcproject.org](http://tnrcproject.org).

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