The practical applicability of the concept of the beneficial owner in non-profit legal entities

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Abstract

This research is focussed on evaluating the practical applicability of the concept of the beneficial owner in a special type of legal persons—non-profit entities. Specifically, such legal persons as cooperative societies, political parties and alliances thereof, associations and foundations, as well as religious organisations and their institutions are examined. The aim of this research is to analyse the norms that prescribe the legal definition of the beneficial owner and methods of control exercised thereof with respect to non-profit entities and substantiate the necessity to improve these norms to have a larger public credibility of information registered in the public register. In order to achieve this aim, such research methods as doctrinal analysis of the relevant legal norms on beneficial owners of non-profit entities, as well as case studies to illustrate the current practice of registration of the beneficial owners are applied. The principal conclusion of this research is that non-profit entities are underregulated in the anti-money laundering (AML) field, and legal framework on their beneficial owners needs serious amendments to achieve accuracy, consistency and public credibility of the information that non-profit entities submit to the Register of Enterprises as regards their beneficial owners.

Keywords

beneficial owners • non-profit entities • public register • Register of Enterprises • technical beneficial owner

INTRODUCTION

One of the central topics in the field of anti-money laundering (AML) and prevention of terrorism and proliferation financing is the determination and disclosure of the beneficial owner in legal entities and legal arrangements. It is the identification of a specific natural person who owns and controls the legal entities that helps to trace the legality of the origin of the financial flow and the assets in legal entities. Latvia in the field of AML measures taken on the legislative level has had a rather complicated history. Since its grey-listing by the Financial Action Task Force (FATF) in 2018, the country had experienced dramatic negative economic consequences in such fields as foreign direct investment, sovereign credit rating of the country and the government borrowing interest rate (Zigulica et al., 2022). As a result, it had to implement major amendments to its normative acts so as to conform to the requirements posed by FATF. The aforementioned amendments also included revised norms on beneficial owners of legal entities in the Law on the Prevention of Money Laundering and Terrorism and Proliferation Financing (AML law).

The high prioritisation of financial transparency in Latvia is also acknowledged in the order of the Cabinet of Ministers, which praises Latvia’s ability to combat financial crime and avoid being repeatedly included in the grey list by FATF (Order of the Cabinet of Ministers No. 940, 2022). While this on one hand may seem a commendable accomplishment, the amendments to normative acts brought thereof are by no means impeccable on the other hand. In its Moneyval report of 2018, FATF concluded that capital companies are the most frequent legal entities in Latvia which makes them associated with the most financial risk (Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism [Moneyval], 2018). Therefore, AML law provides an elaborate and detailed definition of beneficial owners in capital companies and the types of control implemented thereof. However, it is not likewise as regards other legal entities, since the definition of the beneficial owner as regards these other entities is rather vague. Moreover, the AML law also stipulates obligations for all legal entities to disclose their beneficial owners, although no more specific rules for determining the true beneficial owner have been established for other legal entities (apart from capital companies). The rationale behind this is not very clear, since the goals of entities other than capital companies and a wider category of commercial companies in general are related to profit only alternatively. Therefore, the aim of this paper is to substantiate the necessity of improving the definition of the beneficial owner in the normative acts of the Republic of Latvia regarding legal entities other than commercial companies (i.e.
capital companies and partnerships) by offering specific solutions for amendments to regulatory acts. The research issue of this paper evolves around the question of whether the current legal norms in force in the Republic of Latvia on disclosure of the beneficial owners of non-profit legal entities achieve the goal of AML regulation in the European Union (EU) to find out who actually controls the legal entity. From the research issue, the following hypothesis emerges: the current legal framework of the Republic of Latvia on disclosure of the beneficial owners of non-profit legal entities does not entirely achieve the goal of AML regulation and does not contain sufficiently clear legal norms so as to find out who actually controls the legal entity. The research per se is of an interdisciplinary nature since it has roots in the normative acts of the EU and is thus taken to a supranational perspective despite its focus on the normative regulation of the Republic of Latvia as regards beneficial owners. The doctrinal methodology is comprehensively applied in the research, namely the analysis of Latvian normative acts in the field of AML. Additionally, the methods of statistical analysis and case studies with respect to the information on the beneficial owners provided by legal entities registered in Latvia, available on the website of the Register of Enterprises of the Republic of Latvia are used. Since there is no comprehensive study on the beneficial owners in Latvia and the issue under research bears significant academic novelty, polemics is also applied in the research. Specifically, qualitative research methods are also used with a focus on the relevant opinions expressed in scholarly literature and academic articles.

RESEARCH RESULTS AND DISCUSSION

The legal definition of the beneficial owner and its elements as regards non-profit entities within the regulatory framework of the Republic of Latvia

In Latvia, normative acts prescribe for a variety of legal entities, which by their nature have very different goals and functions. Specifically, it is stipulated by Section 1, Clause 1 of the Law on the Enterprise Register of the Republic of Latvia that the Register of Enterprises shall inter alia ‘carry out registration of merchants and their branches, representations of foreign merchants and organisations and representatives thereof, cooperative societies, European Economic Interest Groupings, European commercial companies, European cooperative societies, political parties and alliances thereof, [...] associations and foundations, religious organisations and their institutions [...]’ (Law on the Enterprise Register of the Republic of Latvia, 1990). Of all the entities mentioned above, the ones with non-profit nature and a large or nearly indefinite number of members are the following: cooperative societies, political parties and alliances thereof, associations and foundations, as well as religious organisations and their institutions. That is the reason for focussing the research on these specific entities and their beneficial owners. When examining the definition of the beneficial owner within the legal framework of Latvia, it is important to note that AML law distinguishes between legal persons and legal arrangements, i.e. structures that do not bear the status of a legal person. Since the legal entities under focus in this specific research are all qualified as legal persons, the definition of a beneficial owner in a legal arrangement does not pertain to them. Interestingly enough, however, the AML law does not distinguish between commercial/capital companies and non-profit entities. Instead, it provides a single definition of a beneficial owner for all legal persons in Section 1, Clause 5: ‘beneficial owner – a natural person who is the owner of the customer which is a legal person or legal arrangement or who controls the customer, or on whose behalf, for whose benefit or in whose interests business relationship is being established or an individual transaction is being executed, and it is at least as regards legal persons – a natural person who owns, in the form of direct or indirect shareholding, more than 25% of the capital shares or voting stock of the legal person or who directly or indirectly controls it’ (Law on the Prevention of Money Laundering and Terrorism and Proliferation Financing, 2008). It stems from this definition that more or less clear elements of the definition crystallise only as regards capital companies.

However, as regards, other legal persons including non-profit entities that are of interest in this research, it can be concluded that only two elements constitute the definition of the beneficial owner. Specifically, these are the following: a natural person and direct or indirect control. Beyond any doubt, this scarce definition does not in any way clarify how to determine the beneficial owner of a non-profit entity, nor does it even go further to explain what is meant by the term ‘control’. While on a normative level, the definition of a beneficial owner of a non-profit entity does exist, factually it seems practically unfeasible to determine the ultimate person who controls the non-profit entity. The unsatisfying conclusion on the underdeveloped concept of a beneficial owner of the non-profit entity raises the question of whether non-profit entities per se appear to be irrelevant in terms of AML to the legislator. In this regard, the Financial Intelligence Unit of Latvia (FIU) has found out that non-profit entities are frequently used as intermediaries in the attraction of financial assets to capital companies and further concealment of those assets and their origins. Further, officials from FIU have detected the involvement of one or more non-profit entities in AML schemes with their beneficial owners or representatives of executive institutions being the ones.
responsible for posing an AML risk. Overall, the verdict of FIU is that, non-profit entities in Latvia are insufficiently supervised in the field of AML (Financial Intelligence Unit, 2019). Thus, a certain rationale in necessitating improvement of the definition of the beneficial owner in such entities is pertinent. Moreover, academics have noticed the tendency of including more and more non-profit entities in the shareholding schemes of capital companies so as to reflect more socially responsible corporate practices (Guay et al., 2004). It only demonstrates the growing importance of non-governmental organisations (NGOs) and non-profit entities in general in the realm of financial flows and AML. By the same token, professionals in the AML field argue that transparency in legal persons and their beneficial owners represents ‘a dense web of transnational standards’ (Konovalova et al., 2023) because the activities of different legal entities often span beyond the national perspective. Therefore, it is relevant to analyse in turn each of the types of non-profit entities mentioned above to understand whether it is feasible under Latvian regulation and actual practice to determine the beneficial owner of each entity.

Cooperative societies

The first one of the non-profit entities to be explored is a cooperative society. In order to start searching for the meaning of the beneficial owner in this entity, it is useful first to view the definition of a cooperative society and what it as such presents. According to Section 1 of the Cooperative Societies Law, cooperative societies are ‘voluntary associations of persons the purpose of which is to promote efficient implementation of the joint economic interests of members thereof’ (Cooperative Societies Law, 2018). On the face of it, a beneficial owner of a cooperative society is any person who is a member of that society if it is assumed that benefit derives from the very membership. However, viewing the definition set out in the AML law, it is unclear how to determine a specific person who actually controls the cooperative society, given that all members of a cooperative society are supposed to be equal and acquire the same benefits.

Since the legal framework does not have clear rules on how to determine the beneficial owner of a cooperative society, it is necessary to view registration practice on the matter. Thus, the Register of Enterprises has prepared an explanation on the beneficial owners of different entities. As regards cooperative societies, it is explained that there are three options as to how beneficial owners are to be determined: either a cooperative society declares that it is impossible to determine the beneficial owner, or it declares all of its members as beneficial owners if there are two or three of them (given the analogy of a 25% threshold mentioned in the AML law as regards beneficial owners of capital companies), or a specific person who under some sort of special agreement among the members has the power to adopt certain decisions unilaterally is declared to be the beneficial owner (Register of Enterprises, 2023). While the first option seems to be in accordance with the legal nature of cooperative societies as set out by the Cooperative Societies Law, the other two in fact have no legal substantiation in the normative acts.

Further, viewing the actual cases from the information database of the Register of Enterprises by entering the search word ‘kooperatīvā sabiedrība’, it can be seen that the majority of legal entities registered in the Journal of the Register of Enterprises do not have declared their beneficial owners (Register of Enterprises, 2023). Unsurprisingly, it appears that the general society does not have an understanding of who is to be considered a beneficial owner. Nevertheless, separate cases can be found when a beneficial owner is registered. For instance, in a cooperative society ‘Kibbutz’, a natural person who exercises control as a member, as a member of an executive institution AS ‘Pilsētas zemes dienests’ and as a member of the executive institution of that very cooperative society registered (Register of Enterprises, 2023). It thus appears that only in exceptional cases can the beneficial owner of a cooperative society be determined.

Political parties and alliances thereof

Further, it is useful to explore political parties. According to Section 2, Paragraph 1 of the Law on Political Parties, ‘a party is an organisation that is established in order to perform political activities, to participate in election campaigns, to nominate candidates for deputy positions, to participate in the work of the Saeima, local government councils (parish councils) or the European Parliament, to implement the party programme with the intermediation of deputies, as well as to be involved in the establishment of public administrative bodies’ (Law on Political Parties, 2006). Thus, similarly to the cooperative societies, political party is a priori an association of a large number of persons. Consequently, the notion of a beneficial owner in a political party is unclear by the same token. As the Register of Enterprises explains, in case of multiple members in an entity, it is impossible to determine the beneficial owner, unless there are specific natural persons in that entity who exercise control therein (Register of Enterprises, 2023). Since political parties are usually not founded for the benefit of a specific natural person, it is complicated to conceive a situation, where the second option would be the case. Thus, according to Section 18.2, Paragraph 2 of the AML law, ‘if the legal person or partnership has exhausted all the possible means of determination and has concluded that it is not possible to determine any natural person who is a beneficial owner within the meaning of Section 1, Clause 5 of this Law, as well as the doubts that the legal person or partnership has a beneficial owner have been excluded, the applicant shall
certify it in the application by indicating the justification’ (Law on the Prevention of Money Laundering and Terrorism and Proliferation Financing, 2008). This means that prima facie political parties should all register a certification that it is impossible to determine their beneficial owners. However, the practice shows that fulfilment of an obligation to register the aforementioned certification is not always the case. Thus, if viewing the example of the political party alliance Jaunā VIENOTĪBA, it indeed has registered a certification of impossibility to determine its beneficial owner (Register of Enterprises, 2023). On the other hand, the example of the political party Politiskā organizācija ‘Attīstības partija’ shows that not all of the political parties fulfil their duty to notify their beneficial owners, since no information is registered on the beneficial owners of that party (Register of Enterprises, 2023). From the examples to be found in the database, it can be concluded that information registered on beneficial owners of political parties is also not consistent.

Associations and foundations
When exploring associations and foundations, one might put them into one category because they are regulated by a single legal act—Associations and Foundations Law—and have a rather similar essence. Firstly, the association is defined by Section 2, Paragraph 1 of the Associations and Foundations Law as a ‘voluntary union of persons founded to achieve the goal specified in the articles of association, which shall not have a profit-making nature’ (Associations and Foundations Law, 2003). The aforementioned means that an association also consists of several members whose activity is not associated with profit as an ultimate benefit. Secondly, the foundation is defined by Section 2, Paragraph 2 of the Associations and Foundations Law as ‘an aggregate of property that has been set aside for the achievement of a goal specified by the founder, which shall not have a profit-making nature’ (Associations and Foundations Law, 2003). Analogically, a foundation is an entity that, as expressly set out by law, does not have a profit-making goal. After analysing the aforementioned definitions, it seems quite straightforward that the nature of both an association and a foundation does not allow to determine a natural person who controls or benefits from the entity, i.e. the beneficial owner. However, laws do not make exempt these entities from the obligation to reveal their beneficial owners. Register of Enterprises together with the Finance Latvia Association have explained that since associations and foundations do not engage in economic activity, unlike capital companies, structural characteristics of associations and foundations must be evaluated on a case-by-case basis to determine their beneficial owners (Finance Latvia Association, 2018). However, evaluation on a case-by-case basis is by its very nature fallacious and, if no clear definition or scheme of how to determine the beneficial owner in an association is established in law, then public credibly of information provided by entities is subject to serious doubt. Unsurprisingly, most associations and foundations also have not registered their beneficial owners, when one searches for these kinds of entities in the information database of the Register of Enterprises (Register of Enterprises, 2023). This fact once again proves the vagueness of rules on the beneficial owner in the AML law. Nevertheless, an aspect of a technical beneficial owner is quite common in associations and foundations, which will be explored in the second chapter of this research. Therefore, the absence of information on beneficial owners of these entities is not always the case.

Religious organisations and their institutions
Lastly, it is important to explore religious organisations as non-profit entities. In accordance with Section 3, Paragraph 1 of the Law on Religious Organisations, ‘religious organisations are the congregations, religious associations (Churches), dioceses, and divisions registered in accordance with the procedures laid down in this Law’ (Law on Religious Organisations, 1995). Having distinguished what types of religious organisations exist in Latvia, the aforementioned law goes on to specify in Section 7.1, Paragraph 1 that ‘the religious organisations registered in accordance with the procedures laid down in this law may, for the achievement of the operational objectives specified in the articles of association thereof, establish institutions the objective and nature of which are not profit-making: institutions for teaching ecclesiastics, monasteries, missions, deaconate institutions, and institutions similar thereto’ (Law on Religious Organisations, 1995). From this definition, it is also clearly visible that the non-profit nature of religious organisations and their institutions is expressly emphasised. Since religious organisations are founded to express religious activity in a certain way, the notion of a beneficial owner prima facie does not fit into this framework. However, even religious organisations are obliged to determine and reveal their beneficial owners. Even in the opinion of the Register of Enterprises, generally, there is no natural person that controls the religious organisation. Nevertheless, exceptions are not completely excluded, and the Register of Enterprises even advises to declare members of executive institutions as beneficial owners of the entity due to the fact that, if a certification of impossibility to determine the beneficial owner is registered, credit institutions apply more due diligence procedures to these entities (Register of Enterprises, 2023). This advice, however, finds no grounds in law.
In practice, most religious organisations do not have registered their beneficial owners. When typing ‘draudze’ in the information database of the Register of Enterprises, it can be seen that the majority have not even tried to determine
their beneficial owners (Register of Enterprises, 2023). This once again proves the insufficiency of legal regulation as regards beneficial owners of religious organisations and non-profit entities in general.

THE NOTION OF TECHNICAL BENEFICIAL OWNER WITH RESPECT TO NON-PROFIT ENTITIES

In the recent years, professionals working in the AML field have introduced such a term as ‘technical beneficial owner’. As already touched upon in the previous chapter, this concept is of particular relevance in situations where it is impossible to determine the beneficial owner of the entity. In other words, rather than certifying the impossibility to determine its beneficial owner, the entity has an option to register a specific natural person in order for someone to be registered as the beneficial owner (Bilance PLZ, 2019). The rationale behind this is the above-mentioned scrutiny from the credit institutions (who are subjects of AML law and obliged to perform due diligence with their clients) with respect to entities that do not register a specific natural person as their beneficial owner. Thus, Section 18, Paragraph 7 of the AML law provides that ‘the subject of the Law may, by duly justifying and documenting the activities performed to determine the beneficial owner, consider that the beneficial owner of a legal person or a legal arrangement is a person holding the position in the executive body of such legal person or legal arrangement, if all the means of determination have been exhausted and it is not possible to determine any natural person who is a beneficial owner within the meaning of Section 1, Clause 5 of this Law, as well as the doubts that the legal person or legal arrangement has another beneficial owner have been excluded’ (Law on the Prevention of Money Laundering and Terrorism and Proliferation Financing, 2008).

Given the aforementioned, the notion of a technical beneficial owner coincides with that of the member of the executive institution. However interesting the practice of registering technical beneficial owners might be, it finds no grounds in law. As analysed above, Section 18.2, Paragraph 2 of the AML law provides a perfectly valid option to certify that it is impossible to determine the beneficial owner of the entity, if all means have been exhausted. Therefore, it is unclear why the authorities and credit institutions tend to interpret this norm beyond its teleological meaning. In practice, it creates even more unclarity as how to determine the beneficial owner of a non-profit entity. Moreover, it even implies that the impossibility to determine the beneficial owner is perceived by the authorities as an additional risk in the AML field, although according to AML law, if the entity has exhausted all the possible means and proved that it has no beneficial owner, this should not be the case. Legal professionals worldwide have also concluded that implementing registers of beneficial owners and endeavour to register any information on beneficial owners of a legal entity may be a superficial approach to tackling the multifaceted problem of money laundering (Gilmour, 2020). Indeed, the registration of beneficial owners should not be perceived as a default duty by the Register of Enterprises. It should be tackled with an ad hoc approach and always have clear legal reasoning.

In practice, it can be seen that the option of registering a technical beneficial owner is as common as registering a certification of impossibility to determine the beneficial owner or not registering any beneficial owner at all. For instance, in the foundation ‘Nodibinājums SAUTINĮ’, there are three members of the board, and all of them are registered as beneficial owners (Register of Enterprises, 2023). An analogous situation is visible with the foundation ‘Pālidzēsim. lv’—three members of the board are declared as beneficial owners (Register of Enterprises, 2023). Therefore, situations where technical beneficial owners appear in public registers are not rare.

After the performed analysis of the notion of technical beneficial owner, one might wonder why members of executive institution are considered as the ones controlling the entity and for what reasons Section 18, Paragraph 7 of the AML law that pertain only to subjects of this law is by analogy applied to all legal persons and even non-profit entities. As regards the board, the Supreme Court of the Republic of Latvia has held that while the board is authorised to perform certain functions, the meeting of shareholders still has supervision over the board and the performance of duties and contribution to the company thereof (Supreme Court of the Republic of Latvia, 2022). The same analogy applies to non-profit entities—the board retains its authorisation from the meeting of members. Therefore, members of the executive institution have no control over the entity by themselves. Thus, while perceiving members of executive institutions as beneficial owners might work for diligence procedures to be performed by credit institutions, there is no rationale whatsoever for state authorities to require legal entities to register their members of executive institutions as beneficial owners.

CONCLUSION

Overall, there appears an interesting tendency in the registration of beneficial owners of non-profit entities. In sum, there are three cases to be found in practice: either a certification of impossibility to determine the beneficial owner is registered, or a technical beneficial owner, i.e. member of the executive institution is registered, or no information on the beneficial owner is registered at all. As a matter of fact, only the first option has a solid legal ground, i.e. Section 18.2, Paragraph 2 of the AML law, which expressly provides what an
entity should do when it cannot determine its beneficial owner. The second option can be classified as an analogy applied by fallacy, and the third option also does not correspond to legal requirements, since it means non-fulfilment of an obligation to reveal its beneficial owner by the legal entity.

It is worth mentioning that Transitional Provision No.49 of the AML law sets forward the following: ‘if a capital company which was registered in the commercial register or regarding registration of which an application had been submitted by the day of coming into force of Section 18.2 of this Law (1 December 2017) has not submitted an application to the Enterprise Register of the Republic of Latvia regarding its beneficial owners and, within a month after receipt of a written warning, has not eliminated the abovementioned deficiency, its activities shall be terminated on the basis of the decision of the Enterprise Register of the Republic of Latvia’ (Law on the Prevention of Money Laundering and Terrorism and Proliferation Financing, 2008). Thus, there is a clear rule for capital companies that in case they have not fulfilled their obligation to reveal the beneficial owner, their activities will be terminated. However, the AML law does not contain the same rule for other legal persons, including non-profit entities. This might be the reason the majority of them are not eager to determine their beneficial owners and no information whatsoever is available in the public register.

Given the aforementioned, the author proposes to insert the same sanction for non-fulfilment of an obligation to reveal beneficial owners as regards non-profit entities in the AML law. This could be achieved by reformulating the transitional provision No. 49 in a manner that does not discriminate between legal entities: if a legal entity, which was registered in the commercial register or regarding registration of which an application had been submitted by the day of coming into force of Section 18.2 of this Law (1 December 2017) has not submitted an application to the Enterprise Register of the Republic of Latvia regarding its beneficial owners and, within a month after receipt of a written warning, has not eliminated the abovementioned deficiency, its activities shall be terminated on the basis of the decision of the Enterprise Register of the Republic of Latvia. Beyond doubt, such norms would motivate all legal persons, including non-profit entities, to effectively determine and reveal beneficial owners in a timely and proper manner, and ultimately help to ensure overall transparency of legal persons in Latvia and accuracy of information registered in the public register.

While there certainly is some clarity in the norms on beneficial owners as regards capital companies, the same does not apply to non-profit entities. The research undeniably shows that the definition of the beneficial owner as regards non-profit entities is not sufficient and clearly formulated, nor are the methods for determination of beneficial owner set out in law. Therefore, either the definition should be improved, or the rule, that for non-profit entities, it is impossible to determine the beneficial owner, be introduced. The author thereby proposes to supplement Section 1, Clause 5 with a sub-provision ‘c’ that would define beneficial owners as regards other legal entities that do not fall under the category of capital companies or legal arrangements. Thus, sub-provision ‘c’ could be worded in the following way: as regards other legal entities—a natural person who owns or in whose interests a legal entity has been established or operates, or who directly or indirectly exercises control over it in a manner other than that of a member of a higher executive institution, unless specific powers have been granted thereto. With such a norm, beneficial owners of non-profit entities would be defined in a more comprehensible manner. The author also proposes to reformulate the sub-provision ‘a’ of the same clause by replacing the term ‘legal persons’ with ‘capital companies’ because, given the arguments presented in this paper, the definition reflected therein is specific to capital companies, not legal persons in general.

Further, the author would also propose to revise Section 18, Paragraph 7 of the AML law. In particular, the presumption of a technical beneficial owner should not be so explicit, so as not to provide an alternative to the situation where it truly is impossible to determine the beneficial owner of the legal entity. Therefore, the author suggests to formulate the norm in the following manner: the subject of the Law may, by duly justifying and documenting the activities performed to determine the beneficial owner, consider that the beneficial owner of a legal person or a legal arrangement is a person holding the position in the executive body of such legal person or legal arrangement, if there are grounds to consider that that person is exercising his powers in a manner that exceeds that of an ordinary member of the executive body, and if all the means of determination have been exhausted and it is not possible to determine any natural person who is a beneficial owner within the meaning of Section 1, Clause 5 of this Law, as well as the doubts that the legal person or legal arrangement has another beneficial owner have been excluded. In particular, the author’s suggestion is to include a phrase, whereby the member of an executive body is only considered to be the beneficial owner by the subject of the law, if it is proven that that person exercises its powers in a manner that exceeds usual powers of a member of an executive body. Thus, the AML law would clarify the difference between situations where it is impossible to determine the beneficial owner and where technical beneficial owner is to be registered.

Thus, the aim of this research shall be deemed to be attained. The hypothesis also shall be seen as confirmed because, although the normative framework in Latvia does contain some norms on beneficial owners of non-profit entities, these norms are not formulated in such a manner that would ensure
transparency of non-profit entities in Latvia and accuracy of information in public register on their beneficial owners and manners in which they exercise control. Moreover, without any legal sanctions, it is naïve to expect that all legal entities will fulfill their duties in good faith. It means that, if not termination of activities, then at least some kind of a lighter sanction for not revealing beneficial owners should be introduced for non-profit entities as well.

Lastly, as regards the research issue, it can be concluded that current legal norms in force in the Republic of Latvia on disclosure of the beneficial owners of non-profit legal entities do not achieve the goal of AML regulation. If non-profit entities can practically choose whether to register certification of impossibility to determine the beneficial owner, a technical beneficial owner, or no beneficial owner at all, it means that it is not clear how to determine a person who actually controls the entity under Latvian legal norms. Furthermore, it is also not possible for the Register of Enterprises as the responsible authority to perform scrutiny and ensure public credibility of the information registered in the public register. As several scholars have also observed, the mentioned problem extends beyond Latvia, i.e. central registries both at the national and European levels lack clarity and up-to-date information on beneficial owners due to insufficiency of the respective legal framework (Daudrikh, 2021). Although the problem clearly exists in other EU states as well, it gives an even stronger impetus to implement positive changes at the national level of the Latvian normative framework. Thus, the issue of beneficial owners of non-profit entities is underregulated in the Republic of Latvia, and while tremendous work has been done as regards capital companies, the respective normative regulation as regards non-profit entities needs serious improvement.

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