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# **UNMASKING HIDDEN OWNERS: A BLOCKCHAIN-BASED FRAMEWORK FOR BENEFICIAL OWNERSHIP TRANSPARENCY IN INDIA**

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## **ABSTRACT**

*The 2009 Satyam Computers scandal marked one of the most significant scandals in India's corporate history, not only exposing accounting fraud but also highlighting the deep-rooted opacity of the Indian corporate system. On the verge of collapse, the company had unexposed and unverified beneficial ownership; what was once a flagship of the Indian Corporate IT sector—the Satyam Computers Service Ltd., was crushed under the burden of unregulated beneficial ownership.*

*This paper addresses three prominent issues in the corporate beneficial ownership: (1) Definitional Gaps and Regulatory Loopholes in Beneficial Ownership Disclosure. (2) Weak integration and steady access to the data stored by the regulatory bodies (MCA, RBI, SEBI, FIU-IND). (3) Unavailability of direct and effective rules for tracing cross-border beneficial ownership. The issues at hand highlight the inability to provide real-time access and verification, creating an opportunity for corruption and leaving regulatory bodies with insufficient data and limited response capabilities.*

*This paper examines the application of blockchain technology for the registry of SBOs in India, which will automatically trigger disclosures and monitor ownership thresholds in real-time. It will*

*also demonstrate case studies and lessons learnt from Estonia, the UK, and the UAE. The paper argues for the combination of legal methods with blockchain technology to ensure its efficient and effective use, thereby promoting transparency in corporate governance.*

*India has an FDI-stimulated economy, and it struggles to maintain its opacity and weak cross-border regulations. This is the time to shake hands with the nations using blockchain technology and move away from the outdated method of paperwork, which has low accountability in real-world governance.*

**Keywords:** Beneficial Ownership, Blockchain Technology, Corporate Transparency, Cross-border regulatory compliance.

## **INTRODUCTION**

In the wake of India's globalized economy, it is crucial to identify who the true beneficial owner and the controller of the corporate entity are, not just a procedural step; it has become a responsibility for the nation's development. India's economic support and boosted Foreign Direct Investment (FDI) have infused enough capital into the Indian markets. However, this influx has also come with certain risks associated with the lack of clarity and traceability of Beneficial Ownership (BO).

Increasingly, corporate demands have led to the formulation of rules and regulations for the smooth flow of corporate governance, but some corrupt practices are taking place, which need to be addressed, like control behind tinted glass, cross-border ownerships, and sophisticated nominee setups. As a result of this, the shadow behind the tinted glass enjoys beneficial ownership. Outdated systems fail to ensure real-time verification in making corporate decisions.

Despite the introduction of rules and regulations for disclosure of *Beneficial Ownership* under the *Companies Act 2013* and the *Prevention of Money Laundering (PMLA), 2002* (acting as an anti-money laundering regulation). India's legal framework continues to deal with complex structures, overlapping jurisdictions, diverse definitions, weak cross-border enforcement, and, most

importantly absence of real-time verification and smart contracts. This has restricted the performance of regulatory bodies in ensuring corporate accountability.

This paper identifies the three core challenges in the present system of India's corporate governance: (1) Definitional Gaps and Regulatory Loopholes in Beneficial Ownership Disclosure. (2) Weak integration and steady access to the data stored by the regulatory bodies, (3) Unavailability of direct and effective rules for tracing cross-border beneficial ownership.

To address these issues, the paper then advocates for blockchain technology in compliance with legal regulations and proper quality checks. Taking comparative experiences from various jurisdictions like Estonia, the US, and the UAE, and aligns its recommendations with the global standards set forth by FATF (Financial Action Task Force), emphasizing the need to strengthen corporate governance.

### **KEY QUESTIONS ON BENEFICIAL OWNERSHIP TRANSPARENCY**

- 1) Is India's beneficial ownership regime capable of revealing who truly controls corporate power, or has threshold-based disclosure institutionalized opacity in an FDI-driven economy?
- 2) When regulators hold fragmented ownership data, is corporate fraud a failure of enforcement or a failure of system design with cross-border consequences?
- 3) Can a legally governed, blockchain-based ownership registry drawing on global models and FATF standards transform beneficial ownership from a paper formality into real-time accountability?

### **RESEARCH METHODOLOGY**

In this paper the **Doctrinal-Comparative-Case Study methodology**, in which thorough study of existing laws like Companies act 2013, PMLA, 2002 etc., *comparative study* of the Estonia, the United Kingdom, and the United Arab Emirates is examined, and *case study* of various landmark

scams like Satyam computers scam, Nirav Modi scam, and Panama paper leak case including a **Prescriptive Approach** of Blockchain Based Ownership Registry platform.

## **RESEARCH GAP**

India lacks a well-integrated and enforceable method to determine true beneficial ownership despite statutory disclosure requirements, especially in intricate and international structures. There is a gap between formal compliance and efficient enforcement because current frameworks rely on disjointed definitions, self-declaration, and compartmentalised regulatory oversight.

## **RESEARCH OBJECTIVE**

In order to improve transparency and accountability, this study analyses institutional and cross-border enforcement issues, looks at the shortcomings of India's beneficial ownership regimes in determining true corporate control, and suggests a legally regulated blockchain-based registry that complies with international standards.

## **INDIA'S CURRENT STRUGGLES**

### **Definitional Gaps and Regulatory Loopholes in Beneficial Ownership Disclosure.**

One of the most fundamental obstacles to tracing beneficial ownership in India is the lack of a proper definition in both the acts, i.e., the *Prevention of Money Laundering Act (PMLA), 2002*<sup>1</sup>, and the *Companies Act, 2013*<sup>2</sup>. Although Indian laws define Beneficial Ownership, they diverge

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<sup>1</sup> Government of India. (2002). *The Prevention of Money Laundering Act, 2002*. New Delhi: Ministry of Law and Justice. Retrieved from <https://legislative.gov.in/>

<sup>2</sup> Government of India. (2013). *The Companies Act, 2013*. New Delhi: Ministry of Corporate Affairs. Retrieved from <https://www.mca.gov.in/>

crucially on how “*control*” or “*significant influence*” should be used in its true sense, as the SBO aims for significant control behind corporate walls. This significant hurdle in the implementation of beneficial ownership norms in Indian corporate governance is due to the floating threshold in various entity types and definitions, with minor differences in interpretations in both the *Companies Act, 2013*, and the *PMLA, 2002*, which reduces the regulatory bodies' efficiency. While these regulatory frameworks have undergone various changes, have undergone harmonisation, minor inconsistencies remain in the present acts.

The term “*Beneficial owner*” is defined in various acts like the Companies Act, PMLA, or FEMA.<sup>3</sup> Yet each defines or interprets it differently. Some interpret it directly through shareholding, and others solely focus on indirect control. The *SBO Rules, 2018*<sup>4</sup>, amended in 2019<sup>5</sup>, reducing the threshold to 10% or more for shareholders<sup>6</sup>, voting rights, entitlement, or dividend in a company. The *PMLA rules were also amended in the year 2023, aligning the threshold limit for companies to 10%*<sup>7</sup>, but the gap still exists in trusts and partnerships, which have a threshold limit set to 15%<sup>8</sup>. This twofold style marks the ambiguities in the complex structures of the different entities. The inconsistencies are not over; still, there is a definitional gap that exists between the acts to identify who the beneficial owner is.

As a result, the lack of harmonisation of threshold limits among various entities leaves the authorities are now left with incomplete data, which hampers corporate transparency or undermines the efforts to ensure it in its fullest meaning. The *FATF recommendation 2024* clearly

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<sup>3</sup> Ministry of Law and Justice. (1999). *The Foreign Exchange Management Act, 1999 (No. 42 of 1999)*. New Delhi: Government of India. Retrieved from <https://dea.gov.in/>

<sup>4</sup> Ministry of Corporate Affairs. (2018). *Companies (Significant Beneficial Owners) Rules, 2018*. New Delhi: Government of India. Retrieved from <https://www.mca.gov.in/>

<sup>5</sup> Ministry of Corporate Affairs. (2019). *Companies (Significant Beneficial Owners) Amendment Rules, 2019*. New Delhi: Government of India. Retrieved from <https://www.mca.gov.in/>

<sup>6</sup> Ministry of Corporate Affairs. (2019). *Companies (Significant Beneficial Owners) Amendment Rules, 2019*. New Delhi: Government of India. Retrieved from <https://www.mca.gov.in/>

<sup>7</sup> Ministry of Finance. (2023). *Prevention of Money Laundering (Maintenance of Records) Amendment Rules, 2023*. New Delhi: Department of Revenue. Retrieved from <https://egazette.nic.in/>

<sup>8</sup> Ministry of Finance. (2023). *Prevention of Money Laundering (Maintenance of Records) Amendment Rules, 2023*. New Delhi: Department of Revenue. Retrieved from <https://egazette.nic.in/>

states the principle of “*substance over form*.”<sup>9</sup> This means not only restricted to legal ownership but also captures the actual controlling entity working through the legal person, even if the threshold limit is not met, which is also important. Additionally, it noted that *over-reliance* on the sole criterion of the threshold can be misused, resulting in the government being unable to enforce the terms “*control*” or “*significant influence*”.

India lacks these parameters and uses the opaque system of corporate governance without any regular updating of information, no verification, and sole reliance on threshold limits and self-declaration forms like **BEN-1, BEN-2, etc.**<sup>10</sup> Provided in the *SBO rules, 2018*. Also, India must adopt a single definition that will be applicable across all regulatory frameworks so that we can ensure transparency and meet the global recommendations.

#### **Weak integration and steady access to the data stored by the regulatory bodies.**

India's corporate governance environment is not only distressed due to a definitional gap but also in the same way it suffers from functional detachment between the regulatory bodies like Ministry of corporate affairs (MCA), Reserve bank of India (RBI), Securities and Exchange Board of India (SEBI), and Financial Intelligence Unit (FIU-IND) all collect data on beneficial ownership but on their separate bases making it difficult for investigating officer. According to **Section 216 of the Companies Act, 2013**<sup>11</sup> “*The central government can appoint the investing officer to determine the true beneficial owner or controller of the company*”. However, due to a lack of integration between regulatory agencies, such inspectors face difficulties in identifying the real controller, resulting in significant delays in accessing accurate data.

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<sup>9</sup> Financial Action Task Force. (2022). *International standards on combating money laundering and the financing of terrorism & proliferation: The FATF recommendations*. Paris: FATF/OECD. Retrieved from <https://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/FATF-International-Standards-FATF-Recommendations-2022.pdf>

<sup>10</sup> Ministry of Corporate Affairs. (2018). *Companies (Significant Beneficial Owners) Rules, 2018*. New Delhi: Government of India. Retrieved from <https://www.mca.gov.in/>

<sup>11</sup> Ministry of Corporate Affairs. (2013). *The Companies Act, 2013* (Section 216). Government of India. Retrieved from <https://www.mca.gov.in/>

Every authority, be it MCA, RBI, SEBI, or FIU-IND, collects data according to its specifications, like RBI stores beneficial ownership information under its *KYC (Know Your Customer)*<sup>12</sup> Norms for foreign investments. Similarly, other authorities limit themselves to what is of their importance, making the investigation process complex, time-consuming, and less efficient due to diversified platforms. According to the World Bank<sup>13</sup> The anti-corruption and transparency framework fails when information relevant to enforcement remains dispersed across institutions without mechanisms for timely access and coordination. Fragmented data systems significantly reduce the reflectiveness of regulatory actions, even where formal disclosure laws exist. In the meantime, the beneficial owners take this opportunity to misuse the norms by employing complex structures for tax evasion, money laundering, and other illicit purposes.

India's lack of integration of all the platforms and an opaque system has made the investigation slow and delayed justice in various high-profile cases, taking years to reach the culprits. India's policy discourse itself acknowledges the need for technological integration to address regulatory fragmentation and verification failures. NITI Aayog<sup>14</sup>, in its national blockchain strategy, has recognized distributed ledger technology as a viable governance tool capable of improving technology, inter-departmental coordination, and data integrity within public institutions. This highlights the argument that India's current regime lacks not only legal deficiencies but also the absence of an integrated technological architecture to support regulatory objectives. The cases, such as the *Nirav Modi (Punjab National Bank)*<sup>15</sup> scam disclosed in 2018, and the years are still counting. This is all just due to a decentralised system for tracking beneficial ownership; countries like Estonia and Dubai have a centralised database related to the beneficial registry, facilitating swift and reliable access for the investigating team to reach the real controller.

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<sup>12</sup> Reserve Bank of India. (2023). *Master Direction – Know Your Customer (KYC) direction, 2023* [Master Direction]. Retrieved from [https://www.rbi.org.in/Scripts/BS\\_ViewMasDirections.aspx?id=11566](https://www.rbi.org.in/Scripts/BS_ViewMasDirections.aspx?id=11566)

<sup>13</sup> World Bank, *Enhancing Government Effectiveness and Transparency: The Fight Against Corruption* (2020), World Bank Governance Publications, available at:

<https://www.worldbank.org/en/topic/governance/publication/enhancing-government-effectiveness-and-transparency-the-fight-against-corruption>

<sup>14</sup> NITI Aayog, *Blockchain: The India Strategy* (2020), available at [https://www.niti.gov.in/sites/default/files/2020-01/Blockchain\\_The\\_India\\_Strategy\\_Part\\_I.pdf](https://www.niti.gov.in/sites/default/files/2020-01/Blockchain_The_India_Strategy_Part_I.pdf)

<sup>15</sup> Press Trust of India. (2018, February 15). *The Hindu*. (2018, February 7). *All you need to know about Nirav Modi and the ₹13,500 crore PNB fraud*. Retrieved from <https://www.thehindu.com/business/Industry/all-you-need-to-know-about-nirav-modi-and-the-177-billion-pnb-fraud/article22753973.ece>



To deal with this issue, this paper recommends a blockchain technology- a blockchain-based beneficial ownership registry, helping to bring all the data available at a single centralised path, promising *tamper-proof data, real-time verification, and smart contracts*. The proposed framework aligned with legal norms and FATF standards while enabling multi-agency access and protecting privacy using the *Digital Data Protection Act, 2023*<sup>16</sup>.

### **Unavailability of direct and effective rules for tracing cross-border beneficial ownership.**

The issue in India's corporate governance is not only restricted to a definitional gap and a lack of integration, but it also extends beyond India's borders, specifically in the form of weak *cross-border beneficial ownership traceability*. India is now an *FDI-driven economy*, inviting investments from cross-border investors in the name of the legal owner, having weak and indirect regulations with low enforcement, raising questions on the credibility and accountability of the Indian legal system.

India has no doubt rules for corporate governance in both the *Companies Act 2013* and *PMLA, 2002*, which only deal within the territorial borders of India. It is high time India needs to formulate direct rules for *off-shore beneficial ownership* with proper implementation of those rules as seen in the domestic cases like the *Nirav Modi (PNB) scam* in which the manipulation of rules was done by the Indian entity only or offshore cases like the *Panama paper leak* where the Indian nationals were implicated but due to lack of cooperation in jurisdictions only few cases led to conclusive legal action. Therefore, we need stringent rules and regulations with proper checks on cross-border transactions done by using complex structures like shell companies, trusts, etc., for evading tax and hiding ownership.

The Companies Act, 2013, and SBO Rules, 2018, require Indian industries to disclose beneficial ownership, but they rely on *self-declaration forms (BEN)* or via *KYC norms*, which are limited to

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<sup>16</sup> PRS Legislative Research. (2023). *Digital Personal Data Protection Bill, 2023* [PDF]. Retrieved from [https://prsindia.org/files/bills\\_acts/bills\\_parliament/2023/Digital%20Personal%20Data%20Protection%20Bill,%202023.pdf](https://prsindia.org/files/bills_acts/bills_parliament/2023/Digital%20Personal%20Data%20Protection%20Bill,%202023.pdf)

Indian borders. Self-declaration<sup>17</sup> It is the primary approach that gets manipulated easily by *complicated structures*, making it hard to reach the real owner or controller of the company. The tracing of beneficial ownership without a proper *Memorandum of Understanding (MoU)* or *Treaty* between the countries can make it difficult for Indian regulatory bodies to access the foreign documents, as some countries allow limited access due to privacy concerns, making real-time access nearly impossible.

The *FATF Recommendation 24* ensures that all regulatory bodies have real-time access to the beneficial owners' information promptly. The recommendation also promotes a “*substance over form*” approach<sup>18</sup>, where the entities are asked to prioritise actual control rather than focusing on legal ownership of papers. This will only be done through a treaty, MoU, technological advancements, and stringent legal norms to bind the beneficial owner to reveal his identity to proceed with all financial activities in India, but unfortunately, India lacks on this scale and lets the cross-border entities play with the Indian norms and use them according to their convenience.

To resolve this issue, this paper outlines a one-time solution to all the problems to get resolved through *Blockchain-based technology, i.e., Blockchain-based Ownership Registry*. This will ensure transparency, hold individuals accountable, and eliminate the scope for manipulation through a real-time verification system enabling cross-border alignment with FATF standards. This approach will improve India's ability to monitor high-risk ownership structures.

### **CASE STUDIES: INDIAN AND OFF-SHORE SCAMS**

The failure to identify *Significant Beneficial Ownership (SBO)* has allowed financial entities and individuals to exploit the legal system. Each of these cases- Satyam Computers scandal, PNB scam, and PANAMA Papers leak has exposed gaps, loopholes, and failures in legal and regulatory frameworks, both in India and internationally. Whether it was by showing false records in the

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<sup>17</sup> Ministry of Corporate Affairs. (2018). *Companies (Significant Beneficial Owners) Rules, 2018*. New Delhi: Government of India. Retrieved from <https://www.mca.gov.in/>

<sup>18</sup> Financial Action Task Force. (2023). *Guidance on Beneficial Ownership of Legal Persons (Recommendation 24)*. Retrieved from <https://www.fatf-gafi.org/en/publications/Fatfrecommendations/Guidance-Beneficial-Ownership-Legal-Persons.html>

books of accounts, hiding behind a layered structure and shell companies, or by doing cross-border transactions.

### **SATYAM COMPUTERS LTD.:**

Ironically, Satyam means “truth” in the ancient Indian language, “Sanskrit.”<sup>19</sup> The company was formed in 1987 by Mr. Ramalinga Raju in Hyderabad. The Satyam Co. was the Country’s fourth-largest IT company, also known as “*India’s Enron*.”<sup>20</sup> Satyam’s founder, Raju, admitted to falsifying accounts by inflating profits and overstating assets on Satyam’s balance sheet by \$1.47 billion. Nearly \$1.04 billion in bank loans and cash that the company claimed to own were nonexistent. Satyam also under-reported liabilities on its balance sheet.<sup>21</sup>

This is one of the biggest scandals due to a lack of real-time verification and who runs the company. It does not matter who holds shares on paper, but who controls and influences the company. This scandal underscored the need to define Beneficial Ownership not just through threshold limits but by focusing on actual control, aligning with FATF’s “*substance over form*” principle.

### **NIRAV MODI (PNB) SCAM<sup>22</sup>:**

Nirav Modi, a prominent diamond jeweller, and his companies colluded with officials from the Punjab National Bank (PNB) to obtain fraudulent Letters of Undertaking (LoU), enabling them to borrow funds from overseas branches of other Indian banks. The scam, which came to light in early 2018, exposed systemic loopholes in India's banking system and raised questions about regulatory oversight. Nirav Modi and his associates allegedly used a network of shell companies and trusts to hide the true ownership of assets and funds involved in the fraud. The main issue was

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<sup>19</sup> Mandloi, M. (n.d.). *Satyam scandal and corporate governance failure: Case study*. Indian Journal of Arbitration Law Review. Retrieved July 3, 2025, from <https://ijalr.in/volume-4-issue-1/satyam-scandal-and-corporate-governance-failure-case-study-mohit-mandloi/>

<sup>20</sup> Chetansi Dubey, *The Satyam Scandal: A Case Analysis of Corporate Fraud and Legal Imperatives* (Oct. 5, 2025), <https://lawarticle.in/the-satyam-scandal-a-case-analysis-of-corporate-fraud-and-legal-imperatives/>

<sup>21</sup> Mandloi, M. (n.d.). *Satyam scandal and corporate governance failure: Case study*. Indian Journal of Arbitration Law Review. Retrieved July 3, 2025, from <https://ijalr.in/volume-4-issue-1/satyam-scandal-and-corporate-governance-failure-case-study-mohit-mandloi/>

<sup>22</sup> Tripathy, D., & Jadhav, R. (2018, February 14). *PNB detects \$1.77 billion fraud in latest India bank case*. Reuters. Retrieved from [How PNB says it fell victim to India's biggest loan fraud | Reuters](https://www.reuters.com/article/india-pnb-fraud/india-pnb-says-it-fell-victim-to-indias-biggest-loan-fraud-idUSKBN16000120180214)

also that PNB does not record transactions in the core banking system, because of which officials gave the loan to the Modi group without any collateral, but finally, in January 2018, PNB found out about the scam, which was over Rs 13,500 crore.<sup>23</sup>

### **PANAMA PAPER LEAK:**

The group of documents was called the Panama Papers, as the leak originated from Panama. The documents contained personal financial information about many wealthy individuals and public officials that had previously been kept private.<sup>24</sup> A leak of *11.5 million*<sup>25</sup> Files from *Panama-based law firm, Mossack Fonseca*, revealed how associates of Russian president Vladimir Putin secretly shuffled approximately \$ 2 billion used by offshore entities to hide their wealth through banks and shadow companies<sup>26</sup>. This case is a classic example of tax evasion and fraud. It also highlighted the global failure to monitor and regulate cross-border financial ownership. Some Indian nationals were also a part of this case, but the SBO framework at that time was not helpful in cases involving cross-border control.

These cases show a common thread, and a blockchain registry could help the government to close these gaps by giving real-time access to BO data across borders.

## **COMPARATIVE STUDIES**

Different jurisdictions all around the globe have come up with crucial reforms to maintain transparency and accountability in beneficial ownership. Especially, Estonia, the United Kingdom, and the United Arab Emirates (UAE) have conceptualized different frameworks helping India to learn and bring innovation to corporate governance through blockchain technology.

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<sup>23</sup> Anurag Dwary, *CBI Seeks Issue of Proclamation Against Two Officials, Firms Linked to Nirav Modi* (Jan. 2025), *The Indian Express*, available at <https://indianexpress.com/article/cities/mumbai/cbi-seeks-issue-proclamation-against-two-officials-firms-linked-nirav-modi-10469773/>

<sup>24</sup> Wong, D. (2024). *Panama Papers*. Investopedia. Retrieved from <https://www.investopedia.com/terms/p/panama-papers.asp>

<sup>25</sup> Wong, D. (2024). *Panama Papers*. Investopedia. Retrieved from <https://www.investopedia.com/terms/p/panama-papers.asp>

<sup>26</sup> “International Consortium of Investigative Journalists (ICIJ), *Panama Papers: Global Overview* (Apr. 3, 2016), available at <https://www.icij.org/investigations/panama-papers/20160403-panama-papers-global-overview/>

**ESTONIA:**

This country has built one of the most advanced systems to keep a check on beneficial ownerships through its centralized platform named *E Business Register*.<sup>27</sup> Since 2001, with time-to-time advancements. The blockchain technology came into use in 2012 to be used more effectively. Integrated with national databases and digital IDs, it enables real-time verification, centralized tracking of beneficial ownership structure. Even after this advanced model, the *Danske Bank money laundering case*<sup>28</sup> Took place, which showed a weak cross-border mechanism. This technology was able to identify what manner of data was being stored, but lacked information on what was stored, which showed a lack of verification, over-reliance on technology, and a weak cross-border mechanism.

**THE UNITED KINGDOM:**

This was the first major economy to implement a public beneficial ownership registry in 2016, using the *PSC (Public Significant Control) Register*. This is a *public-driven register* and real-time access because it is a Public Database. It does not follow *FATF Recommendation 24*, which says “control” or “significant ownership” norms should be based on risk factors, not solely on threshold limits. The *UK PSC register uses a threshold of >25%*<sup>29</sup> for shareholder and voting rights, which can be manipulated using complex structures, violating FATF recommendations and transparency issues. This can be seen as a lesson for India and bring its focus to a centralised blockchain technology to enhance transparency and accountability for good corporate governance.

**UNITED ARAB EMIRATES:**

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<sup>27</sup> Centre of Registers and Information Systems. (n.d.). *E-Business Register Portal*. Retrieved from <https://www.rik.ee/en/e-business-register/e-business-register-portal>

<sup>28</sup> Young, M. (2018, September 22). *Danske Bank: The story of Europe's biggest money laundering scandal*. The Conversation. Retrieved from <https://theconversation.com/danske-bank-the-story-of-europes-biggest-money-laundering-scandal-104865>

<sup>29</sup> *Keeping your people with significant control (PSC) register*. GOV.UK. Retrieved from <https://www.gov.uk/government/news/keeping-your-people-with-significant-control-psc-register>

The UAE processes all its company registration information for both domestic and offshore, through a mechanism called the *Unified Commercial Register (UCR)*<sup>30</sup>. The country mandates that anyone who directly or indirectly holds more than 25% shares is the beneficial owner.<sup>31</sup>, needs to disclose and update the information for being the *Ultimate Beneficial Owner (UBO)*. The *Cabinet Resolution No. (58) of 2020*<sup>32</sup> Mandate this disclosure and update. If any violation occurs of the *cabinet resolution No. (58) of 2020*, it can even suspend business activity in the UAE. The strict norms and their implementation enable transparency, security, visibility, and real-time access to the government regulatory bodies.

Thus, beneficial ownership transparency is only effective when disclosure is backed by enforceable legal obligations, integrated digital infrastructure, and cross-border coordination, as the comparative study of Estonia, the UK, and the UAE shows. The UK's public register promotes transparency but is still susceptible to threshold manipulation; Estonia emphasizes the importance of digital registries but draws attention to the limitations of technology without international enforcement; and the UAE shows how stringent compliance procedures and sanctions can guarantee regulatory efficacy. The policy lesson for India is straightforward: reform must go beyond formal disclosures in favor of a risk-based, technologically enabled, and legally enforceable ownership framework that addresses cross-border opacity and conforms to international standards. Hence, India should adopt and implement stricter norms, utilizing blockchain technology to streamline the process and make it more efficient and accountable.

## **POLICY RECOMMENDATIONS**

Here are some recommendations that can be helpful in the formulation of the blockchain-based registry model for an effective corporate governance structure:

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<sup>30</sup> Dubai's DED launches blockchain-based commercial business registry. *Arabian Business*. Retrieved from <https://www.arabianbusiness.com/industries/technology/395613-dubais-ded-launches-blockchain-based-commercial-business-registry>

<sup>31</sup> Real beneficiaries – updated data collection and disclosure requirements in the UAE. Retrieved from <https://www.dlapiper.com/en/insights/publications/2020/10/real-beneficiaries---updated-data-collection-and-disclosure-requirements>

<sup>32</sup> Central Bank of the UAE. (2020). *Rulebook – Identification of Beneficial Owners* (Cabinet Decision No. 58 of 2020). Retrieved from <https://rulebook.centralbank.ae/en/rulebook/31-identification-beneficial-owners>

**Frame the uniform definition for Beneficial Ownership across all laws:** This is the primary and crucial step in formulating and amending both the *Companies Act, 2013*, and the *PMLA, 2002*, to identify and establish good corporate governance by identifying the Beneficial Owner. The revision definitions should include rules for nominee arrangements and indirect ownership through complex structures or trusts. These rules should be made in compliance with the *FATF Recommendation 24 standards*<sup>33</sup>, reflecting the “substance over form” principle.

**Create a Blockchain-based Ownership Registry model:** This model will help resolve the issue of verification and provide real-time access to documents for investigating authorities, such as the MCA, SEBI, RBI, and FIU-IND, thereby streamlining their processes. This will ensure data provided and stored is tamper-proof, prevents manipulation, and serves as a one-click solution.

**Self-compliance monitoring with Smart Contracts:** This approach will ensure that the threshold limit and changes in controlling power will be automatically detected, even if the beneficial owner is using the complex structures to hide themselves, and signal an alert for any kind of suspicious/illegal activity being formed.

**Encourage cross-border regulatory frameworks to work in synergy:** Establish international blockchain consortia with FATF-compliant cross-border standards to enable a smooth flow of information between the authorities of different nations. Promote treaty, MoU-based data sharing arrangements, and worldwide registry interoperability with privacy-protecting technologies.

**Pilot test through the regulatory sandbox:** As India moves towards digital transparency, pilot programs should be used on a state-based level, as Maharashtra tested the blockchain

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<sup>33</sup> Financial Action Task Force. (2023). *Guidance on Beneficial Ownership of Legal Persons (Recommendation 24)*. Retrieved from <https://www.fatf-gafi.org/en/publications/Fatfrecommendations/Guidance-Beneficial-Ownership-Legal-Persons.html>



technology<sup>34</sup>. The regulatory body, like the *RBI*, used *blockchain technology for cross-border payments*.<sup>35</sup>, which will allow a controlled, phased, and proper feedback-oriented implementation of the blockchain-based registry model to identify and resolve issues that can hamper the efficiency of this model in the long run. The World Economic Forum's blockchain deployment toolkit highlights that regulatory oversight, interoperability, and governance design are essential for translating distributed ledger technology into effective public sector infrastructure.<sup>36</sup>.

**Pair blockchain with legal oversight and real-time verification:** Establish a clear and dedicated legal framework to operationalize blockchain technology, with statutory bodies acting as safeguarding authorities. These authorities should define rights, rules, duties, penalties, and punishments for violations. Additionally, utilize the Digital Data Protection Act, 2023, to prevent unauthorized access to legal owners' data.

These are some of the recommendations when implemented, would not only modernize the Indian corporate governance structure but also ensure transparency, real-time access, hassle-free access of data to investigating authorities, and boost investors' confidence. The compliance of blockchain technology shall not only be aligned with India's legal standards but also with *FATF Recommendation 24* to establish a global standard for technology and strengthen India's position in combating cross-border misuse of financial flows.

## **CONCLUSION**

India's current incorporation into the global economy and an FDI-driven economy prioritize the need to completely transform the corporate governance sector from an opaque, loosely monitored

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<sup>34</sup> Government of Maharashtra, Department of Registration & Stamps. (2022, September 7). *Maharashtra to protect property e-registration agreements with blockchain technology*. *The Indian Express*. Retrieved from [Maharashtra to protect property e-registration agreements with blockchain technology | Mumbai News - The Indian Express](https://www.indianexpress.com/article/technology/maharashtra-to-protect-property-e-registration-agreements-with-blockchain-technology-7845451/)

<sup>35</sup> Reserve Bank of India. (2020, December 16). *Regulatory sandbox to test next generation cross border payment technologies*. Retrieved from [https://www.rbi.org.in/Scripts/BS\\_PressReleaseDisplay.aspx?prid=51502](https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=51502)

<sup>36</sup> World Economic Forum, *Redesigning Trust: Blockchain Deployment Toolkit* (2020), World Economic Forum, available at : [https://widgets.weforum.org/blockchain-toolkit/pdf/WEF\\_Reducing\\_Trust\\_Blockchain\\_Deployment%20Toolkit.pdf](https://widgets.weforum.org/blockchain-toolkit/pdf/WEF_Reducing_Trust_Blockchain_Deployment%20Toolkit.pdf)



structure to a transparent, accountable, and technologically advanced and adaptive one. The existing system proved to be incompetent to address various issues like definitional gaps, no integration of information, and weak cross-border norms, leading to weak traceability of beneficial owners, encouraging more misuse of the rules and regulations.

As highlighted in this paper, these legal and governmental shortcomings lead to various national and global financial scandals, covering the *Satyam scandal*, the *Nirav Modi (PNB) scandal*, and the *Panama Papers leak case* teaches how important the proper formulation and implementation of legal norms across corporate governance. These cases uncover the ambiguity in the established legal norms, old-fashioned technology, and disintegrated mechanisms to encourage shell structures and hidden control by the beneficial owner.

This paper outlined the one-point solution for all the above-stated issues, that is, a *Blockchain-based Ownership Registry platform*, a technology well equipped with the latest methods, updated legal frameworks, smartly formulated contracts, with proper regular checks on the technology is the urgent need of the time, and keeping in mind the sanctity of the data safeguarded using the *Digital Data Protection Act, 2023*. Lessons learnt from various countries like *Estonia*, the *United Kingdom*, and the *United Arab Emirates* show both potential and stumbling blocks of Blockchain-based technology. India's approach must closely examine the efficiency and pitfalls of the technology and rightly formulate the technology in compliance with FATF Recommendation 24 standards, ensuring trust and efficiency.

We strongly recommend that India adopt this well-integrated and advanced system of Blockchain-based Ownership Registry platform, not only to enhance the legal enforceability, but also to show strong credibility and institutional integrity that can withstand the modern world's complex problems in a complex structure and shield its financial future.

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