
BENEFICIAL OWNERSHIP AND MULTICORPORATION: A LEGAL ANALYSIS OF TRANSPARENCY, ACCOUNTABILITY AND REGULATORY FRAMEWORK IN INDIA

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ABSTRACT

Multinational corporations have reshaped the structure of the global economy, influencing investment, demand, supply and trade liberalization across national borders. This analysis examines whether Multinational corporation function primarily as drivers or beneficiaries of globalization. The study highlights that Multinational corporation operate both as drivers and beneficiaries of globalization. On other side globalization has enabled corporations to access new consumer markets, cheaper labour, foreign direct investment opportunities and cross border production networks. Their ability to allocate resources, transfer technology and mobilize capital across borders acts as the key architects of economic globalization. Multinational corporation are not just market participants they also influence rule-making. Multinational corporation have also played a vital role in deepening and institutionalizing these processes. Through branding, advertising and standardized products the Multinational corporation shape global consumer culture. The paper expands the dual role of Multinational corporation within the global economic framework, discussing that globalization has enabled them to expand through trade liberalization and at the same time Multinational corporation actively shape global markets and restructure production networks across countries. It concludes that understanding this dual character is essential for developing balanced regulatory mechanisms and ensuring that globalization promotes equitable and sustainable economic development.

Keywords: Multinational Corporations; Globalization; Trade Liberalization; foreign direct investment; Global Markets; Economic Governance.

INTRODUCTION:

In the era of globalization, Multinational corporations operate under complex networks of subsidiaries, holding companies, and cross-border entities. While such structures facilitate global business extension and investment. They often hide the identity of the real individuals who ultimately own or control these corporations. This has brought up increase of attention to the concept of the beneficial ownership refers the natural person who ultimately enjoying the benefits of ownership in the property or shares or exercises the control over the company even if the legal title is held in another name.

The beneficial ownership has become central debates on corporate transparency and accountability. Lack of clear disclosure can enable misuse of corporate structures for tax evasion, money laundering, corruption, and other illicit activities. To address these issues, India has introduced regulatory measures under the Companies Act 2013 and Prevention of Money Laundering Act 2002 with the rules and regulations relating to the significant beneficial ownership and the regulatory bodies like Securities and Exchange Board of India and the Reserve Bank of India where also monitors compliance and the disclosure obligations.

Despite these, determining ultimate beneficial owner within complex multinational system remains challenging. This paper analyse the Indian legislation regulating beneficial ownership for determining whether existing legislation ensure transparency and accountability while balancing regulatory capacity and ensuring doing business with ease. It further analyse the inconsistencies and absurdity in the existing regulatory system that could impede it's implementation. The study also evaluates the role of executives in ensuring compliance with disclosure requirements. It also considers the necessity for the reformation to enhance the legal structure compliance with global standards and practices.

STATEMENT OF PROBLEM:

The rapid growth and expansion of multinational corporation were effective identification to allow misuse of corporate structures for money laundering, tax evasion, corruption, and other unlawful activities. The structure of complex, multi-layered corporation have made it more difficult to identify the true individuals who ultimately own or control such entities. Also, India introduced disclosure measures under the Companies Act 2013¹ and regulatory measures of

¹ The Companies Act, 2013

the Prevention of Money Laundering Act 2002² but there are practical challenges remain in tracing ultimate beneficial owners focuses on where ownership chains extend across multiple jurisdictions. The lack of clear and regulatory overlaps may create difficulties for legitimate multinational businesses operating in India. Therefore, the core problem on this paper lies in examining whether the existing Indian regulatory framework on beneficial ownership is sufficiently effective and enforceable to ensure transparency and accountability of multinational corporations while maintaining a balance with ease of doing business.

RESEARCH QUESTIONS:

1. Whether the laws on beneficial ownership in India are effective in ensuring transparency and accountability of multinational corporations?
2. Whether the disclosure requirements under the Companies Act, 2013 effectively identify the ultimate natural persons exercising significant control in complex multinational structures?

OBJECTIVES:

- To examine the existing disclosure requirements effectively ensure transparency and accountability of multinational corporations.
- To analyse the concept of beneficial ownership and its significance in the functioning of multinational corporations.
- To evaluate the effectiveness of the Companies Act,2013 in identifying the ultimate natural persons who exercise significant to control in complex multinational structures.

RESEARCH METHODOLOGY:

Research through rules and regulation of Companies Act 2013 and cases related to compliance, as it based on globalization and regulates the global capital market across globe this paper cover its effectiveness and concept of beneficial ownership and the way of significance in the functioning of multinational corporations and also through news and articles and government and regulatory reports, international official website and publication as this works across the

² The Prevention of Money Laundering Act 2002

jurisdictions and regulator of the globalization which helps from compliances and the avoidance of fraudulence and reduces risks. This study helps the existing regulatory framework effectively to ensures transparency and accountability of multinational corporations in India.

REVIEW LITERATURE:

Paul L. Davies and Sarah Worthington (2021) - Principles of Modern Company Law: The authors explain the structure of corporate ownership and control which helps in understanding how beneficial ownership operates within corporate entities. The study situates beneficial ownership disclosure within the broader framework of international corporate governance reform. The paper responds to ongoing concerns about opacity in ownership structures, especially in economies with concentrated shareholdings.

Avtar Singh- Company Law (Eastern Book Company, 17th edn., 2022):

Explains the structure of corporate ownership and the regulatory provisions governing companies in India under the Companies Act, 2013. The book also discusses mechanisms for identifying individuals who exercise ultimate control over companies, particularly through the provisions relating to significant beneficial ownership under the Section 90 of the Companies Act 2013.

Leo Agustino (2023)- Beneficial Ownership Transparency Strategy in Law Enforcement of Money Laundering:

This study is to find out the role of a beneficial owners in misusing of corporations as a mediator for the money laundering crimes in Indonesia. This research method covers uses of normative juridical approach which focuses on the data collection techniques, descriptive and analytical with the literature studies. The final analysis implies that transparency and efficiency of the beneficial owner information play a major role in the framework of the principles of prevention and eradication of money laundering.

The Transparency of beneficial owner information can be ensuring the implementation of the practices and concept of development that is used as a means of orientation in the prevention and eradication of money laundering crimes involving the corporations.

HISTORICAL BACKGROUNDS:

This concept of beneficial ownerships plays an important legal principal role in distinguishing between the legal owner of property or shares and the person who can actually enjoys the benefits or exercises the control over them. Historically, this was developed from the law of trusts in English common law where the legal title to property or share could be held by one person while the real benefit was belonged to another person.

The growth of global trade and the expansion of multinational corporation and its ownership structures became increasingly complex. Companies began operating through the subsidiaries, holding companies and offshore entities across the different jurisdictions. These layered structures often made it difficult to identifying the real individuals who can ultimately controlled or benefited from the corporate entities. As a result, beneficial ownership can become a significant issue in the corporate governance and financial regulation.

International concern over hidden ownership structures were increased particularly after the global financial scandals and growing risk in money laundering, tax evasion and corruption. International organizations such as the Financial Action Task Force introduced global standards requiring countries to maintain the transparency in corporate ownership and identify ultimate beneficial owners.

In India, the need for greater transparency in the field of corporate ownership led to the introduction of legal provisions under the Companies Act, 2013 particularly under Section 90³ which deals with the disclosure of significant beneficial owners in the companies. These provisions were also strengthened through the Companies Rules, 2018. Additionally, regulations measures under the Prevention of Money Laundering Act 2002 also require for the identification of the beneficial owners to prevent the misuse of corporate entities from illegal financial activities.

Thus, the development of the beneficial ownership regulation reflecting the growing need for transparency and accountability in corporate structures especially in the context of multinational corporations operating across the multiple jurisdictions.

³ Companies Act, 2013

EFFECTIVENESS IN ENSURING TRANSPARENCY AND ACCOUNTABILITY:

The disclosure requirements under the Companies Act, 2013 have completely improved the corporate transparency by enabling regulators to identify the actual individuals who can control companies thereby reducing anonymity in the corporate ownership. Legislation in beneficial ownership plays a significant role in preventing illegal financial and white-collar crime like tax evasion, benami transaction, shell companies and money laundering which enhance financial accountability in corporate operations. Furthermore, by identifying the significant beneficial owners the companies become more accountable to regulators, shareholders and the public, which strengthens overall corporate governance.

In addition, India's regulatory framework aligns with the international transparency standards recommended by organizations such as the Financial Action Task Force which promotes the disclosure of beneficial ownership to prevent the financial crimes. Additionally, disclosing ultimate beneficial owner enhances confidence in investors by ensuring transparent business environment and reducing risks accompanied with hidden ownership. It also supports regulatory supervision by accessing the authorities to identify complex ownership structure efficiently.

This system encourages ethical business practices and deters the exploitation of corporate enterprises for unlawful activities. It also ensures international cooperation among regulatory bodies in preventing transnational financial crimes. Such transparency policies contribute to a stable and trustable financial system. However, continuous improvements in the enforcement and compliance mechanisms which remain essential to achieve the full effectiveness of these laws.

DISCLOSURE REQUIREMENTS:

The disclosure requirements under the Companies Act 2013 specifically under Sections 89⁴ and 90⁵ and the Companies Rules 2018 aims to identify the ultimate natural persons who can exercise significant control over the companies including those within the complex multinational corporate structures. This provision requires individuals who hold the beneficial interest or significant ownership to disclose their identity towards the company and the

⁴ Companies Act 2013

⁵ Companies Act 2013

company must maintain a register and report the information for the Registrar of Companies.

For an extent, these disclosure requirements were helps in identifying the ultimate beneficial owners by mandating that companies to trace the ownership chain until a natural person with significant influence or control is identified. This regulatory measure enhances corporate transparency and access regulatory bodies to monitor ownership structure efficiently. It also deter the use of anonymous or layered corporate procedure that may hinder the ultimate beneficial owner of the company. Yet the effectiveness of this legislation is constrained in the complex multinational structure.

Multinational corporations often operated through multiple subsidiaries, holding companies and enterprises situated in different jurisdiction across the world. Such layered ownership structures which make it difficult to trace the ultimate natural person exercising control. Additionally, the disclosure system largely depends on the self-reporting by shareholders and beneficial owners which may lead to the incomplete or inaccurate disclosures. Cross border ownership arrangements and differences in disclosure standards between jurisdictions is also hindered the regulators from identifying the actual controlling individuals.

CONCLUSION:

Beneficial ownership plays a vital role in ensuring the transparency and accountability in framing the corporate structures particularly in the context of multinational corporations that operates through complex ownership arrangements. Determining the natural person who is the ultimate beneficial owner is essential to prevent and eradicate the exploitation of corporate entities for illegal activities like tax evasion, money laundering and corruption. India has taken significant measures to regulate the beneficial ownership through legislation under the Companies Act 2013 and the Prevention of Money Laundering Act 2002. These regulatory and legal measures enhance the corporate transparency and also enhance corporate regulatory supervision

However, the challenges still exist in effectively identifying ultimate beneficial owners especially in case of involving complex multinational corporate structures and cross border ownership chains. Therefore, the current regulatory framework represents an important step toward improving the transparency and accountability in continuous monitoring, stronger enforcement mechanisms and greater regulatory clarity are necessary to ensure that the

beneficial ownership disclosure effectively addresses the risks associated with multinational corporate operations.

There is a necessity to enhance coordination among regulatory bodies to ensure effective implementation and adoption of this legislation. Additionally adopting advanced technology and data sharing system can assist in tracking the complex ownership structure. Strengthening penalties for non-compliance may also act as a deterrent against the concealment of ownership information. In addition, increased awareness and compliance among corporations are essential for achieving the objectives of the law. Finally, aligning the domestic regulations with evolving international standards will improve the effectiveness of India's beneficial ownership regime.

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