

Application for IACA Merit Award 2021

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Name of project: Establishing the national Register of Beneficial Owners

I. Brief description

The Central Register was tasked with developing, implementing and running the national Register of Beneficial Owners (hereinafter: the Register), in accordance with the Law on Preventing Money Laundering and the Financing of Terrorism. The Register itself and the legal framework in general arise from the relevant anti-money laundering regulation of the European Union. The Register represents a tool the Financial Intelligence Unit and the entities obliged to undertake anti money laundering measures use to advance the fight against illicit financial flows.

The registry solution is developed to provide for secure online filing and issuing of documents, as well as a back-end application for monitoring application flow, generating reports and managing embedded application parameters. Filing in the register is done exclusively online, using a valid digital signature for identification and confirmation of data.

The Register was launched in production on 27 January 2021, and about 80.000 existing legal entities have until the end of April to file information on their beneficial owners. Each change in the beneficial ownership structure has to be reported within 8 days. All newly established entities have to report their beneficial owners within 8 days of registration.

II. Legal perspective

The Register of Beneficial Owners is established with the Law on Preventing Money Laundering and the Financing of Terrorism, which transposes the relevant EU directives in this area, as well as the relevant Financial Action Task Force (FATF) global recommendations.

The technological solution of the Register comes at the intersection of the above-mentioned law and the related bylaws on one side, and the Law on the Central Register, the Personal Data Protection Law and the Population Register Law on the other.

A team from the Central Register was included in the very drafting of the relevant legal provisions and leveraging its experience with developing and running registries managed to significantly contribute to the quality of the legal framework through the prism of data quality and user centricity. The main innovative elements of the legal framework are as follows:

- using existing databases to populate data fields related to legal entity information and personal information;
- defining categories of legal entities that are exempt from filing in the Register, in cases where the beneficial owner of the legal entity is determined by law and can be identified using existing information (about 15% of legal entities are therefore exempt, significantly reducing the administrative burden);
- a limited set of information is available for the general public, in order to balance the public interest with the right to personal data protection;
- procedure for in-system requesting and issuing authorization to file on behalf of a legal entity, thus significantly reducing bureaucracy;
- possibility to correct obvious technical errors of the filed application.

III. Technological perspective

The technological solution for the Register represents a modern and secure system built on three-tier architecture principles which adheres to the highest standards of usability and security. (1) Presentation tier (graphic user interface (GUI) layer) is implemented in “responsive design“ which enables creating content that adjusts smoothly to various screen sizes, thus maximizing user experience on different devices. (2) Logic tier is implemented with WEB APIs to ensure flexibility, reusability and security. (3) Data tier is implemented with highly available relational database system which ensures availability, integrity and security of the stored data.

In order to provide for a seamless experience for existing users of the online services of the Central Register, the Register is integrated with a number of existing systems, including the single sign-on system (centralized management of users), Trade register and register of other legal entities (for automatic retrieval and filling of existing legal entities data), National population register (for automatic retrieval and filling of personal data), the digital signature ID component, the e-Certificates system for generating electronically signed documents (filing confirmations and information products), the e-mail distribution system, as well as the e-Pay system for payment of fees.

For exchanging data between the Register on one side and Financial Intelligence Unit, banks and other entities included in the fight against money laundering on the other, Register Logic Tier is reused and integrated with existing XML Web services system.

Keeping in mind that the legislation related to beneficial owners is fluid and frequently reviewed, we designed the system in a flexible manner, such that we can manage various application parameters through the back-end application, without requiring re-coding and system upgrades. For example, we can easily internally manage and update the fee schedule, the exempt categories of legal entities, the lists of indicators, etc.

IV. User perspective

Usability and the concept of “making it easy to file”, while at the same time maximizing data quality were a top priority in all stages of development of the Register. Several innovative solutions have been implemented in this Register to address these two interrelated issues:

- **Interoperability with the legal entity registers and the Population registry (Figure 1)**
 - The data set related to legal entity information is automatically sourced from the applicable legal entity registry kept also in the Central Register (Company Register or Register of Other Legal Entities), upon entering of the Legal Entity ID number in the filing module, via a web service;
 - The data set related to persons entered as beneficial owners who are Macedonian citizens is automatically retrieved from the Population Register, kept by the Ministry of Information Society and Administration, upon entering the unique citizen identification number in the filing module, via a web service;
 - Exempt categories of legal entities are automatically recognized at the attempt of initiating a filing application with the entering of the Legal Entity ID number through checks performed by web services (e.g. for state-owned enterprises) and in embedded databases (e.g. for listed entities) in the background;
 - At the time of issuing information from the Register, web services with the legal entity registers and the Population register running in the background ensure that the issued information products contain the latest information on legal entities and persons, regardless of the data registered at the time of filing. This, in effect, means that companies are not obliged to report changes in entity or personal information, such as addresses or name changes. This is the first public service in the country that provides this integration, following strict data exchange protocols, which significantly reduces the administrative burden for companies and radically increases the quality of the data contained in the Register.

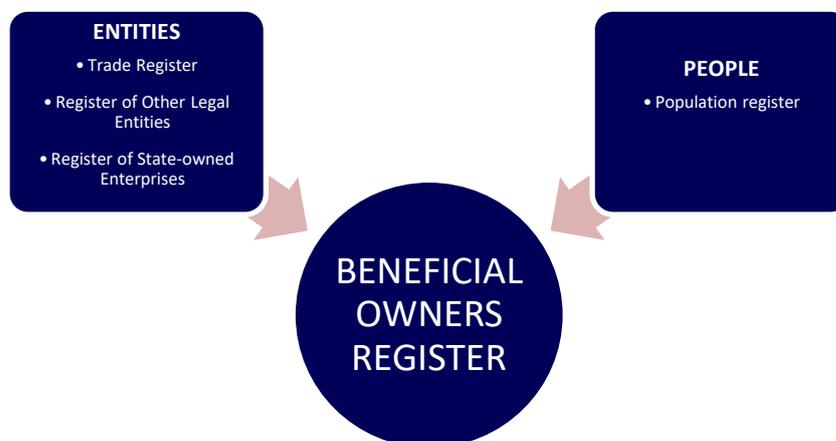


Figure 1 Interoperability with the Register of Beneficial Owners

- **Liberalization of filing capability**

- In order to ensure that legal entity representatives have the option to file themselves (without having to hire a professional), or to authorize someone else to file on their behalf (should they wish to), but at the same time striving to keep the entire filing procedure within the system (i.e. end-to-end electronic, to avoid visiting other public offices to obtain legal authorizations, etc.), we developed an authorization issuing sub-system in the Register (Figure 2). Namely, a user who wants to file in the Register on behalf of a legal entity identifies him/herself in the system and requests an authorization from the legal entity by entering the Legal Entity ID. This authorization request is automatically sent to the official e-mail address of the legal entity. The representative of the legal entity reviews the request and either confirms or rejects the authorization with a single click. The moment the authorization is confirmed, the user can start filling out the application. One person can be authorized to file for multiple legal entities, and one legal entity can authorize multiple persons to file on its behalf.



Figure 2 Basic authorization issuing process

That this is an important component is evidenced by the fact that for more than 21.000 applications filed to date, there are about 2700 unique filers, which means that one person has been authorized to file for about 8 legal entities.

- **Embedded controls**

In order to maximize data quality and assist users at the point of filling out the application in the Register, we have embedded multiple controls for various data fields. If the user enters an unacceptable value, he/she is automatically notified exactly what is incorrect and what needs to be done to correct it. We have embedded, among others, the following data controls:

- Format rules for the unique citizen identification number;
- Minimum value of percentage when the user enters value for direct or indirect ownership, as per the legal definition of a beneficial owner;
- Automatic calculation of sums of percentages, not to exceed 100 at the level of legal entity, including all beneficial owners and all indicators;
- Dates entered for indicators of ownership are cross-checked with Legal Entity registration date and beneficial owner's date of birth;
- Inability to enter the same person as a beneficial owner more than once;
- Inability to enter the same indicator of ownership for a registered beneficial owner;
- Inability to delete all beneficial owners for a legal entity, thus compelling legal entities to comply with the law;

- Automatic calculation of fees where applicable, according to a scalable fee schedule (based on legal entity size and number of days past the legal deadline).

- Data use

From the very beginning, it was clear to us that the register will be as useful as the data entered are easily accessible in an optimal format for (1) the relevant authorities, (2) the entities obliged to undertake anti money laundering measures, and (3) for the general public. Therefore, we made sure to use adequate technology to properly structure the data in order to provide both data on demand and web-services (APIs) for large scale users (Figure 3). We made sure to fully implement the law in terms of accessibility of the data set, such that we are in full compliance with personal data protection regulation. Personal data are accessible to a limited category of users, which have to sign contracts with the Central Register in order to oblige to adhere to strict personal data protection rules.



Figure 3 Register of Beneficial Owners Data Use

- Multilingual interface

The filing component of the Register is designed to support versions in English and in Albanian (as the second official language in the country). These are currently being tested and will be launched soon.

V. Organizational perspective

Establishing the Register was the first project in the Central Register to be managed in compliance with the newly established institutional project management methodology, which is compliant with international standards and Project Management Institute guidance. Although this posed significant

challenges, it also provided much needed structure and monitoring capability, and, importantly, a model for future projects in the Central Register.

In terms of operating the Register, the design of the system, especially the embedded controls that guarantee a high level of data quality, have significantly reduced the need for staff involvement in the process. Therefore, human resources from the Central Register are now delegated not to case work, but to supporting users, monitoring seamless operations, following legal and organizational developments internationally and working to further advance the system.

Issuing information from the Register (with the exception of APIs) will be done via the existing information-issuing systems and using the existing institutional set-up.

VI. User Engagement

Being a service-oriented institution, we took the outreach component very seriously. Our maxim is that the Register will be useful if it is full and updated. We had several communication objectives to achieve:

- make sure everyone is clear whether they have to file or not and what the deadlines are;
- explain the mechanics of the process, i.e. who can file and what the prerequisites are;
- underline to consequences of failing to file;
- tackle the potential backlash of the Register being considered just another administrative burden.

Keeping in mind that the Register is introducing a new administrative obligation for a large majority of all legal entities in the country, it was important that we explain the point of filing and how this is going to contribute to the fight against illicit financial flows in the country and globally.

We used a combination of strategies and tactics to both inform the public, and to provide user support before and during filling out the applications (Figure 4). We have used both traditional and social media to convey the necessary information. To adapt to the new circumstances, we organized small-group interactive webinars (25-30 attendees each), which have been attended by 1.000+ potential filers. We produced detailed written, but also recorded video user manuals for each step of the process and published them on the web portal. We also compiled a list of about 60 frequently asked questions, which have been formulated in a highly practical manner, and the list is updated continuously. Our customer support center has answered 1.400+ calls and 300+ e-mails related to using the service. We made sure to build alliances with chambers of commerce, professional organizations of accountants and lawyers and banks, in order to mobilize them to spread the message and increase compliance rates.

Public information campaign	Information on new obligations (social and traditional media)
	Tackle potential administrative burden backlash
	Build alliances (banks, professional organizations, CoCs)
Web site	Detailed service description, deadlines and contact info
	Detailed text and video user manuals
	59 FAQs (fluid)
Customer support center	Phone, e-mail and ticketing system
	Dedicated phone number and e-mail address
Webinars	Interactive small-group online events
	Jointly with the FIU
	Be prepared to answer specific questions

Figure 4 Summary of user engagement for Register of Beneficial Owners

VII. The Road to Implementation

The implementation of this project occurred in unprecedented circumstances caused by the COVID-19 pandemic. We are extremely proud to have produced an entire system from scratch, while at the same time trying to cope with the new way of working which was totally unfamiliar for us, and with the mental strain of the team members caused by the dire situation. Online status meetings with the IT vendor, the FIU and the donor were extremely challenging in the beginning, but we quickly and successfully adapted. A whole category of employees of the Central Register (parents of children under 10) were completely excused from work by the government for four months from mid-March to mid-July and were unavailable to work on the project. However, we quickly regrouped and adopted new collaboration methodologies, such that in the second half of the year, when rotations and remote work became the norm (and all major technological challenges were overcome), we had seamless cooperation and steady progress.

From this perspective, we can group the lessons we have learned in several categories, as follows:

- Registers of beneficial owners were being established in European countries at about the same time. There was no best practice to ex-ante analyze and adopt. However, being on the same table with our peer institutions enabled by the international organizations and discussing issues and how to tackle them was immensely helpful. When the time came to design the Register in our country, we already had a good understanding of potential concerns and lessons from our peer institutions. We had a chance to look at the beneficial owners registers of three European countries first-hand, with on-site study visits, and the selfless and honest exchanges with our colleagues prepared us well for the task ahead.
- The importance of having a reliable and experienced IT partner cannot be overstated. At the same time, it is crucially important that as a client you are able to clearly articulate exactly what you need and develop a common understanding of goals and terminology. We strongly recommend dedicating enough time and energy into developing a clear functional requirements

document, but also leaving room for agile improvement as the project progresses. The process of working on the functional requirements document in itself imposes discussions on issues and instigates making key decisions early, which is highly desirable.

- A key challenge related to this, and partially caused by the new way of remote working, was questioning our own decisions when we received deliveries from the vendor. When we would return to some decisions, we knew that we had discussed the issue extensively, but had no clear recollection of the rationale behind the specific decision. We were therefore re-opening discussions on issues we had considered closed, which took away time and resources. Therefore, if we could go back and do it all over again, we would make sure to write out our thought processes and keep clear track.
- Our team from the Central Register was acutely aware of the importance of extensively testing the IT solution before the official production launch. More than 1.200 applications were filed in the test environment, both per scenarios, but also free-form. At the beginning the process of reporting deficiencies was challenging and ineffective, but the vendor duly provided a ticketing system which made it easier to report, track and re-test. We are convinced that this contributed to the fact that the system has been functioning without any major glitches in the past two months since its launch.
- The early consultations with the personal data protection agency saved us from potential disaster, as the legal framework and the technological solution have to strictly comply with personal data protection rules. We received feedback and clear guidelines early on, and we had ongoing consultations for open issues. All personal data protection requirements were duly embedded in the technological solution.
- Importantly, it is of essence to remember that there is so much work to be done even after the official public launch of the filing component of the Register. The launch is such an important milestone, that employees feel the need to stop, celebrate and re-energize. It is important to keep up employee morale and motivation at this stage to finish up the rest of the components in order to utilize the full potential of the Register.