



THE UBO REGISTER: OVER 270,000 OWNERS OF FAMILY BUSINESSES RISK LOSING THEIR PRIVACY

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As of 2020, companies and legal persons will be required to register their (in)direct owners. Pending legislation, this is when the UBO register will come into force in the Netherlands. The UBO register will have a great impact on the privacy of family business owners. Research by the RSM-Nyenrode Institute shows that the information of over 270,000 Dutch family business owners will become public as a result of this law.

This is in strong contrast with the interest attached to privacy by many Dutch citizens, which is also acknowledged by the government with the recently introduced General Data Protection Regulation (GDPR). A survey among participants of the RSM-Nyenrode Family Businesses research panel shows that nearly half (48 %) of the owners of larger family businesses are insufficiently familiar of the UBO register. Only 35 % of the owners are aware of the effects of the introduction of the UBO register. The purpose of the register is to counteract financial and economic crime, such as money laundering and terrorist financing, by creating transparency about the Ultimate Beneficial Owner (UBO) of an enterprise.

Infringement of privacy

Of the entrepreneurs who are familiar with the UBO register, no less than 70.8 % stated that the UBO register would seriously infringe upon their privacy. In addition, 41.7 % are worried about their own and their family's safety once the UBO register has been implemented. Information campaigns and preparations by owners are still at a very early stage.

The following sections show the results of the investigation.

The UBO register

As of 2020, companies and legal persons will be required to register their (in)direct owners. Pending legislation based on a EU directive, this is when the UBO register will come into force in the Netherlands. The purpose of the register is to counteract financial and economic crime, such as money laundering and terrorist financing, by creating transparency about the Ultimate Beneficial Owner (UBO) of an enterprise.

This is a natural person who is pulling the strings in a company – sometimes working behind the scenes – either because they own more than 25 % of all shares or through effective control. Part of this personal information, including the name and the UBO's economic interest, will be made public through the register.

The problem for owners of family businesses

Few Dutch people will oppose to any measures that counteract financial and economic crime. However, this does become a problem if many well-intentioned individuals are negatively affected by this measure. The UBO register will include all owners of Dutch family businesses who own at least 25 % of their limited liability company. It's not that the initiators of the UBO register suspect the owners of family businesses of something like terrorist financing but, unfortunately, this group just happens to fall under the definition of a UBO as well. The initiators probably did not realise that the register would affect the privacy of a very large group of Dutch entrepreneurs.

More than 270,000 owners of family businesses fall under the UBO criterion

Until now, no data were available about how many owners would be affected by the UBO register. Data from the Statistics Netherlands (CBS) and Nyenrode Business Universiteit show that this will affect 277,200 family businesses in the Netherlands.

Table 1. Number of Dutch family businesses per size category of employees

Number of employees	Number of companies	Percentage of family businesses	Number of family businesses
1-9	327,300	75	245,500
10-49	48,300	57	27,500
50-249	9,900	35	3,500
Min. 250	2,400	29	700
	387,900	71	277,200

The UBO register is intended for corporate entities such as private limited liability companies, public limited companies, foundations, limited partnerships and partnerships, but not for sole proprietors. The number of private limited liability companies vary strongly per size category in terms of number of employees, however. A large-scale investigation by Nyenrode and the Dutch Ministry of Economic Affairs shows that more than 111,000 Dutch family businesses are private limited liability companies.

Table 2. Percentage and number of Dutch family businesses per size category of employees

Number of employees	Percentages companies	Number of family businesses
1-9	36.1	88,626
10-49	80.9	22,248
50-249	93.2	3,262
Min. 250	91.6	641
		111,777

Another important aspect to take into account when calculating the number of owners who fall under the UBO register is the criterion that a UBO should have at least a 25 % interest in the ownership of their limited liability company (either directly or indirectly). It is also important to know how many owners a family business has. This information was also derived from the above-mentioned Nyenrode research.

Table 3. Percentage of owners per size category of employees in Dutch family businesses

Number of employees	Number of owners per family business				
	1	2	3	4	5 or more
1-9	38.8	44.7	6.8	2.9	6.8
10-49	37.0	36.1	11.7	5.3	10.0
50-249	32.8	27.1	12.6	8.8	18.6
250 or more	32.8	16.4	8.2	4.6	37.9

In order to calculate the final number of UBOs in Dutch family businesses, we based ourselves on an equal share of ownership percentage per shareholder. Naturally, one can think of exceptions, such as family businesses where not all owners own an equal share of the property. One example would be a family business with four owners, one of whom owns 85 % of all shares while the remaining three only own 5 %. In this case, there would be only one UBO, whereas our calculation was based on there being four UBOs. A similar unequal situation could be present in family businesses with five or more owners. However, these cases were excluded from our calculations. Taking into account the above and combining the research results from Table 2 and Table 3, it turns out that over 270,000 owners of family businesses will be included in the UBO register.

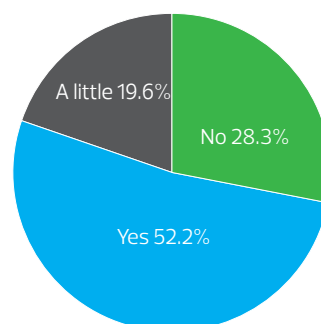
Table 4. Number of owners in Dutch family businesses per size category of employees to be included in the UBO register

Number of employees	Number of UBO's
1-9	189,667
10-49	64,659
50-249	14,791
250 of meer	2,391
	271,507

Unawareness of family business directors with the UBO register

Despite the fact that the UBO register will come into force in the Netherlands as soon as January 2020, relatively few owners of family businesses are actually familiar with the register. The introduction of the register means that companies and legal persons will be required to register their (in)direct owners. Part of this personal information, including the name and economic interest of the qualifying owner of the family business (the UBO), will be made public through the register. Only a small majority (52 %) of respondents of the RSM-Nyenrode Family Businesses research panel are familiar with the UBO register, while a quarter (28.3 %) of all respondents are not.

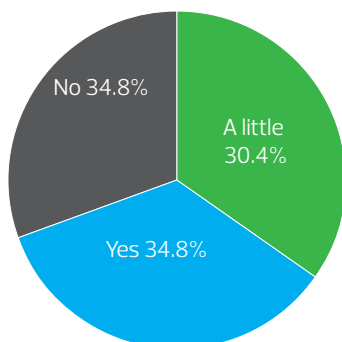
Figure 1. Awareness of the UBO register among owners of family businesses



Unawareness of the consequences of the UBO register for shareholder(s)

In light of the low awareness of the UBO register, it is not surprising that many owners of family businesses are unaware of the consequences of the UBO register. No more than one third of respondents (34.8 %) state they are aware of the consequences of the UBO register for the owners of their company, while the same percentage (34.8 %) indicated they have absolutely no idea what the consequences are.

Figure 2. Awareness of the consequences of the UBO register for owners of family businesses



Strikingly enough (see also Table 5) is that the majority of respondents (58.3 %) who are familiar with the UBO register know what the consequences of this register are for the owners of their family business, while none (0 %) of the respondents who are unfamiliar with the UBO register know what the consequences are. The latter research result is to be expected, of course, but it also indicates that there is an urgent need for information and training about the UBO register its consequences for owners of family businesses.

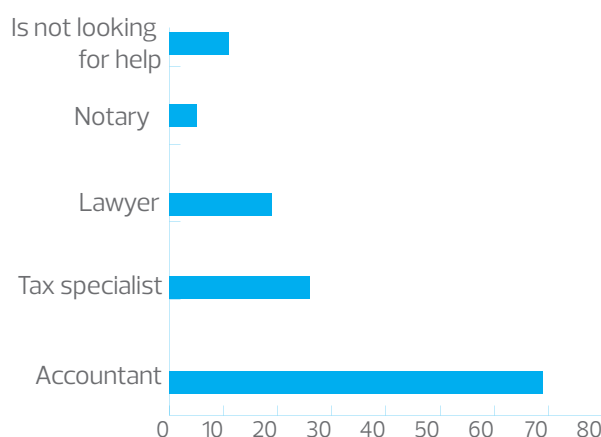
Table 5. Percentage of owners who are familiar with the consequences of the UBO register in relation to their awareness of the UBO register

Awareness of the UBO register		
Awareness of consequences of UBO register	Yes	Not at all or a little
Yes	58.3%	0.0%
Not at all or a little	41.7%	100%

Advisor in avoiding the consequences of the UBO register

The participants of the RSM–Nyenrode Family Business research panel were also asked who they would consult in order to anticipate any consequences of the UBO register. The responses clearly point to a role for the family businesses' accountants. No less than 69 % of the family businesses expect to ask for advice from their accountants, and also tax specialists (26.1%) and lawyers (19.6 %) can expect to receive many requests for advice from family businesses. Only 10.9 % of the respondents expect not to use a consultant to avoid any negative effects from the UBO register. According to the respondents, the introduction of the UBO register will create a new consultancy market.

Figure 3. Consultants who are asked for help to avoid any negative effects of the UBO register (multiple answers possible)



Statements concerning government and privacy

Finally, the respondents of the RSM–Nyenrode Family Business research panel were presented with a number of statements. Table 6 shows the results. Respondents are damning in their judgement of the way in which the Dutch government intends to implement the UBO register. While a vast majority of respondents (83.2 %) believe that it is the task of the Dutch government to protect the privacy of its entrepreneurs, nearly half (48.9 %) say the UBO register is contrary to GDPR. An equally large group (48,9 %) believes that the UBO register means a large infringement upon their privacy. The large group of entrepreneurs who are unfamiliar with the UBO register must also be taken into account. Of the entrepreneurs who are familiar with the UBO register, no less than 70.8 % stated that the UBO register would seriously infringe upon their privacy, while 41.7 % are worried about their own safety and that of their family once the UBO register has been implemented.

Table 6. Statements concerning government and privacy

Statement	(Completely) agree	(Completely) disagree
It is the task of the Dutch government to protect the privacy of its entrepreneurs.	83.2%	0.0%
It would be better if the government invested in investigation services rather than in laws and regulations concerning the UBO register.	62.2%	11.1%
The UBO register means a serious infringement upon my privacy.	48.9%	13.3%
The UBO register is in contradiction to the GDPR.	48.9%	15.6%
I'm not worried about the UBO register.	36.6%	35.6%
The obligatory publication of privacy-sensitive information will strongly contribute to the struggle against terrorist financing and money laundering practices.	28.9%	31.1%
I'm worried about my own and my family's safety should the UBO register be introduced.	28.9%	24.4%
The UBO register is a good development for transparency in our company.	24.2%	37.8%

About RSM:

RSM is one of the leading consultancy firms and a full-service provider in the field of fiscal and accountancy questions, financial processes and (up-to-date) laws and regulations for SMEs and family businesses. With 11 locations and over 500 professionals across the Netherlands, RSM offers both regional and national services.

Thanks to intensive cooperation within the worldwide RSM network, RSM also offers a wide range of financial services to international clients. RSM supports the growth and development of (larger) (international) family businesses within the SME segment.

About Nyenrode Business Universiteit:

Nyenrode Business Universiteit aims for a sustainable future by encouraging students and participants to develop into responsible leaders. We do so by offering a combination of academic theory, practical relevance and personal development. Nyenrode is a private university, founded in 1946 by and for industry, with an international orientation. We offer intensive academic training as well as short and longer programs in the field of business, management, accountancy, auditing and tax law, and we also conduct research in these fields.

About the RSM–Nyenrode Family Businesses research panel:

In 2019, RSM and Nyenrode Business Universiteit started a research panel aimed specifically at family businesses. As many as 77 larger family businesses are already taking part in the panel, and this number is growing steadily. 86 % percent of respondents are themselves owners of family businesses and are UBOs, while 9 % of respondents are related to the owner. The general data for the RSM–Nyenrode Family Business research panel were collected in April and May; the data for the UBO register were collected mid-June 2019.