

Revisions to Recommendation 24 and the Interpretive Note – Public Consultation

Open Ownership (OO) provides technical assistance to countries implementing beneficial ownership (BO) transparency reforms, to help generate accurate data on BO that complies with international standards and meets the needs of data users across government, obliged entities and the wider private sector, and civil society.

Since 2017, OO has worked with [over 40 countries](#) to advance implementation of beneficial ownership reforms, as well as supporting the creation of over 15 new central and sectoral registers. OO has developed the world's leading [data standard](#) for beneficial ownership information, co-founded the international [Beneficial Ownership Leadership Group](#), and built the world's first [transnational public beneficial ownership register](#).

OO is pleased to contribute to the public consultation on revisions to the FATF Recommendation 24. In summary:

- Open Ownership welcomes stronger language around central BO registries as part of the multi-pronged approach under Recommendation 24.
- A central registry is the most effective way to ensure competent authorities, obliged entities and all other actors fighting financial crime have timely access to accurate BO data.
- Registrars should be primarily responsible for ensuring the verification of BO data in these registers, although all users of the data have a role to play in improving data accuracy.
- In order to address some of the current challenges, FATF should set clear language around minimum standards and unambiguously outline the role regulators should play. This will lead to accurate, usable data, which is fundamental in fighting financial crime, but in itself does not automatically lead to data use and impact.
- Governments should take a proactive approach to increasing the capacity for proactive data use amongst all actors fighting financial crime. Central registries have been and are being [implemented in major financial centres](#), and it is here that the evidence must be gathered and the models developed for other countries to emulate.

For further information or to discuss these responses in further detail, please contact tymon@openownership.org.

Multipronged approach to collection of Beneficial Ownership information

The requirement in paragraph 7 includes a compulsory company approach, a requirement for a public authority or body to hold beneficial ownership information (a beneficial ownership registry or another body)

or an alternative mechanism, and the supplementary measures. Countries should decide, on the basis of risk, context and materiality, what form of registry or alternative mechanisms they will use to enable efficient access to information by competent authorities, and should document their decision. Do you agree with the approach set out in paragraph 7 of the Interpretive Note?

OO welcomes the requirement of the multi-pronged approach to the collection of BO information. Reviews of FATF MERs have shown that central BO registers provide competent authorities with the most efficient access to BO information. Therefore, OO recommends making central registers a required element of the multi-pronged approach. If BO data is not held by a single body or in an alternative mechanism, this should not impede efficient access and it should be clear to users where specific data is held. Where data is not held by a single body, to ensure efficient access it is critical that information held by all bodies should conform to the same standards and definitions, and that legislation governing this should be harmonised to prevent regulatory arbitrage. For example, the definition of a beneficial owner and the key fields of information collected should be the same for all data sources.

OO recommends that FATF define what it means with “efficient access” under paragraph 7 as direct and unfiltered, enabling analysis, and include examples of mechanisms that can facilitate this, such as ensuring data is structured and machine-readable, making data available through an API and in bulk.

If FATF does opt to retain the draft wording that permits use of alternative mechanisms, FATF should be unambiguous that any such mechanisms should be specific, additional and dedicated mechanisms which should still provide efficient (i.e. direct and unfiltered) access.

Bearer Shares and Nominee arrangements

Should bearer shares and bearer share warrants without any traceability be subject to additional controls as set out in amendments to paragraph 14 of the Interpretive Note?

Yes. OO welcomes the proposed changes, specifically banning the issuance of new bearer shares and bearer share warrants, but suggests clarifying the changes to the Interpretive Note. FATF should ensure to close loopholes in instances where professional intermediaries hold immobilised bearer shares. For example, if ownership of bearer shares is transferred to a foreign legal entity or arrangement in another jurisdiction that does not require the BO to be registered with authorities, competent authorities will not have access to the real BO of the bearer shares.

Is the draft glossary definition sufficiently clear to avoid inadvertently applying excessive controls to traceable and legitimate uses of such instruments?

The draft glossary definition is sufficiently clear as it also accounts for similar mechanisms.

If there remains undue controls, how should this be mitigated?

OO proposes amendments to the Interpretive Note to mitigate remaining undue controls.

Should nominee arrangements be subject to the disclosure requirements as set out in amendments to paragraph 15 of the Interpretive Note?

Option 15 (b) does not provide up to date information on nominators and the and the natural person(s) on whose behalf the nominee is ultimately acting to the registers. We therefore propose to change the

wording in 15 (b), and suggest adding prohibiting nominee arrangements and the enforcement of such a prohibition – as some jurisdictions have already done – as an option.

Will the proposed rules and the new glossary definitions create undue restrictions for institutional investors or other legitimate uses of such instruments, and if so, how should this be mitigated?

OO has no reason to believe the proposed rules and definitions create undue restrictions for institutional investors or other legitimate uses of such instruments as similar rules have already been implemented in a range of jurisdictions without significant impact on these actors.

Are there other specific mechanisms that should be permitted, in addition to those proposed, which could ensure their transparency?

OO has proposed amendments to the Interpretive Note to ensure transparency.

Risk-Based Approach

Should countries be required to assess the ML and TF risks associated with foreign-created legal persons and take appropriate steps to manage and mitigate them?

OO takes the position that all types of foreign-created entities and arrangements through which ownership and control can be exercised that establish a business relationship in a jurisdiction should be subject to disclosing beneficial ownership, as part of the principle of [comprehensive coverage](#). [Research has shown](#) all such entities can potentially be abused for ML and TF. Experiences in the [United Kingdom](#) have demonstrated how a legal entity not included within disclosure requirements, the Scottish Limited Partnership (SLP), became “the getaway vehicle for corrupt individuals and organised criminal gangs” according to [Transparency International](#), until they were brought within the scope of disclosure requirements (see also p9 of this [impact study](#)). Therefore, risk assessments should not form the basis for exemptions from disclosure.

Assessing ML and TF risks to types of foreign-created legal persons, can be valuable to raise red flags for subsequent investigation.

What constitutes a sufficient link with the country?

From Open Ownership’s [work on trusts](#), the threshold for “sufficient link” should be any connection with the jurisdiction. This includes if a foreign entity holds assets (e.g. real estate), or the entity establishes a business relationship in the jurisdiction with service providers subject to AML/CFT law and regulations. This includes, for instance, banks, investment managers, lawyers, accountants, tax advisers, trust and company service providers, and real estate agents.

Currently these domestic service providers may be under an obligation to identify beneficial owners of foreign created legal persons when they establish a business relationship. However, domestically these legal persons may not be under the same BO disclosure requirements, for instance if they are incorporated in a secrecy jurisdiction. This disparity in the availability of information can create substantial problems for identifying BO of foreign legal persons.

OO welcomes the requirement of foreign-created entities to disclose their BO when they establish a “sufficient link”. OO recommends that FATF defines “sufficient link” as suggested in the text edits in the Interpretive Note. In the absence of the availability of BO information in all jurisdictions, OO

recommends collecting this information in a central BO registry for foreign legal persons (some jurisdictions, e.g. the United Kingdom, have proposed implementing a register for entities that engage in specific activities). As there are substantial challenges to this approach, not least the challenge in verifying BO of foreign legal persons, international cooperation as outlined in paragraph 19 will be essential.

Should a risk-based approach be applied to verification of beneficial ownership information?

As part of the Open Ownership [principle on verification](#), a risk-based approach to verification is recommended for certain verification mechanisms. The best combination of verification mechanisms varies per jurisdiction, and depends on a number of factors. For instance, whether the government holds other datasets that BO statements can be verified against. When BO information is collected and held as structured data, a number of verification checks can be automated at the point of and after the submission of BO information to reduce accidental errors and identify deliberate falsehoods. Automated checks should apply to all BO information and are not resource intensive if implemented well.

A risk-based approach is relevant for certain resource-intensive verification mechanisms. A number of jurisdictions, for instance Denmark, check random samples of BO information. In this case, it would be more effective to check a random sample of companies deemed to be high risk.

Access to Information

Taking into account needs of competent authorities and other stakeholders, and concerns relating to privacy, security and other potential misuse of BO information, do you agree with the requirements on access to information as set out in paragraphs 12 and 13?

OO welcomes FATF's proposal to require to make BO information available to public authorities over the course of procurement, as it supports the FATF Standard's aim to ensure a coordinated global response to prevent organised crime, corruption and terrorism. According to the OECD, public procurement is the most common purpose of all bribes. OO has [highlighted in detail](#) how BO information can help prevent fraud and corruption in procurement. Due to the sums of money involved in public procurement, this requirement could prevent the generation of a substantial amount of illicit funds.

OO recommends that access to all relevant information to fight financial crime (information covered in paragraphs 4 and 7) should be made accessible to financial institutions, DNFBPs and foreign countries' competent authorities. Barring financial institutions from using registry information for those purposes would render the registry less useful in combating illicit activity and create restrictions that have no statutory basis. FATF should make clear that jurisdictions implementing a central registry as outlined in paragraph 7 (b) (i) with public access will satisfy all requirements under paragraphs 12 and 13. Making information public has [a range of benefits from making information available to a broader range of actors fighting financial crime](#), and the potential to facilitate efficient access for international competent authorities, thereby contributing to the aims set in under paragraph 19.

Draft Amendment Text to R.24 and INR.24

Note on formatting: The current text of the Recommendation and Interpretive Note are shown in normal black text. All proposed amendments, including the ones agreed at the October PDG, are coloured in red, with additions underlined and ~~deletions struck-out~~. OO's proposed amendments are coloured in green.

Recommendation 24. Transparency and beneficial ownership of legal persons

Countries should ~~assess the risks of take measures to prevent the~~ misuse of domestic and foreign-created legal persons for money laundering or terrorist financing, and take measures to prevent their misuse. Countries should ensure that there is adequate, accurate and timely up to date information on the beneficial ownership and control of all domestic and relevant foreign legal persons that can be obtained or accessed ~~rapidly and efficiently in a timely fashion~~ by competent authorities, through either a central register of beneficial ownership or an similar alternative mechanism. ~~In particular, e~~Countries ~~that have legal persons that are able to should not permit legal persons to~~ issue new bearer shares or bearer share warrants, and take measures to prevent the misuse of existing bearer shares and bearer share warrants. ~~Countries, or which allow nominee shareholders or nominee directors,~~ should take effective measures to ensure that nominee shareholders and directorsthey are not misused for money laundering or terrorist financing. Countries should ~~consider measures to~~ facilitate access to beneficial ownership and control information by financial institutions and DNFBPs undertaking the requirements set out in Recommendations 10 and 22, and by the public.

Interpretive Note to Recommendation 24 (Transparency and Beneficial Ownership Of Legal Persons)

1. Competent authorities should ~~be able to obtain, or~~ have access in a timely fashion to, adequate, accurate and current information on the beneficial ownership and control of companies and other legal persons (beneficial ownership information¹) that are created² in the country, as well as those that present ML/TF risks and have sufficient links³ with their country (if they are not created in the country). Countries may choose the mechanisms they rely on to achieve this objective, although they should also comply with the minimum requirements set out below. ~~It is also very likely that~~ Countries ~~will need to~~should utilise a combination of mechanisms to achieve the objective.
2. As part of the process described in paragraph 1 of ensuring that there is adequate transparency regarding legal persons, countries should have mechanisms that:
 - a) identify and describe the different types, forms and basic features of legal persons in the country.
 - b) identify and describe the processes for: (i) the creation of those legal persons; and (ii) the obtaining and recording of basic and beneficial ownership information;
 - c) make the above information publicly available; and
 - ~~d)~~ assess the money laundering and terrorist financing risks associated with different types of legal persons created in the country, and take appropriate steps to manage and mitigate the risks that they identify.
 - e) assess the money laundering and terrorist financing risks associated with different types of foreign-created legal persons to which their country is exposed, and take appropriate steps to manage and mitigate the risks that they identify⁴.

A. BASIC INFORMATION

3. In order to determine who the beneficial owners of a company⁵ are, competent authorities will require certain basic information about the company, which, at a minimum, would include information about the legal ownership and control structure of the company.

¹ **Beneficial ownership information** for legal persons is the information referred to in the interpretive note to Recommendation 10, paragraph 5(b)(i). Controlling shareholders as referred to in, paragraph 5(b)(i) of the interpretive note to Recommendation 10 may be based on a threshold, e.g. any persons owning more than a certain percentage of the company (determined based on the jurisdiction's assessment of risk and existing evidence, with a maximum of 25%).

² References to creating a legal person, include incorporation of companies or any other mechanism that is used.

³ ~~A Countries may determine what is considered a sufficient link is the establishment of a business relationship and on the basis of risk. Examples of sufficiency tests may include, but are not limited to, when a company, on a non-occasional basis, owns a bank account, employs staff, owns real estate, invests in the stock market, owns a commercial/business insurance, or is a tax resident or has any tax obligation in the country.~~

⁴ This could be done through national and/or supranational measures. These should include requiring beneficial ownership information on some types of foreign-created legal persons to be held as set out under paragraph 7.

⁵ Recommendation 24 applies to all forms of legal persons. The requirements are described primarily with reference to companies, but the same similar requirements should be applied to other types of legal person, taking into account their different forms and structures - as set out in Section E.

This would include information about the status and powers of the company, its shareholders and its directors.

4. All companies created in a country should be registered in a company registry⁶. Whichever combination of mechanisms is used to obtain and record beneficial ownership information (see section B), there is a set of basic information on a company that needs to be obtained and recorded by the company⁷ as a necessary prerequisite. The minimum basic information to be obtained and recorded by a company should be:

- a) company name, proof of incorporation, legal form and status, the address of the registered office, basic regulating powers (e.g. memorandum & articles of association), a list of directors, and unique identifier such as a tax identification number or equivalent (where this exists); and
- b) a register of its shareholders or members, containing the names of the shareholders and members and number of shares held by each shareholder⁸ and categories of shares (including the nature of the associated voting rights).

5. The company registry² should record all the basic information set out in paragraph 4(a) above.

6. The company should maintain the basic information set out in paragraph 4(b) within the country, either at its registered office or at another location notified to the company registry. However, if the company or company registry holds beneficial ownership information within the country, then the register of shareholders need not be in the country, provided that the company can provide this information promptly on request and that its beneficial ownership information is up to date.

⁶ “Company registry” refers to a register in the country of companies incorporated or licensed in that country and normally maintained by or for the incorporating authority. It does not refer to information held by or for the company itself.

⁷ The information can be recorded by the company itself or by a third person under the company’s responsibility.

⁸ This is applicable to the nominal owner of all registered shares.

² Or another public body in the case of a tax identification number.

B. BENEFICIAL OWNERSHIP INFORMATION

7. Countries should follow a multi-pronged approach in order to ensure that the beneficial ownership of companies can be determined in a timely manner by a competent authority. Countries should decide, on the basis of risk, context and materiality, what form of registry or alternative mechanisms they will use to enable efficient access¹⁰ to information by competent authorities, and should document their decision. This should include the following:

- a) Countries should require companies to obtain and hold adequate, accurate and up-to-date information on the company's own beneficial ownership; to cooperate with competent authorities to the fullest extent possible in determining the beneficial owner, including making the information available to competent authorities in a timely manner; and to cooperate with financial institutions/DNFBPs to provide adequate, accurate and up-to-date information on the company's beneficial ownership information.
- b)(i) Countries should require adequate, accurate and up-to-date information on the beneficial ownership of all legal persons covered in paragraph 1 to be held by a public authority or body (for example a tax authority, FIU, companies registry, or beneficial ownership registry). Information need not be held by a single body only¹¹. If information is held by multiple bodies, this should not impede efficient access and information should conform to the same standards and harmonised legislation.
- b)(ii) Countries may decide to use an alternative mechanism instead of (b)(i) if it also provides authorities with efficient access to adequate, accurate and up-to-date BO information. For these purposes reliance on basic information ~~and/or~~ existing information ~~alone~~ is insufficient, but there must be some specific additional mechanism that provides efficient access to the information, and information should conform to the same standards and harmonised legislation.
- c) Countries should use any additional supplementary measures that are necessary to ensure the beneficial ownership of a company can be determined; including for example information held by regulators, ~~or~~ stock exchanges and institutional investors; or obtained by financial institutions and/or DNFBPs in accordance with Recommendations 10 and 22¹².

10. All the persons, authorities and entities mentioned above, and the company itself (or its administrators, liquidators or other persons involved in the dissolution of the company), should maintain the information and records referred to for at least five years after the date on which the company is dissolved or otherwise ceases to exist, or five years after the date on which the company ceases to be a customer of the professional intermediary or the financial institution.

¹⁰ Efficient access should be direct and unfiltered access, and should include mechanisms that facilitate rapid onboarding, access and analysis of information by all users within a competent authority, such as ensuring data is structured and machine-readable, making data available through an API and in bulk.

¹¹ A body could record beneficial ownership information alongside other information (e.g. basic ownership and incorporation information, tax information), or the source of information could take the form of multiple registries (e.g. for provinces or districts, for sectors, or for specific types of legal person such as NPOs), or of a private body entrusted with this task by the public authority.

¹² Countries should be able to determine in a timely manner whether a company has or controls an account with a financial institution within the country.

C. TIMELY ACCESS TO ADEQUATE, ACCURATE, AND UP-TO-DATE INFORMATION

11. Countries should have mechanisms that ensure that basic information and beneficial ownership information, including information provided to the company registry and any available information referred to in paragraphs 7, is adequate, accurate and up-to-date. ~~Countries should require that is accurate and is kept as current and up-to-date as possible, and the information should be updated within a reasonable period following any change.~~

Adequate information is information that is sufficient to identify¹³ the natural person(s) who are the beneficial owner(s), identify the legal person, and the means and mechanisms through which they exercise beneficial ownership or control.

Accurate information is information which has been verified to confirm its accuracy by verifying the identity and status of the beneficial owner, the legal person, and the means and mechanisms through which they exercise beneficial ownership or control, using reliable, independent source documents, data or information. The extent of verification measures may vary according to the specific level of risk.

Countries should consider complementary verification measures as necessary to support the accuracy of beneficial ownership information, e.g. making BO information registries accessible to the public and discrepancy reporting by competent authorities, financial institutions, DNFBPs, and others with access.

Up-to-date information is information which is ~~as current and up-to-date as possible~~, and is updated within a reasonable period (not exceeding ~~e.g. within one month~~) following any change.

12. Competent authorities, and in particular law enforcement authorities, should have ~~all the powers necessary to be able to obtain~~ timely access to the basic and beneficial ownership information held by the relevant parties, including rapid and efficient access to information held or obtained by a registry, public authority or body or other competent authority on basic and beneficial ownership information, and/or on the financial institutions or DNFBPs which hold this information. In addition, countries should ensure public authorities have timely access to basic and beneficial ownership information on legal persons in the course of public procurement.

13. Countries should require their company registry to provide and/or facilitate timely access by financial institutions, DNFBPs and other countries' competent authorities to the ~~public~~ information they hold, and, at a minimum, to the basic information referred to in paragraph 4 (a), 4 (b) and beneficial ownership information referred to in paragraph 7 above. Countries should also consider facilitating ~~timely access by financial institutions and DNFBPs to information referred to in paragraph 4(b) above and to beneficial ownership information held pursuant to paragraph 7 above~~, as well as public access to these information, which would also satisfy all requirements under paragraphs 12 and 13.

D. OBSTACLES TO TRANSPARENCY

14. Countries should take measures to prevent and mitigate the risk of the misuse of bearer shares and bearer share warrants, ~~for example by prohibiting the issuance of new~~

¹³ At a minimum, Examples of information aimed at identifying the natural person(s) who are the beneficial owner(s) include the full name, nationality(ies), the full date and place of birth, residential address, national identification number and document type, and the tax identification number or equivalent in the country of residence.

bearer shares and bearer share warrants¹⁴; and, for any existing bearer shares and bearer share warrants, by applying one or more of the following mechanisms within a reasonable timeframe¹⁵:

~~(a) prohibiting them~~

~~(a) converting them into a registered form; or~~

~~(b) immobilising them by requiring them to be held with a regulated financial institution or professional intermediary, with timely access to the beneficial ownership information of the bearer shares and bearer share warrants by the company and competent authorities; and~~

~~(c) During the period before (a) or (b) is completed, requiring holders of bearer instruments to notify the company, and the company to verify and record their identity as part of information held under 7 (a) before any rights associated therewith can be exercised.~~

15. Countries should take measures to prevent and mitigate the risk of the misuse of nominee shareholding and nominee directors, ~~for example~~ by applying one or more of the following mechanisms¹⁶:

~~(a) prohibiting the use of nominee shareholders or nominee directors and ensuring the enforcement of this prohibition;~~

~~(ba) requiring nominee shareholders and directors to disclose their nominee status and the identity of their nominator and the natural person(s) on whose behalf the nominee is ultimately acting¹⁷ to the company and to any relevant registry, financial institution, or DNFBP which holds the company's basic and/or beneficial ownership information, and for this information to be included in the relevant registers as part of basic information; or~~

~~(cb) requiring nominee shareholders and directors to be licensed¹⁸, for their nominee status, and the identity of their nominator and the natural person(s) on whose behalf the nominee is ultimately acting to be disclosed to the company and any relevant ~~recorded in company~~ registries, financial institution, or DNFBP which holds the company's basic and/or beneficial ownership information and for them to maintain information identifying their nominator and the natural person on whose~~

¹⁴ Or any other similar instruments without traceability.

¹⁵ This requirement does not apply to bearer shares or bearer share warrants of a company listed on a stock exchange and subject to disclosure requirements (either by stock exchange rules or through law or enforceable means) which impose requirements to ensure adequate transparency of beneficial ownership.

~~¹⁶ Countries may instead choose to prohibit the use of nominee shareholders or nominee directors. If so, the prohibition should be enforced. ¶~~

¹⁷ Identifying the beneficial owner in situations where a nominee holds a controlling interest or otherwise exercises effective control requires establishing the identity of the natural person(s) on whose behalf the nominee is ultimately, directly or indirectly, acting.

¹⁸ A country need not impose a separate licensing or registration system with respect to natural or legal persons already licensed or registered as financial institutions or DNFBPs (as defined by the FATF Recommendations) within that country, which, under such license or registration, are permitted to perform nominee activities and which are already subject to the full range of applicable obligations under the FATF Recommendations.

~~behalf the nominee is ultimately acting¹⁹, and make this information available to the competent authorities upon request²⁰.~~

E. OTHER LEGAL PERSONS

16. In relation to foundations, Anstalt, Waqf²¹, and limited liability partnerships, countries should take ~~the same~~ similar measures and impose ~~the same~~ similar requirements, as those required for companies, taking into account their different forms and structures.

17. As regards other types of legal persons, countries should take into account the different forms and structures of those other legal persons, and the levels of money laundering and terrorist financing risks associated with each type of legal person, with a view to achieving appropriate levels of transparency. At a minimum, countries should ensure that ~~the same~~ similar types of basic ~~and beneficial ownership~~ information should be recorded and kept accurate and current by such legal persons, and that ~~such information is accessible in a timely way by~~ competent authorities ~~have efficient access to such information~~. Countries should review the money laundering and terrorist financing risks associated with such other legal persons, and, based on the level of risk, determine the measures that should be taken to ensure that competent authorities have timely access to adequate, accurate and current beneficial ownership information for such legal persons.

E. LIABILITY AND SANCTIONS

18. There should be a clearly stated responsibility to comply with the requirements in this Interpretive Note, as well as liability and effective, proportionate and dissuasive sanctions, as appropriate for any legal or natural person that fails to properly comply with the requirements.

G. INTERNATIONAL COOPERATION

19. Countries should rapidly, constructively and effectively provide the widest possible range of international cooperation in relation to basic and beneficial ownership information held by public authority or body, on the basis set out in Recommendations 37 and 40. This should include (a) facilitating access by foreign competent authorities to basic information held by company registries, ~~and beneficial ownership information held by registries or alternative mechanisms;~~ and (b) exchanging information on shareholders, ~~and (c) using their powers, in accordance with their domestic law, to obtain beneficial ownership information on behalf of foreign counterparts.~~ Countries should monitor the quality of assistance they receive from other countries in response to requests for basic and beneficial ownership information or requests for assistance in locating beneficial owners residing abroad. Consistent with Recommendations 37 and 40, countries should not place unduly restrictive conditions on the exchange of information or assistance e.g., refuse a request on the grounds that it involves a fiscal, including tax, matters, bank secrecy, etc. Information held or obtained for the purpose of identifying beneficial ownership should be kept in a readily accessible manner in order to facilitate rapid, constructive and effective international cooperation. Countries should designate and make publicly known the agency(ies) responsible for responding to all international requests for BO information.

¹⁹ ~~Identifying the beneficial owner in situations where a nominee holds a controlling interest or otherwise exercises effective control requires establishing the identity of the natural person(s) on whose behalf the nominee is ultimately, directly or indirectly, acting. ¶~~

²⁰ ~~For intermediaries involved in such nominee activities, reference should be made to R.22 and R.28 in fulfilling the relevant requirements. ¶~~

²¹ Except in countries where Waqf are legal arrangements under R.25.



GLOSSARY

<p>Bearer shares <u>and bearer share warrants</u></p>	<p><i>Bearer shares</i> refers to negotiable instruments that accord ownership in a legal person to the person who possesses the <u>physical bearer share certificate, and any other similar instruments without traceability. It does not refer to dematerialised and/or registered forms of share certificate whose owner can be identified.</u></p> <p><u><i>Bearer share warrants</i> refers to negotiable instruments that accord entitlement to ownership in a legal person who possesses the physical bearer share warrant certificate, and any other similar warrants or instruments without traceability. It does not refer to dematerialised and/or registered form of warrants or other instruments whose owner can be identified. It also does not refer any other instruments that only confers a right to subscribe for ownership in a legal person at specified conditions, but not ownership or entitlement to ownership, unless and until the instruments are exercised.</u></p>
<p>Beneficial owner</p>	<p><i>Beneficial owner</i> refers to the natural person(s) who ultimately¹ owns or controls a customer² and/or the natural person on whose behalf a transaction is being conducted. It also includes those <u>natural persons who exercise ultimate effective control over a legal person or arrangement. Only a natural person can be an ultimate beneficial owner, and more than one natural person can be the ultimate beneficial owner of a given legal entity or arrangement³.</u></p> <p>¹ - Reference to “ultimately owns or controls” and “ultimate effective control” refer to situations in which ownership/control is exercised through a chain of ownership or by means of control other than direct control.</p> <p>² - This definition should also apply to beneficial owner of a beneficiary under a life or other investment linked insurance policy.</p> <p>³ - The ultimate beneficial owner is always one or more natural persons. As set out in R.10, in the context of CDD it may not be possible to verify the identity of such persons through reasonable measures, and, to the extent that there is doubt about whether a person with a controlling ownership interest in a legal person is the ultimate beneficial owner, or where no natural person exerts control through ownership interests. In this case, the identity should be determined of the natural persons (if any) exercising control of the legal person or arrangement through other means, or. Where no natural person is identified in that role, of the natural person who holds the position of senior managing official should be identified and it should be documented that this is not the beneficial owner and that no beneficial owner was identified. This provision of R.10 does not amend or supersede the definition of who is the beneficial owner, but only sets out what information should be disclosed how CDD should be conducted in situations where the beneficial owner cannot be identified.</p>
<p>Beneficiaries</p>	<p>Please refer to the IN to Recommendation 8.</p>
<p>Beneficiary</p>	<p>The meaning of the term <i>beneficiary</i> in the FATF Recommendations depends on the context: In trust law, a beneficiary is the person or persons who are entitled to the benefit of any trust arrangement. A beneficiary can be a natural or legal person or arrangement. All trusts (other than charitable or</p>
<p><u>Nominator</u></p>	<p><u><i>Nominator</i> is an individual (or group of individuals) or legal person that issues instructions to a nominee to act on their behalf in a certain capacity, also sometimes referred to as a “shadow director” or “silent partner”. In cases where the nominator is a legal person, the nominator is never the beneficial owner. In some cases, it may not be possible to identify the ultimate beneficial owner of such nominator, as ownership interests can be so diversified that there are no natural persons (whether acting alone or together) exercising control of the legal person through ownership.</u></p>
<p><u>Nominee shareholder or director</u></p>	<p><u><i>Nominee</i> is an individual or legal person instructed by another individual or legal person (“the nominator”) to act on their behalf in a certain capacity regarding a legal person. A <i>Nominee Director</i> (also known as a “resident director” or “corporate director” (if the director is a legal person)) is an individual or legal entity that exercises the functions of the director in the company on behalf of and subject to the instructions of the nominator. A <i>Nominee Director</i> is never the beneficial owner of a legal person. A <i>Nominee Shareholder</i> exercises the associated voting rights according to the instructions of the nominator and receives dividends on behalf of the nominator. A <i>nominee shareholder</i> is never the beneficial owner of a legal person based on the shares it holds as a nominee.</u></p>