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INDUSTRY GUIDANCE NOTE NO. 01 OF 2025 ON IDENTIFICATION AND VERIFICATION OF BENEFICIAL OWNERSHIP INFORMATION

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1. Introduction

1.1 General

1.1.1 The 2023 NRA update¹ found that the observations relating to threats and vulnerabilities in accessing Beneficial Ownership (BO) information at a national level contributed to shortcomings within Trust and company registries administered by the Business and Intellectual Property Authority (BIPA) and the Master of the High Court (MOHC). This is because despite the essential and legitimate role that corporate vehicles play nationally and in the global economy, their unique legal status also renders them vulnerable to be used in complex schemes designed to conceal the true beneficial owners and, in many respects, the real reason for holding assets and conducting transactions.

1.1.2 It is against this background that the Financial Intelligence Centre (FIC) has developed this Guidance Note in terms of section 9 of the Financial Intelligence Act 2012, (Act.13 of 2012), as amended (FIA), to serve as a National BO guidance instrument that is applicable to:

- Accountable Institutions (AI) and Reporting Institutions (RI), in the performance of their Customer Due Diligence (CDD) obligations under the FIA;
- The BO Registrars (i.e., the Master of the High Court (MOHC) and the Business and Intellectual Property Authority (BIPA);
- Legal Persons; and
- Legal Arrangements.

1.3.1 The guidance provided by the FIC in this Guidance Note is to assist Accountable and RI, legal persons, legal arrangements, and Beneficial Ownership Registrars.

¹ [Final 2023 NRA Report Update - Dec 2023.pdf](#)

The purpose of the guidance is to help enhance the quality of the various stakeholders' Anti-Money Laundering, Combating the Financing of Terrorism, and Proliferation Funding (AML/CFT/CPF) obligations.

- 1.3.2 A failure to comply with the provisions of the FIA, its accompanying regulations, or guidelines, circulars, notices, directives, determinations, or undertakings issued thereunder constitutes an offence in terms of Section 63 of the FIA.

1.2 Definitions

“Accountable Institution” means institutions that provide the services outlined in Schedule 1 of the FIA.

“Beneficial Owner or BO” means a natural person referred to in Schedule 5 who –

- (a) for the purposes of the FIA, ultimately owns or controls - (i) a client or natural person; or (ii) a natural person on whose behalf a transaction is being concluded; or
- (b) exercises ultimate effective ownership or control over - (i) a legal person; (ii) a trust or other legal arrangement; (iii) the proceeds of a life insurance policy or other related investment policy when an insured event occurred; or (iv) a partnership, where such ultimate ownership or ultimate effective control may be exercised directly or indirectly or through a chain of ownership or control other than direct control.

“Customer Due Diligence (CDD)” means a process which involves establishing the identity of a client, the identity of the client's beneficial owners, understanding the ownership and control structure of a client in respect of legal persons, trusts, partnerships and other legal arrangements and obtaining information on the purpose and intended nature of the business relationship of the client against the knowledge of the client.

“Effective Control” means the power an individual exercises over a legal person or arrangement, regardless of formal ownership. This means that the person ultimately controls, directs or influences key decisions, management, or governance of the entity, even if they do not hold a 25% or more of the shares or voting rights. For legal persons it includes situations in which ownership/control is exercised through a chain of ownership or by means of control other than direct control. For trusts or similar legal arrangements, it includes situations in which ownership/control is exercised through a chain of ownership/control.

“FATF” means the Financial Action Task Force.

“FIA” means the Financial Intelligence Act No.13 of 2012, as amended.

“FIC” means the Financial Intelligence Centre.

“Legal Person” means an entity, other than a natural person, that the law recognizes as having rights and responsibilities similar to those of a natural person. This includes the capacity to own property, enter contracts, sue and be sued, and carry out other legal actions. Legal persons can be corporations, companies, partnerships, associations, or other organizations created or established by law. They are treated as separate legal entities distinct from their members or owners, allowing them to participate in legal and business activities independently.

“Reporting Institution” means institutions that provide the services outlined in Schedule 3 of the FIA.

“Trust” means the arrangement through which the ownership in property of one person is by virtue of a trust instrument made over – (a) to another person, the trustee, in whole or in part to be administered or disposed of according to the provisions of the trust instrument for the benefit of the person or class of persons designated in the trust instrument or for the achievement of the object stated in the trust instrument; or (b) to the

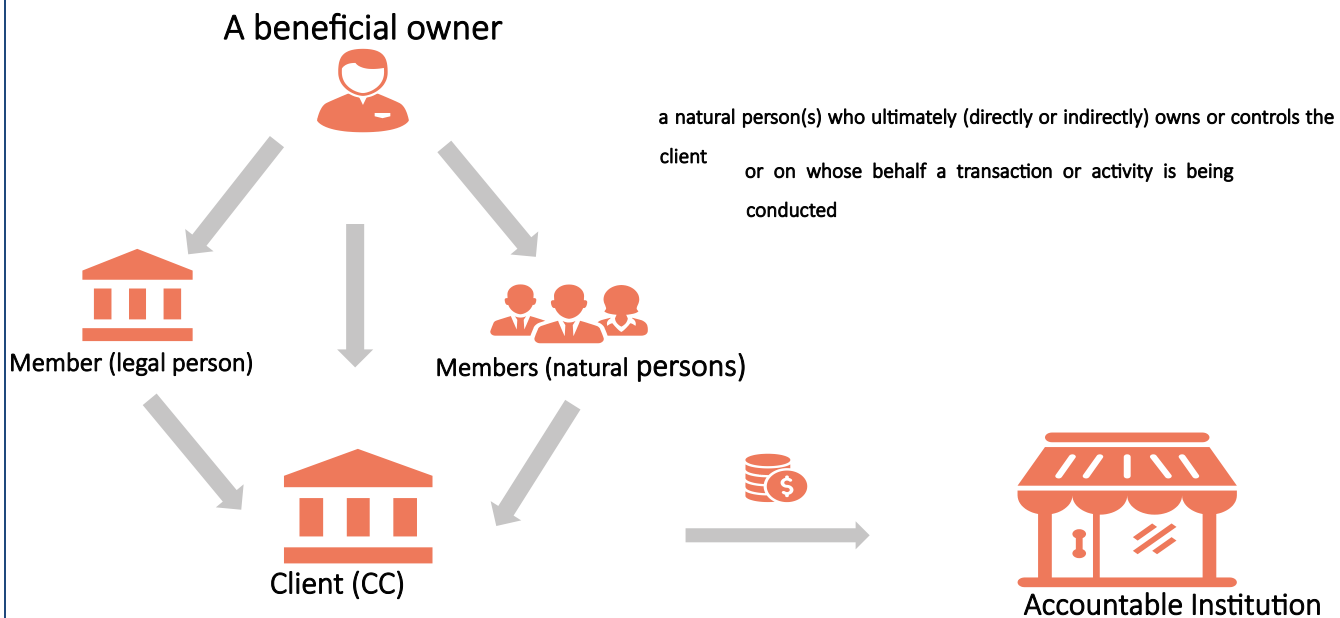
beneficiaries designated in the trust instrument, which property is placed under the control of another person, the trustee, to be administered or disposed of according to the provisions of the trust instrument for the benefit of the person or class of persons designated in the trust instrument or for the achievement of the object stated in the trust instrument, but does not include a trust established by virtue of a court order or a trust established by the trustees of a retirement fund in respect of benefits payable to the beneficiaries of that retirement fund, whether in Namibia or elsewhere.

2. Beneficial Ownership Overview

Definition of 'beneficial owner' in the context of legal persons

- 2.1.1 In relation to legal entities, a beneficial owner is the natural person or persons who ultimately own or exercise effective control over a customer/client, or on whose behalf a transaction is carried out. This also includes individuals who have ultimate effective control over a legal person. Only a natural person can qualify as the ultimate beneficial owner, and there may be more than one natural person who holds this status for a particular legal entity.
- 2.1.2 In the context of legal persons, the Companies Act 28 of 2004, as amended ("Companies Act") and the Close Corporations Act 26 of 1988, as amended ("Close Corporations Act"), the definition of a beneficial owners is aligned to that in the FIA:
- (a) The natural person(s) who ultimately have a controlling ownership interest in a legal person;
 - (b) The natural person(s) exercising ultimate effective control over the legal person through other means than ownership interests; and
 - (c) The natural person on whose behalf a transaction is being conducted.

Figure 1



2.1.3 While legal ownership and beneficial ownership can overlap, the legal title or controlling shareholding of a company or controlling members interest in a close corporation may be in the name of an individual or a legal person other than the beneficial owner who ultimately or effectively controls the entity, directly or indirectly. Accordingly, individuals who exercise ultimate effective control over a legal person should be identified as beneficial owners, regardless of whether they own shares/members interest above the specified threshold of 25%.

Definition of ‘beneficial owner’ in the context of Trusts and other legal arrangements

2.1.4 The definition of beneficial owner in the Trust Administration Act No. 11 of 2023 (Trust Administration Act) aligns with that in the FIA².

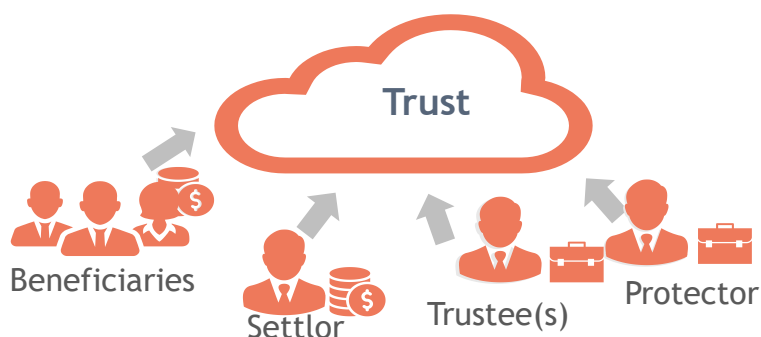
² Examples of other similar legal arrangements may include but are not limited to certain types of fideicommissum (estate where some bequeaths something to be held on behalf of another), or a contract stipulating any form of a legal arrangement.

2.1.5 Trusts are an arrangement governing the relationship between the parties (particularly the settlor, trustee and beneficiaries) and the assets and do not have their own legal personality. The trustee is the legal owner of the assets and enters into agreements on behalf of the trust. Usually, in a trust arrangement, one person (the settlor) transfers assets to another person (the trustee) who manages the entrusted assets following the settlor's instructions, but for the benefit of the beneficiaries (either persons named by the settlor to receive income or the entrusted assets at some point, or a defined class of unnamed persons). This type of arrangement serves the purpose of managing and distributing assets, and/or income derived from the management of the assets in accordance with the terms of the trust instrument and the fiduciary duties of the trustee.

2.1.6 For Trusts and other types of legal arrangements, different persons might own, benefit from, and control the trust, depending on the provisions of the document establishing the trust. Therefore, BO information required for trusts is more explicit and must include information on the identity and role of the following natural persons (if a legal person holds such position, its BO must similarly be identified):

- The settlor (the one who established the trust and transferred property to the trustee);
- The trustee(s) (the one who got the property);
- The protector (if any) (the one who can direct or restrain the trustees),
- The beneficiaries, (the ones who will get all profit) and
- Any other natural person who can exercise ultimate control over the trust by means of direct or indirect ownership or by other means.

Figure 2



- 2.1.7 In the case of a legal arrangement like a trust, beneficial owner refers to the natural person(s) holding an equivalent position to the settlor(s), the trustee(s), the protector(s) (if any) beneficiary(s), and any other natural person(s) exercising ultimate effective control over the similar arrangement.

3 Different types of BO Control

- 3.1 Schedule 5 of the FIA sets out the criteria for determining beneficial ownership by identifying the individual(s) who meet any one or a combination of the following elements:

3.1.1 A natural person on whose behalf a transaction is conducted.

3.1.2 In relation to a legal person-

- (a) a natural person who directly or indirectly or through a trust, other legal person or other legal arrangements holds 25 percent or more of the shares, voting rights or other ownership interest in the legal person, and where - there is doubt as to whether the natural person identified is the beneficial owner or the natural person on whose behalf a transaction is conducted; or a natural person is not identified as the beneficial owner, the natural person exercising control over the legal person through other means is regarded as the beneficial owner.

- (b) where a beneficial owner cannot be identified in terms of subparagraph (a) above, a natural person who holds the position of senior management in the legal person and record that the person has been identified as holding that position.
- (c) natural persons or through a trust, other legal person or other legal arrangements who jointly exercise direct or indirect control over the legal person.
- (d) natural person who directly or indirectly controls several legal persons and holds a combination of 25 percent or more of shares, voting rights or ownership interest in the legal persons.
- (e) a natural person who has the right, directly or indirectly, to appoint or remove majority of the board of directors of the legal person;
- (f) a natural person who has the power to materially influence the decision-making or policy of the legal person;
- (g) a natural person who derives substantive economic benefits, including dividend, right to profit, enjoyment of assets of legal person or able to use significant assets of the legal person, even if the person has no other formal link to the legal person; or
- (h) natural person who has influence or ultimate control over the legal person through any other means.

3.1.3 Step 3.1.2 (a) must be the first step in identifying beneficial owners. Only after completing this initial identification should institutions proceed to

identify individuals who have influence or control over the legal person, as outlined in steps 3.1.2 (b) through (g). This sequence ensures a thorough and accurate identification process.

3.1.4 In relation to a trust-

- (a) the settlor;
- (b) a trustee;
- (c) a protector, if any;
- (d) a natural person who is a beneficiary of a trust or a class of beneficiaries if the individuals benefiting from the trust are yet to be determined;
- (e) any other natural person exercising ultimate control over the trust by other means; or
- (f) any other natural person exercising ultimate effective control over a trust by means of direct or indirect ownership or by other means, such that when the person acts alone or jointly with another person or with the consent of another person, the person has ultimate power to –
 - (i) dispose of, advance, lend, invest, pay or apply trust property;
 - (ii) vary or terminate the trust;
 - (iii) add or remove a person as a beneficiary or as a class of beneficiaries of the trust;
 - (iv) appoint or remove a trustee or give another person control over the trust;or
- (v) direct, withhold consent or overrule the exercise of a power referred to hereinabove.

3.1.5 When the trustee and any other party to the legal arrangement is a legal person, the beneficial owner of that legal person should be identified.

3.1.6 In relation to other legal arrangements, the natural person holding an equivalent or a similar position referred to in relation to trusts.

3.1.7 In the case of insurance, the ultimate natural person who is the beneficiary of proceeds of a life insurance policy or other related investment policy when an insured event covered by the policy occurs.

3.1.8 In relation to partnership, a natural person who ultimately owns or controls the partnership by –

(a) holding 25 percent or more of the ownership interest in the partnership; or

(b) being able to exercise, directly or indirectly, 25 percent or more of the votes in decision-making on amending the agreement on which the partnership is based or regarding the performance of that agreement otherwise than by acts of management, in so far as in that agreement decision-making by majority of votes is required, and where –

(i) there is doubt as to whether the natural person identified is the beneficial owner or the natural person on whose behalf a transaction is conducted; or

(ii) a natural person cannot be identified as the beneficial owner;

(iii) the person who holds the position of senior management in the partnership and record that the person has been identified as holding that position.

3.2 Control through other means

3.2.1 The following considerations may also be relevant to determining control through other means:

(a) Differential voting rights: Different classes of shares may give certain shareholders more control than others, for example through differential

voting rights. Thus, even a shareholding that falls well below a specified threshold may in fact give a minority shareholder control over the company.

- (b) Power to appoint most of the senior management: Control over a legal person may be exercised if an individual has the power to appoint most of the senior management directly or indirectly (e.g., if the power is vested in a company which in turn is wholly owned by an individual). However, the right of minority shareholders or certain stakeholders to appoint one representative to senior management does not by itself confer control over a legal person.
- (c) Control through debt instruments: Control can also be exercised through debt instruments or other financing arrangements, for example where a lender or creditor can control a legal person via the provisions of the lending agreement (such as debt that is convertible into voting equity), or by a third party who can otherwise influence a shareholder or member by means of a financial or other relationship.³
- (d) Control through informal means: Control over a legal person may be exercised through informal means, such as through close personal connections to relatives or associates, personal connections to persons in managing positions or that possess a controlling ownership, or because of close and intimate family relationships. Furthermore, when an individual is using, enjoying or benefiting from the assets owned by the legal person, it could be grounds for further investigation if such individual is in the condition to exercise control over the legal person.
- (e) Control through other means may also be exercised through an agreement such as a shareholder agreement. This type of control can be extended beyond

³ A bank providing financing to a legal person will rarely be considered as exercising control over the legal person by the act *per se*.

legal (direct) ownership or could be through a chain of corporate vehicles and through formal or informal nominee relationships.

4 Beneficial Ownership Information

4.1 Beneficial ownership information for legal persons and arrangements is the information on the identities and extent of the control exercised over a legal person or arrangement. This information includes:

4.1.1 the natural person(s) who ultimately have a controlling ownership interest in a legal person;

4.1.2 the natural person(s) exercising ultimate effective control over the legal person through other means than ownership interests; and

4.1.3 The beneficiaries, settler(s), trustee(s) and protector in a trust or other legal arrangement.

4.2 Accountable and Reporting Institutions are required to identify beneficial owners of clients and take reasonable measures, informed by a Risk Based Approach, to verify their identity using the relevant information or data obtained from a reliable source⁴. In line with the client's risk profile, the information aimed at identifying the natural person(s) who are the beneficial owner(s) may include:

4.2.1 Full name(s) and surname, place and full date of birth, residential address, country of residence and nationality or nationalities of the beneficial owner, number of identity document, such as passport or national identity document, and, where it exists, unique personal identification number assigned to the person by his or her country of usual residence;

⁴ Section 21 (2) (b) of the FIA

- 4.2.2 the nature and extent of the beneficial interest held in the legal entity or legal arrangement, whether through ownership interest or control via other means, as well as the date as of which the beneficial interest is held;
- 4.2.3 information on the legal entity of which the natural person is the beneficial owner or, in the case of legal arrangements of which the natural person is the beneficial owner, basic information on the legal arrangement;
- 4.2.4 where the ownership and control structure contains more than one legal entity or legal arrangement, a description of such structure, including names and, where it exists, identification numbers of the individual legal entities or legal arrangements that are part of that structure, and a description of the relationships between them, including the share of the interest held;
- 4.2.5 where a class of beneficiaries is identified, a general description of the characteristic of the class of beneficiaries;
- 4.2.6 where objects of a power (the people or entities who can receive benefits under a legal arrangement, such as a trust or will) and default takers (those who receive the benefit if no specific appointment is made) are identified:
- (a) for natural persons, record their full names and surnames;
 - (b) for legal entities and legal arrangements, their names;
 - (c) if the objects or default takers are described as a class (for example, "all grandchildren" or "registered charities"), provide a clear description of that class.

4.3 Accuracy of beneficial ownership information and means of its verification

4.3.1 The Companies Act, Close Corporations Act and the Trust Administration Act require that beneficial ownership information must be maintained accurately and kept up to date.

4.3.2 Accurate information is information, which has been verified to confirm its accuracy by verifying the identity and status of the beneficial owner using reliable, independently sourced/obtained documents, data or information. The extent of verification measures may vary according to the specific level of risk.

4.3.3 The [FATF Guidance on Beneficial Ownership of Legal Persons](#), provides that verification of the beneficial ownership information could typically involve a review of documents submitted (e.g., share certificates, shareholder register, board resolutions, and power of attorney documents). Verifying beneficial ownership information could also include, depending on the level of risk, manual or automated cross-checks with relevant government and other available databases⁵.

4.3.4 The beneficial ownership verification measures may comprise of the following two components:

(a) Verification of identity: Appropriate steps should be taken to verify the identity of any natural person(s) recorded as a beneficial owner.

(b) Verification of status: Appropriate steps should be taken to verify the basis of identification of a person as a beneficial owner⁶.

⁵ At the time of issuing this guidance note, Accountable and RI do not have access to a BO register.

⁶ Verification of the status of the beneficial owner can include but is not limited to the following elements:

4.3.5 Institutions should adopt a risk-based approach to verification. In cases of higher risk (e.g., legal persons or arrangements with complex structures across multiple jurisdictions, the existence of nominee members, directors or shareholders, entities identified as high-risk in a risk assessment, entities with a history of reporting inaccurate beneficial ownership information or where sufficient documentation may not be obtained), the extent and/or frequency of verification measures should be enhanced. In other cases, such as a close corporation whose legal owner, managing member and beneficial owner are all the same person, institutions may decide, based on risk, that verification measures may be adjusted (e.g., only request verifying identity).

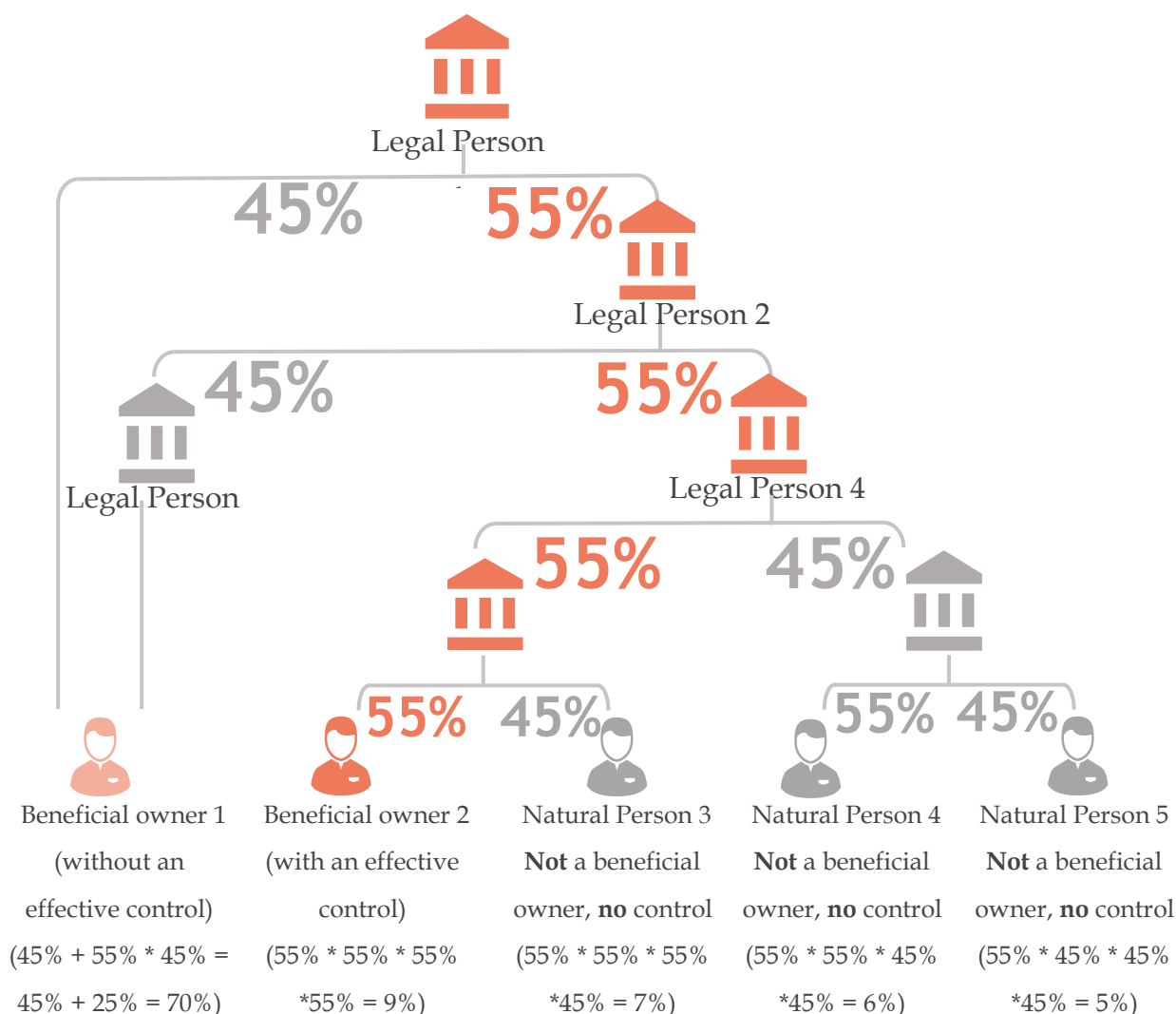
5 Identification of Beneficial Owners in respect of Different types of Ownership and Control

5.1 Pyramidal ownership structures

5.1.1 A pyramidal ownership structure (or ultimate majority control structure) is an entity whose ownership structure displays a multi-level chain of control. In such a structure, the ultimate beneficial owner is located at the bottom of the ownership structure and owns and controls the company through successive layers of firms in which he has a majority stake of ownership.

Figure 3

-
- a) Does the person identified as the beneficial owner have ownership, voting rights or control rights in the legal person, such that they meet the definition of a beneficial owner?
 - b) Is the person identified as the beneficial owner actually exercising the rights associated with the level of ownership and/or control in practice, in his/her own name or is the person exercising those rights under instruction from, or by agreement with, an undisclosed third party?
 - c) Whether the identified beneficial owners are consistent with the structure and risk profile of the legal person?



5.1.2 Figure 3 above can be explained as follows:

- (a) **Beneficial Owner 1** is identified as a BO on the basis that his legal interest in Legal Person 1 is above the 25% threshold. His legal interest in Legal person 1 is 70% calculated as 0.45(shares in Legal Person 1) + 0.45 (shares in Legal Person 3) X 0.55 (shares of Legal Person 2) = 70%.

⁷ Legal Person 3 and Legal Person 4 have shares in Legal Person 2 who has 55% shares in Legal person 1)

(b) **Beneficial Owner 2** holds a 9% legal interest in Legal Person 1, which is below the 25% threshold. However, since he exercises effective control over Legal Person 1, he is still classified as a BO.

(c) **Natural Persons 3, 4 and 5** are not BO's because their legal interest in Legal Person 1 are below the 25% threshold and they do not exercise effective control over Legal Person 1.

5.1.3 A direct result of this pyramidal ownership structure is that a controlling person uses a chain of companies (each owning part of the next) to control a group of businesses. This leads to a separation between who owns a company and who controls it. At the top of the pyramid, the UBO can control a lower-level company even if they only own a small portion of its shares, because their control is exerted through the chain of intermediary companies. This structure allows the UBO to maintain significant control over all the companies in the pyramid, while sharing ownership (and thus profits and risks) with outside investors in each company along the chain. Such arrangements are especially common in family businesses that want to raise outside capital but keep decision-making power within the family.

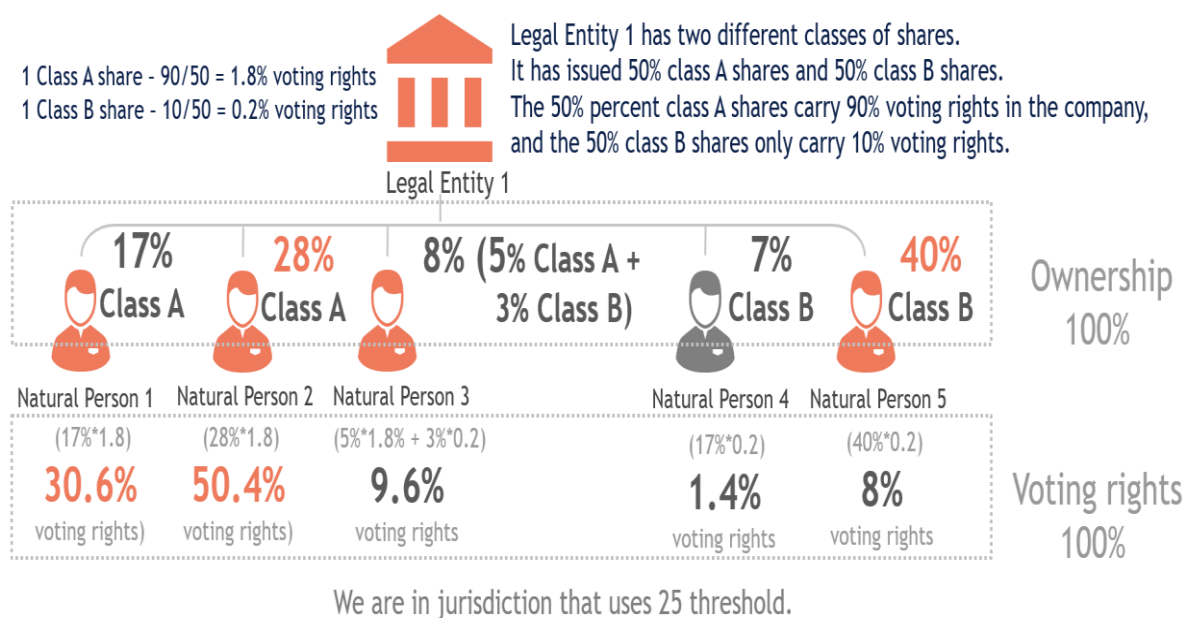
5.2 Different classes of shares

5.2.1 Companies have different classes of shares i.e. ordinary shares, preference shares, deferred shares, par-value shares or shares with no par-value. Different classes of shares, and the rights attached to them, are laid down in the company's memorandum or articles of association.

5.2.2 When a company has different types (or classes) of shares, not all shares give the same power or control. Some shares might give more voting power, while others might just give rights to dividends (profits). Because of this, the people who own

the most shares might not actually have the most control over the company. So, to figure out who really owns and controls the company (called the "beneficial owners"), you need to look at two things separately: (a) Ownership rights - who owns how many shares; and (b) Voting rights - who has the power to make decisions based on the shares they hold. This helps to understand the true influence each owner has, not just how many shares they have.

Figure 4



5.2.3 Figure 4 above, can be explained as follows:

5.2.4 In terms of the FIA, a natural person is considered a BO if they hold 25% or more shares/legal interest (ownership) in a legal person or 25% or more of the voting rights (control) in a legal person.

5.2.5 Natural Persons 2 and 5 are identified as UBOs on the basis that they each hold 25% or more shares (ownership) in Legal Entity 1.

5.2.6 Natural Persons 1 and 2 are identified as beneficial owners on the basis that they each hold 25% or more voting rights (control) in Legal Entity 1.

5.3 **Family-owned business**

5.3.1 A family-owned business is a commercial organisation in which ownership and/ or control is in the hands of a family⁸.

5.3.2 Family-owned businesses may have complex ownership and control structures for various reasons:

- (a) To invite outside investors, while at the same time retaining control over the family business;
- (b) To protect the interests of the various family members and of future generations;
- (c) To allow the easy transfer of ownership or of profit rights to the children or other family members;
- (d) To be able to separate control from profit interests, as some family members may not be considered equally capable of running the family business;
- (e) To shield the exact ownership and control relations within the family, for privacy reasons.

5.3.3 The family members who are most influential (e.g. because they exert effective control over the main operating company or the ultimate parent) may be identified as beneficial owners. If no single family member owns or controls more than 25% of the client, then the ownership percentages of the individual family members should be combined, considering it as a family-controlled ownership interest.

⁸ Related by blood, marriage or adoption.

5.3.4 Shares can also be held by minors. In such case the voting rights are typically be exercised by a parent. Both may be beneficial owners.

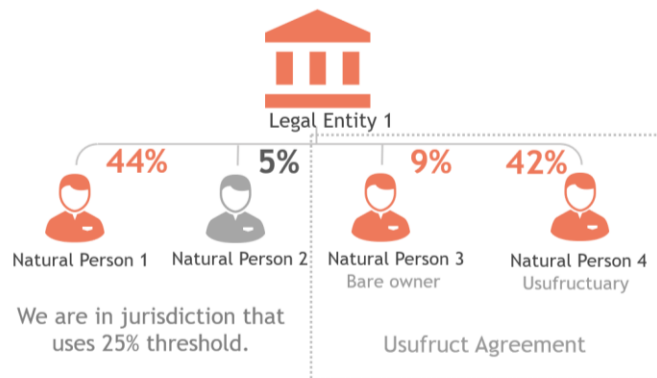
Figure 5



5.4 Usufruct

5.4.1 A Usufruct is a personal legal right that allows a person (usufructuary) to use and enjoy the benefits or profits of someone else's (bare owner) property (i.e. shares) without owning it, typically for a specified period such as the lifetime of the usufructuary. Both the bare owner and the usufructuary must be considered UBOs, as this is a form of co-ownership.

Figure 6



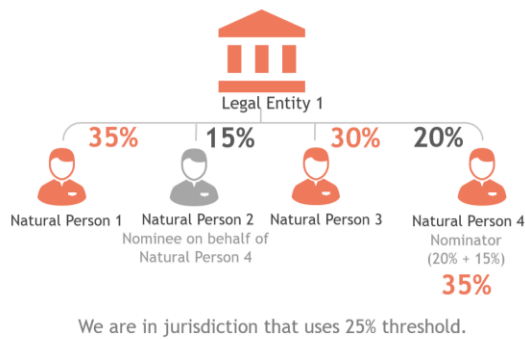
5.4.2 Figure 6, can be explained as follows:

- (a) Natural Person 1- Holds 44% shareholding in Legal Entity 1. This is above the 25% threshold; therefore, he is identified as a UBO.
- (b) Natural Person 4 (Usufructuary)- Holds the usufruct (beneficial rights) over 42% of shares. Even though Natural Person 3 is the legal owner of these shares, Natural Person 4 enjoys the economic benefit and likely the voting rights. This is above the 25% threshold; therefore, he is identified as a UBO.
- (c) Natural Person 3 (Bare owner)- Holds only bare ownership (no right to benefits or control while the usufruct exists), however, he is the legal owner of the 42% shareholding, which is above the 25% threshold. Therefore, he is also identified as a UBO.
- (d) Natural Person 2- Holds 5% shareholding. This is below the 25% threshold, therefore, not identified as a UBO.

5.5 Nominee relationships

5.5.1 A nominee shareholder is the registered owner of shares held for the benefit of another person. Nominees have been used to disguise ownership and control, or to circumvent laws designed to manage foreign business ownership and foreign trade. The nominator must be considered as a UBO. From a practical point of view, both the nominee and the nominator must be considered a beneficial owner to have proper records on the ownership and control structure of the company.

Figure 7

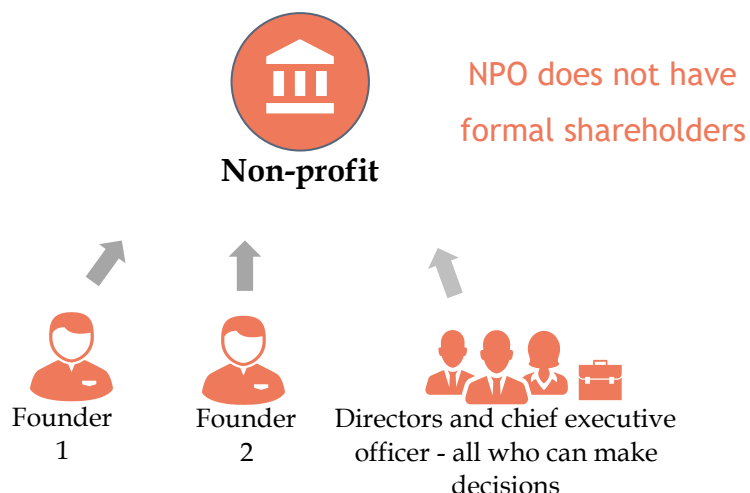


6 Customer Due Diligence and Identification of Beneficial Owners in specific situations

6.1 Identification of beneficial owners for Non-Profit Organisations

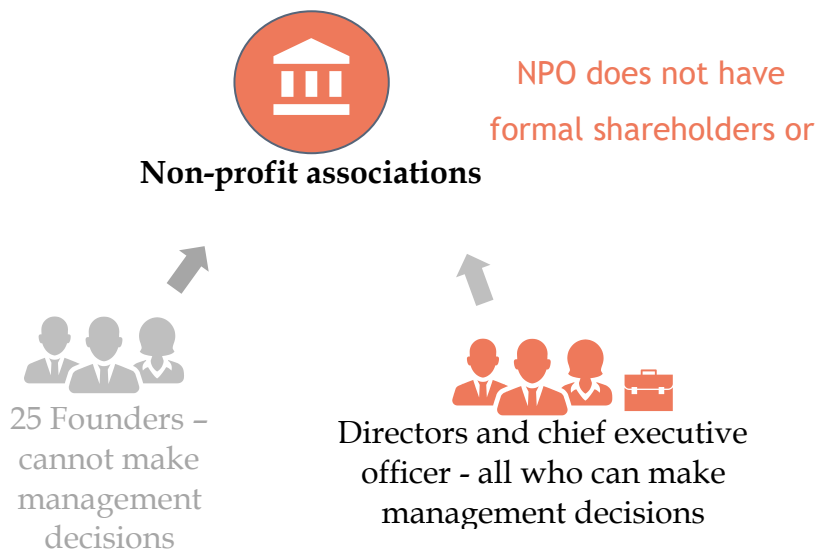
6.1.1 Charities and Non-Profit Organizations (NPOs) do not generally have percentage-based controlling interests like legal persons and do not easily fit the FATF BO requirements for legal arrangements. Therefore, the concept of “control through other means” must always be carefully reviewed for NPOs to determine whether, even without an “ownership” stake, there is any person or persons who exercise sufficient voting rights or control over the company, directly or indirectly.

Figure 8



6.1.2 Sometimes for NPOs it can be impossible to identify any beneficial owners, having exhausted all possible means. In this instance, it will be necessary to identify senior managing officials (control through positions held) of the NPO. The senior managing officials of an NPO may include its directors and chief executive officer.

Figure 9



6.1.3 Additionally, the following information about NPOs should be collected by accountable and RI during their CDD process to determine the BO and assess the ML/TF risk profile of the NPO:

- (a) Purpose and nature of the NPO, including mission(s), stated objectives, programs, activities, and services;
- (b) Geographic locations served, including headquarters and operational areas, particularly in higher-risk areas where terrorist groups are most active;
- (c) Organizational structure, including founders, key principals, management, and internal controls of the NPO;
- (d) Country of incorporation, registration, tax status, and required reports with regulatory authorities;

- (e) Voluntary participation in self-regulatory programs to enhance governance, management, and operational practice;
- (f) Financial statements, audits, and any self-assessment evaluations;
- (g) Information about the donor base, funding sources, fundraising methods, and for public charities, level of support from the general public;
- (h) Information about beneficiaries and criteria for disbursement of funds, including Guidance/standards for qualifying beneficiaries and any intermediaries that may be involved; and
- (i) Affiliation with other NPOs, governments, or groups.

6.2 Identification of beneficial owners for life Insurance Policies

6.2.1 Section 21A of the FIA mandates AIs to apply enhanced due diligence measures, on the beneficiaries of life insurance and other investment-related policies:

- (a) Record the name of the beneficiary if they are identified as a natural person, legal person, trust, partnership, or other legal arrangement.
- (b) Obtain enough information about the beneficiary to confirm their identity at the time of the policy payout, if the beneficiary is designated by characteristic, class, or other means.

6.2.2 An AI must, at the inception of a life insurance policy or other investment related insurance policy, obtain sufficient information concerning the beneficiary to satisfy itself that it is able to verify the identity of the beneficiary at the time of pay-out of the policy⁹.

6.3 Identification of Beneficial Owners in relation to a trust or other legal arrangements by Trust and Company Service Providers

⁹ Section 21A (2) of the FIA

6.3.1 Trust and Company Service Providers (TCSPs) and legal professionals are listed as AIs under Schedule 1 of the FIA.

6.3.2 The amount of information that TCSPs or Legal Professionals are required to obtain may depend on whether they are establishing or administering the trust, company or other legal entity or acting as a trustee or director of the trust, company or other legal entity. In these cases, AIs will be required to understand the general purpose behind the structure and the source of funds in the structure, in addition to being able to identify the beneficial owners and controlling persons.

6.3.3 An AI that provides other services (e.g. acting as registered office) to a trust, company or other legal entity will be required to obtain sufficient information to enable it to identify the beneficial owners and controlling persons of the trust, company or other legal entity.

6.3.4 As described above, depending on the services being provided to the trust, an AI should have policies and procedures in place to identify the following and verify their identity using reliable, independent source documents, data or information:

(a) the settlor;

(b) the protector;

(c) the trustee(s), where the obliged entity is not acting as trustee;

(d) the beneficiaries or class of beneficiaries, and

(e) any other natural person exercising effective control over the Trust.

7 Standard/Simplified/Enhanced CDD measures related to BO identification for Accountable Institutions

7.1 In terms of section 20A of the FIA, an AI must, on a regular basis, conduct ML, TF and PF risk assessments considering the scope and nature of its clients, products and services, delivery channels, as well as the geographical area from where its clients and business dealings originate.

7.2 A risk assessment is a starting point of CDD before making a final determination to accept the client, reject the client, or request additional information on the client. This risk assessment is required to be documented and kept either in the client's file or on the relevant client onboarding systems.

7.3 The CDD measures to be followed are as follows:

7.3.1 Identify the client and verify the identity using reliable, independent source documents, data and information;

7.3.2 Identify the beneficial owners and take appropriate, and reasonable, measures to verify the identity of the beneficial owner, including whether the client is a politically influential person;

7.3.3 Understanding and as appropriate, obtaining information on the purpose and intended nature of the business relationship; and

7.3.4 Conducting ongoing due diligence and monitoring on business relationship(s) and transactions to ensure consistency in client profile and source of funds with institution's knowledge derived from information obtained during account opening or solicited through the course of the business relationship.

Examples of Standard CDD measures related to BO identification

7.4 Below is a list of Standard CDD measures related to BO identification that can be applied for clients that do not represent higher ML/TF/ PF risks:

7.4.1 Identifying the client and verifying the identity using reliable, independent source documents, data or information;

7.4.2 Identifying the beneficial owner and taking reasonable measures on a risk-sensitive basis to verify the identity of the beneficial owner, to the satisfaction of the accountable or reporting institution. For legal persons and arrangements, this should include understanding the ownership and control structure of the client and gaining an understanding of the client's source of wealth and source of funds, where required. In all cases, it should be clear for Accountable and RI that a blind reliance¹⁰ on self-declared beneficial ownership information provided by the client without any other additional mechanism to verify this information is rather a negative practice as part of standard CDD process;

7.4.3 Understanding and obtaining information on the purpose and intended nature of the business relationship; and

7.4.4 Using internal indicators, if any, of concealed beneficial ownership, conducting ongoing due diligence on the business relationship and scrutiny of transactions undertaken throughout the course of the business relationship. This is to ensure that there are no suspicious transactions because of a change in beneficial ownership and that the transactions being conducted are consistent with the business and risk profile the client, including, where necessary, the source of wealth and funds.

¹⁰ Accepting information from the client without question or obtaining evidence in that regard.

Examples of Simplified CDD measures related to BO identification

7.5 Following the RBA, Accountable and RI should apply simplified CDD measures, in addition to standard CDD, related to BO identification and verification for clients that pose a lower AML/CFT/CPF risk. These measures may involve:

- 7.5.1 taking a lighter approach by verifying less information, using fewer verification steps, or conducting checks at different times. Institutions may obtain fewer elements of client identification data and alter or simplify the type of verification carried out on the client's identity;
- 7.5.2 inferring the purpose and nature of transactions or business relationships based on the type of transaction or relationship established;
- 7.5.3 relying on beneficial ownership information available in the BO register¹¹;
- 7.5.4 reduce the frequency of updating client identification in ongoing relationships, and lessen the degree and extent of ongoing monitoring and scrutiny of transactions.

Enhanced CDD measures related to BO identification

7.6 Enhanced CDD in BO identification is crucial because it provides a deeper level of scrutiny for higher-risk clients and transactions, helping to uncover the true individuals who ultimately own or control an entity.

7.7 Below is the list of Enhanced CDD measures related to BO identification that can be applied by Accountable and RI (in addition to Standard CDD measures):

¹¹ At the time of issuing this guidance note, Accountable and RI do not have access to a BO register.

- 7.7.1 Obtaining additional information on the client (for TCSPs – information on the trustee, settlor, beneficial owner or natural person exercising effective control of the trust, company or other legal entity) (e.g. occupation, overall wealth, information available through public databases¹², internet), and updating more regularly the identification data of such persons and sources which can be regarded as credible;
- 7.7.2 Obtaining information on the reasons for intended or performed transactions carried out by the client);
- 7.7.3 Obtaining additional information and, as appropriate, substantiating documentation, on the intended nature of the business relationship;
- 7.7.4 Obtaining information on the source of funds or source of wealth of the client (for TCSPs – of the settlor) and evidencing this through appropriate documentation obtained;
- 7.7.5 Carrying out additional searches (e.g. internet searches using independent and open sources) to better inform the client risk profile (provided that the internal policies of reporting entity should enable it to disregard source documents, data or information which is perceived to be unreliable);
- 7.7.6 Obtaining appropriate documentation concerning the source of wealth or funds and considering same to ensure they do not constitute the proceeds of unlawful activities and there is no suspicion of the concealed beneficial ownership;

¹² At the time of issuing this guidance note, Accountable and RI do not have access to a BO register, however, the AI can make a manual request for verification to the MOHC.

- 7.7.7 Increasing the frequency and intensity of transaction monitoring (using indicators of concealed beneficial ownership);
- 7.7.8 Obtaining the approval of senior management to commence or continue the business relationship;
- 7.7.9 Conducting enhanced monitoring of the business relationship, by increasing the number and timing of controls applied, and selecting patterns of transactions that need further examination (using indicators of concealed beneficial ownership);
- 7.7.10 Lowering the threshold of ownership (e.g. below 25%), to ensure complete understanding of the control structure of the entity involved, including looking further than simply holdings of equity shares, to understand the voting rights of each party who holds an interest in the entity;
- 7.7.11 Increasing awareness of higher risk clients and transactions, across all departments with a business relationship with the client, including the possibility of enhanced briefing of engagement teams responsible for the client;
- 7.7.12 Where appropriate, requiring the first payment to be carried out through an account with a bank subject to similar CDD standards in the name of the client (for TCSPs – in the name of a trust, company or other legal entity).

8 CDD measures for clients listed on stock exchanges and subject to disclosure requirements

- 8.1 Where the client or the owner of the controlling interest is a company listed on a stock exchange and subject to disclosure requirements, either by stock exchange rules, the law or enforceable means, which impose requirements to ensure adequate

transparency of BO, or is a majority-owned subsidiary of such a company, it is not necessary to identify and verify the identity of any shareholder or beneficial owner of such companies. The relevant identification data may be obtained from a public register¹³, from the client, or from other reliable sources¹⁴.

9 Acting on behalf of a client

9.1 In situations where a person(s) acts on behalf of a client of an AI/RI, same does not form part of the beneficial ownership concept. However, their role falls under the client due diligence obligations outlined in the FIA. A person is acting on behalf of a client when that person is operating or transacting on an account or facility that is held by another party (the client). This may include:

9.1.1 a person with authority to sign, amend account holder details, transfer and spend in the client's name (e.g. a signatory or second cardholder on a spouse's account);

9.1.2 a person granted authority because they are the legal guardian of a minor or the holder of an operational power of attorney;

9.1.3 an individual who is authorised to represent any legal person appointed as a professional third party to act for the client;

9.1.4 an employee of the client who undertakes daily banking duties for the client.

9.2 A board resolution, member's resolution, a letter on the legal person's letterhead or other similar authoritative documentation should be provided as proof that the person is authorized to act on behalf of that entity.

¹³ At the time of issuing this guidance note, Accountable and RI do not have access to a BO register.

¹⁴ Interpretive note to Recommendation 10 of the FATF recommendations.

9.3 All persons acting on behalf of the client must be identified, and all supporting identification documents must be collected as set out in the complimentary Regulations to the FIA.

10 Comments

10.1 This Guidance Note will be periodically reviewed. Should you have any comments or suggestions to enhance this Guidance Note, please submit them to the FIC using the contact details provided below:

The Financial Intelligence Centre

P.O. Box 2882

41 Nickel Street Prosperita

Windhoek

Tel: +264 61 283 5287

Email: helpdesk@fic.na

APPENDIX 1: Examples of the ownership structures

Figure 10: Simple Direct shareholding

Example 1. Simple, Direct Shareholding

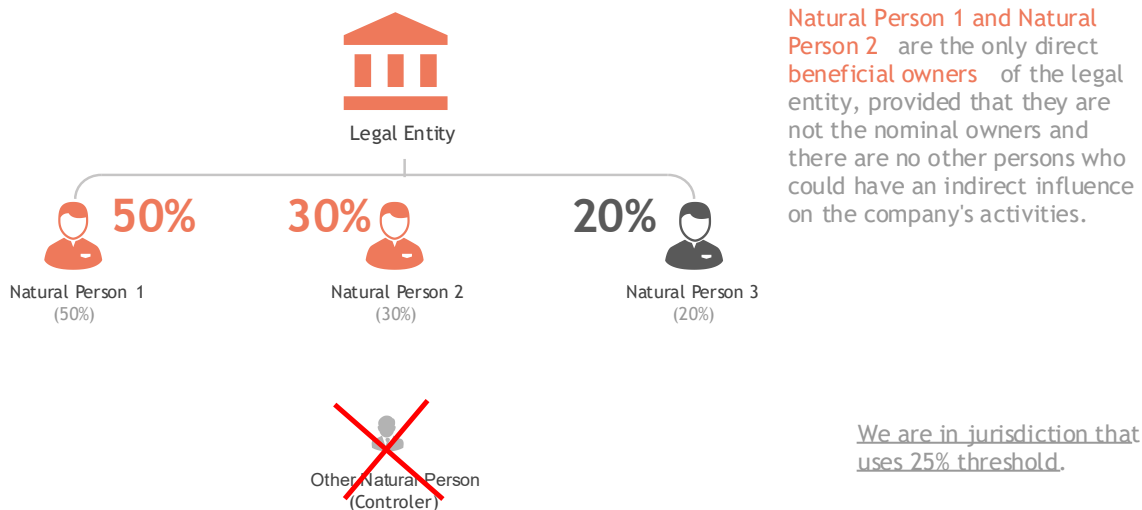


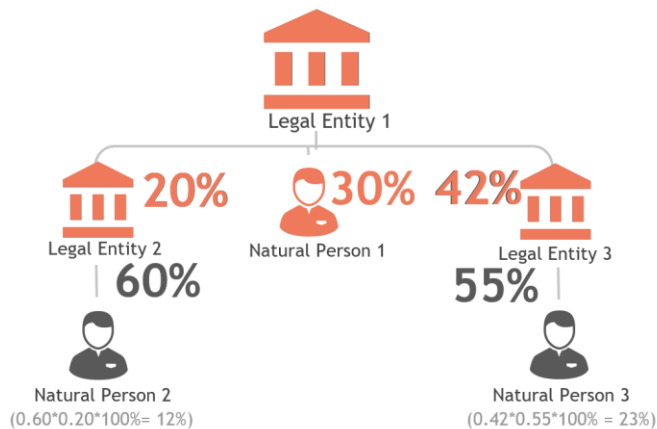
Figure 10 can be explained as follows:

- **Natural Person 1** is the beneficial owner of the legal person, as he directly owns 50% of the Legal Entity. This is **above the 25% threshold** prescribed by the FIA.
- **Natural Person 2** is also the beneficial owner of the legal person, as he directly owns 30% of the Legal Entity.
- **Natural Person 3** is **not** the beneficial owner of the legal person, as he owns less than 25% of the company shares. **20% shareholding is less than the 25% threshold** prescribed by the FIA.

It is also important to emphasize that **Natural Person 1, Natural Person 2, and Natural Person 3** are not intermediaries, agents, or nominal owners. Additionally, there are no other natural persons who could have an indirect influence on the company's activities.

Figure 11: Insufficient ownership and control structure

Example 2. Insufficient ownership and control structure



This ownership structure is not sufficient to identify the beneficial owners, as significant part of the beneficial ownership is not reflected.

The company must provide an updated ownership structure, which must contain full information about the ownership and control structure of the company.

We are in jurisdiction that uses 25% threshold.

Figure 11 can be explained as follows:

In this scenario, we have three individuals who jointly own 65% of Legal Entity 1. The remaining 35% of ownership is unknown, as the current ownership and control structure does not include this information.

Although **Natural Person 1** is a beneficial owner (owning 30% of Legal Entity 1, which is more than 25%), this ownership structure is insufficient to identify all beneficial owners of Legal Entity 1. This is because a significant portion of the beneficial ownership is not represented in the diagram.

The company must provide an updated ownership structure that includes complete information about the ownership and control structure of the company.

Figure 12: Multi-level indirect shareholding

Example 3. Multi-Level Indirect Shareholding

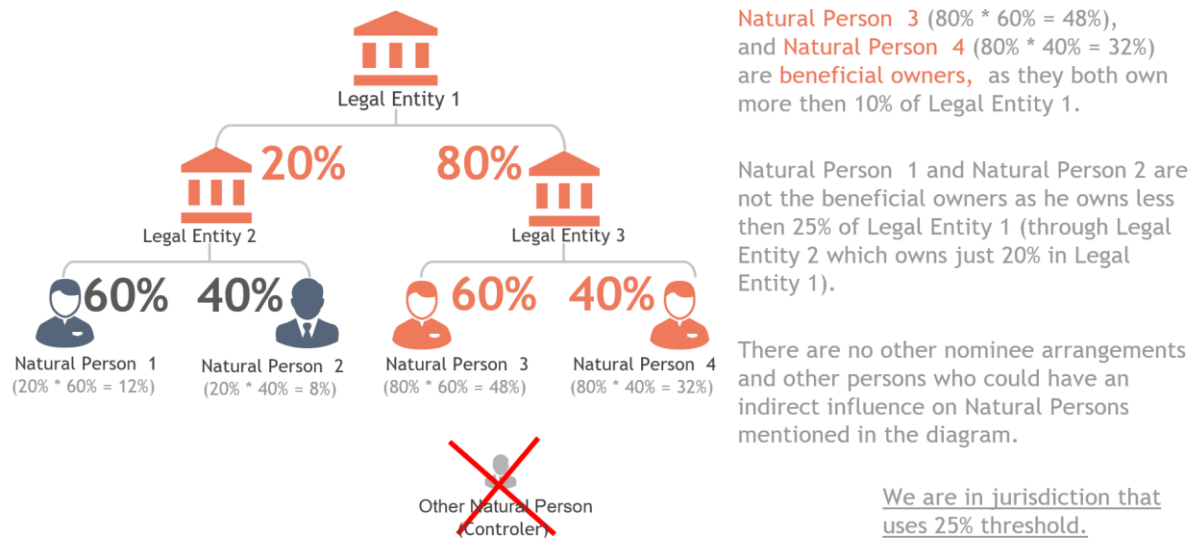


Figure 12 can be explained as follows: This is an example of multi-level indirect shareholding.

- **Natural Person 3** is the beneficial owner of Legal Entity 1, as he indirectly owns shares in Legal Entity 1 through **Legal Entity 3**.
The percentage of ownership is calculated as follows:
 $0.6 \times 0.8 \times 100 = 48\%$, which is equal to 48%.
- **Natural Person 4** is also a beneficial owner of Legal Entity 1, as he indirectly owns shares in Legal Entity 1 through **Legal Entity 3**.
The percentage of ownership is calculated as:
 $0.4 \times 0.8 \times 100 = 32\%$, which is equal to 32%.
- **Natural Person 1** and **Natural Person 2** are not beneficial owners of Legal Entity 1, as they own less than 25% of the company shares.

It is important to emphasize that **Natural Person 1**, **Natural Person 2**, **Natural Person 3**, and **Natural Person 4** are not intermediaries, agents, or nominal owners, and there are no other persons who could have an indirect influence on the company's activities.

Figure 13: Multi-level indirect shareholding

Example 4. Multi-Level Indirect Shareholding



Figure 13 demonstrates an example of multi-level indirect shareholding.

- **Natural Person 1** is the beneficial owner of Legal Entity 1, as he indirectly owns shares in Legal Entity 1 through **Legal Entity 2**. The percentage of shareholding is calculated using the formula: $(60\% * 60\% = 36\%)$. Therefore, he owns 36% of the shareholding.
- **Natural Person 2** is also a beneficial owner of Legal Entity 1, as he indirectly owns shares in Legal Entity 1 through both **Legal Entity 2** and **Legal Entity 3**. The percentage of shareholding is calculated as: $(60\% * 40\% + 40\% * 60\% = 24\% + 24\% = 48\%)$. In total, he owns 48% of the shareholding.
- **Natural Person 3** is **not** the beneficial owner of Legal Entity 1, as he indirectly owns only 16% of the shareholding in Legal Entity 1, which is less than 25%.

It is important to emphasize that **Natural Person 1**, **Natural Person 2**, and **Natural Person 3** are not intermediaries, agents, or nominal owners, and there are no other persons who could have an indirect influence on the company's activities.

Figure 14: Combination of direct and multi-level indirect shareholding (single ownership)

Example 5. Combination of Direct and Multi-Level Indirect Shareholding (single ownership)

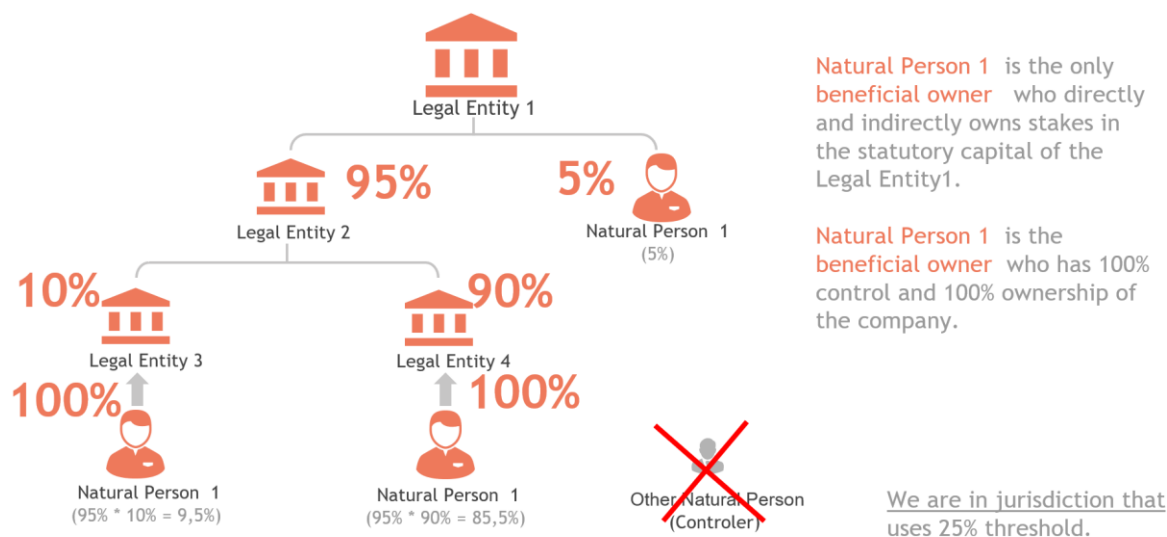


Figure 14 reflects **Natural Person 1** as the only beneficial owner who directly and indirectly owns stakes in the statutory capital of **Legal Entity 1**.

Natural Person 1 is the beneficial owner with 100% control and ownership of the company.

It is important to mention that **Natural Person 1** is not a nominal owner, and there are no other persons who could have an indirect influence on the company's activities. If there were other persons with indirect influence, they would need to be identified and verified as beneficial owners.

Figure 15: Combination of direct and multi-level indirect shareholding

Example 6. Combination of Direct and Multi-Level Indirect Shareholding (multiple ownership)

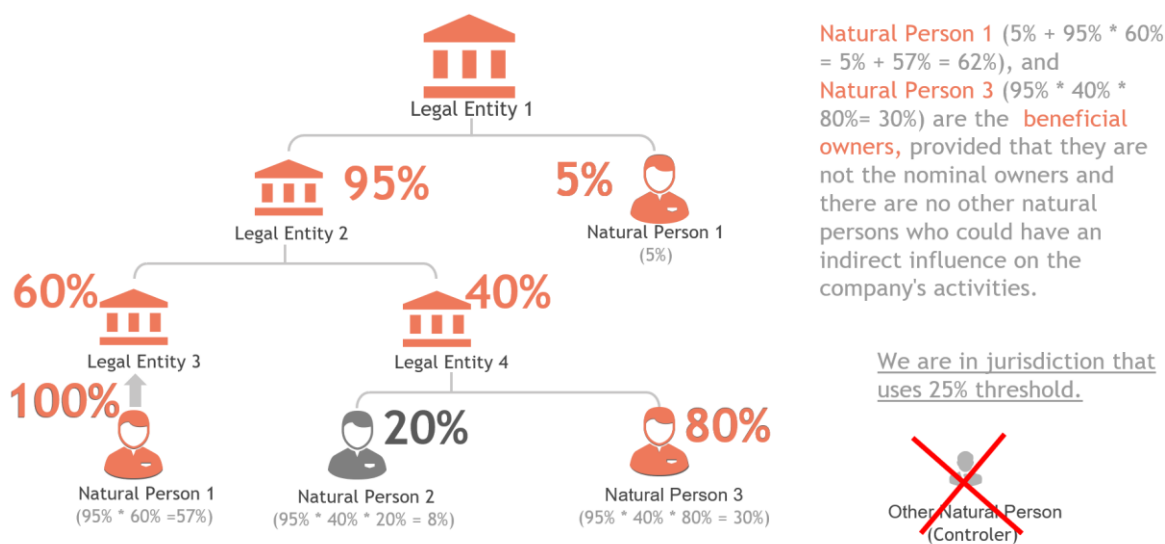


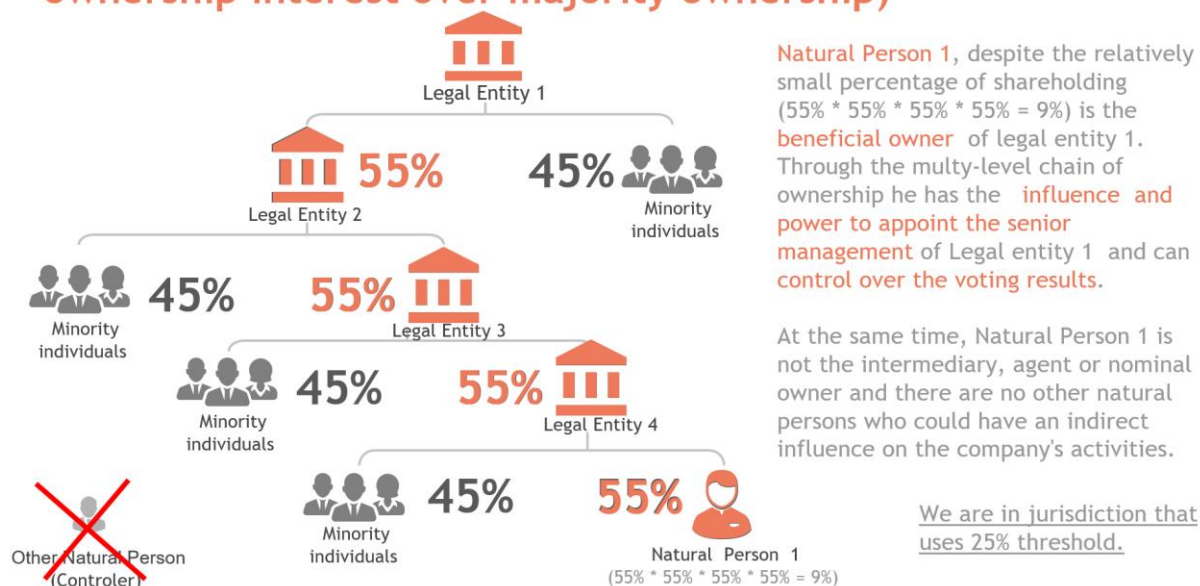
Figure 15 reflects a combination of direct and multi-level indirect shareholding.

- **Natural Person 1** is the beneficial owner of **Legal Entity 1**, as he owns shares both directly and indirectly.
 - Directly, he owns 5% of shares.
 - Indirectly, he owns 57% of shares in **Legal Entity 1** through **Legal Entity 2** and **Legal Entity 3**.
 - In total, **Natural Person 1** owns 62% of the shareholding.
- **Natural Person 2** is **not** the beneficial owner of **Legal Entity 1**, as he owns less than 25% of the company shares.
- **Natural Person 3** is also a beneficial owner of **Legal Entity 1**, as he indirectly owns shares in **Legal Entity 1** through **Legal Entity 2** and **Legal Entity 4**. The percentage of ownership is calculated as: $(95\% * 40\% * 80\% = 30\%)$.

It is important to emphasize that **Natural Person 1**, **Natural Person 2**, and **Natural Person 3** are not intermediaries, agents, or nominal owners, and there are no other natural persons who could have an indirect influence on the company's activities.

Figure 16: Multi-level indirect shareholding (controlling ownership over majority ownership)

Example 7. Multi-Level Indirect Shareholding (controlling ownership interest over majority ownership)



In Figure 16, we have an individual with a relatively small percentage of indirect multi-level shareholding, specifically 9%.

- **Natural Person 1** owns 55% of **Legal Entity 4**, which owns 55% of **Legal Entity 3**, which owns 55% of **Legal Entity 2**, which in turn owns 55% of **Legal Entity 1**.

The ownership percentage of **Natural Person 1** can be calculated using the formula: $55\% * 55\% * 55\% * 55\% = 9\%$.

Despite having a relatively small percentage of ownership (9%), **Natural Person 1** is the **beneficial owner** of **Legal Entity 1** because, through this multi-level chain of ownership, he has the **influence and power** to appoint the senior management of **Legal Entity 1**. Additionally, he has control over the voting results of the shareholders of **Legal Entities 4, 3, 2, and 1**, which grants him control and influence over the **Legal Entity 1**.

Figure 17: Multi-level indirect shareholding (controlling beneficial ownership interest)

Example 8. Multi-Level Indirect Shareholding (controlling beneficial ownership interest)

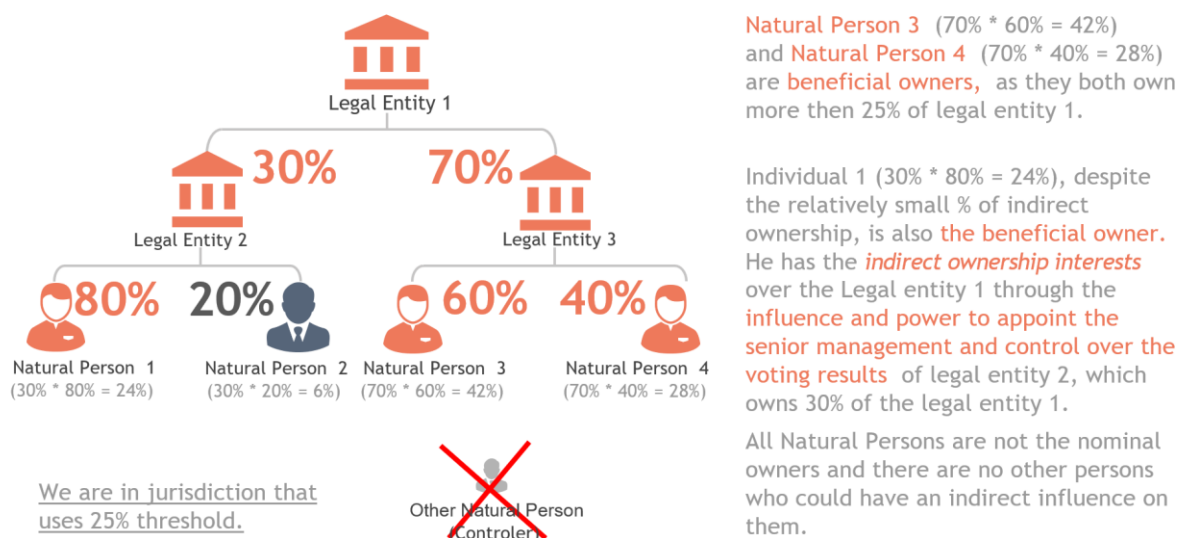


Figure 17 reflects an example of **multi-level indirect shareholding**.

- **Natural Person 3** is the beneficial owner of **Legal Entity 1**, as he indirectly owns shares in **Legal Entity 1** through **Legal Entity 3**. The percentage of ownership is calculated by the formula: (70% * 60% = 42%), meaning he owns **42%** of **Legal Entity 1**.
- **Natural Person 4** is also the beneficial owner of **Legal Entity 1**, as he indirectly owns shares in **Legal Entity 1** through **Legal Entity 3**. The percentage of ownership is calculated by the formula: (70% * 40% = 28%), meaning he owns **28%** of **Legal Entity 1**.
- **Natural Person 2** is **not** the beneficial owner of **Legal Entity 1** because he indirectly owns less than 25% of the company shares through **Legal Entity 2**.
- **Natural Person 1**, despite indirectly owning only **24%** of **Legal Entity 1** (calculated as 30% * 80% = 24%), is also the ultimate beneficial owner of **Legal Entity 1**. This is because **Legal Entity 2**, which is directly controlled by **Natural Person 1**, owns **30%** of **Legal Entity 1**—which is more than the 25% threshold. Since **Natural Person 1** has control over **Legal Entity 2**, including the power to appoint senior management and influence the voting outcomes, he is considered the beneficial owner of **Legal Entity 1**.

Figure 18: Looping relationships and multi-level indirect shareholding (benefits from the activity)

Example 9. Looping Relationships and multi-level indirect shareholding (benefits from the activity)



Figure 18 demonstrates **looping relationships** and **multi-level indirect shareholding**.

- **Natural Person 1** is a 5% owner of **Legal Person 1**.
- **Legal Person 1** and **Legal Person 2** own each other, creating a **looping relationship**.
- **Natural Person 1** is the only individual who can receive profit from the company's activities, which indicates that he has an economic interest in the company's success.
- **Is Natural Person 1 a beneficial owner?**
Yes, **Natural Person 1** is a **beneficial owner** because:
 1. He receives profit from the company's activities.
 2. He has the power to influence the company's management, even with a small ownership stake (5%), through indirect means (e.g., control over decisions, appointments, etc.).

Even though **Natural Person 1** owns only 5%, his ability to receive profits and potentially exercise control over the legal person's activities makes him a beneficial owner of **Legal Person 1**.

Figure 19: Multi-level indirect shareholding (formal nominee arrangements)

Example 10. Multi-Level Indirect Shareholding (formal nominee arrangements)

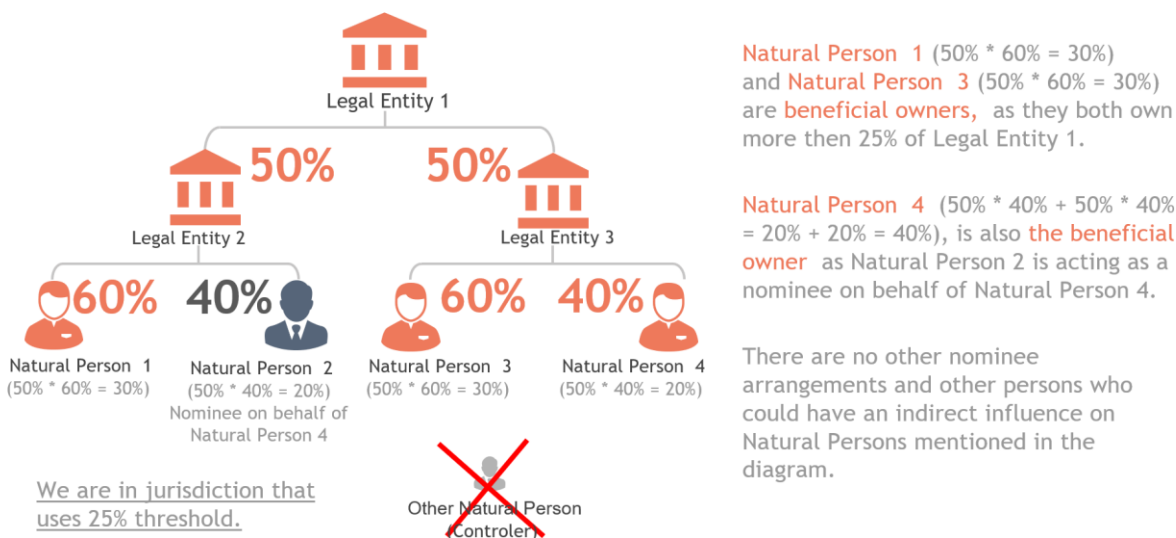
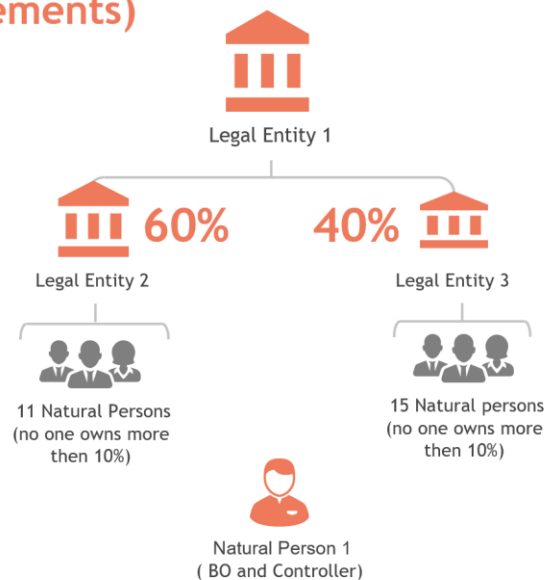


Figure 19 reflects an example of **multi-level indirect shareholding** with some complexity in ownership structure:

1. **Natural Person 1** is the **beneficial owner** of **Legal Entity 1**, as he indirectly owns a 30% shareholding in it through **Legal Entity 2**. The percentage is calculated as: $50\% \times 60\% = 30\%$.
2. **Natural Person 3** is also a **beneficial owner** of **Legal Entity 1**, as he indirectly owns a 30% shareholding through **Legal Entity 3**. The percentage is calculated similarly: $50\% \times 60\% = 30\%$.
3. **Natural Person 2** indirectly owns 20% of **Legal Entity 1** through **Legal Entity 2** ($50\% \times 40\% = 20\%$). However, **Natural Person 2** is a **formal nominee** acting on behalf of **Natural Person 4**. **Natural Person 2** is NOT the **beneficial owner** of **Legal Entity 1** as he owns less than 25% and acts as a **nominee** acting on behalf of **Natural Person 4**.
4. **Natural Person 4** indirectly owns 20% of **Legal Entity 1** through **Legal Entity 3** ($50\% \times 40\% = 20\%$). In addition, **Natural Person 4** also controls 20% of **Legal Entity 1** indirectly through **Natural Person 2**, who acts on behalf of **Natural Person 4**. In total, **Natural Person 4** indirectly owns or controls 40% of **Legal Entity 1**. **Natural Person 4** is the **beneficial owner** of **Legal Entity 1** because he directly and indirectly owns and controls a significant portion (40%) of its ownership.

Figure 20: “Football team” (informal nominee arrangements)

Example 11. “Football team” (Informal nominee arrangements)



On this example Legal entity 1 is owned by two legal entities Legal entity 2 and Legal entity 3, which in turn are owned by a “football team” of unknown individuals. There is no one who own more than 25% of shares.

At the same time Natural Person 1 is the one who can control all decisions of the management of Legal entity 1 and Legal entity 2.

Natural Person 1 is the **ultimate beneficial owners of Legal Entity 1**. As he can control Legal entity 2 and Legal entity 2 **through other means (informal nominee arrangements)**.

We are in jurisdiction that uses 25% threshold.

Figure 20 reflects that **Legal Entity 1** is owned by two legal entities, **Legal Entity 2** and **Legal Entity 3**, which are, in turn, controlled by "football teams" of unknown individuals. None of these individuals hold more than 10% of the shares. All the individuals involved are either **formal** or **informal nominees**.

Do we have a Beneficial Owner?

Yes, there is a Beneficial Owner (**Natural Person 1**), but this individual is **not reflected in any ownership documents**.

Natural Person 1 is the **UBO** of **Legal Entity 1** because he **exerts control** over both **Legal Entity 2** and **Legal Entity 3** through other means, even though his name does not appear in the ownership documents. **Natural Person 1** controls the shareholders and the management of **Legal Entity 1** and **Legal Entity 2**, that makes him the beneficial owner of the **Legal Entity 1**.

This ownership structure raises significant **AML/CFT** risks due to its **opacity** and **complexity**. The true beneficial owner is deliberately concealed behind multiple layers of nominal ownership, which hinders the ability to trace the real control over the legal entities. **Clients** with such ownership structures should not be accepted due to the high risk of illicit activities being hidden. Such cases should be **reported to the FIC** for further investigation and action. **Natural Person 1** must be identified and thoroughly investigated to assess potential links to any illicit or criminal activities.

Figure 21: Joint stock company (control through position held)
Example 12. Joint-Stock company (Control through position held)

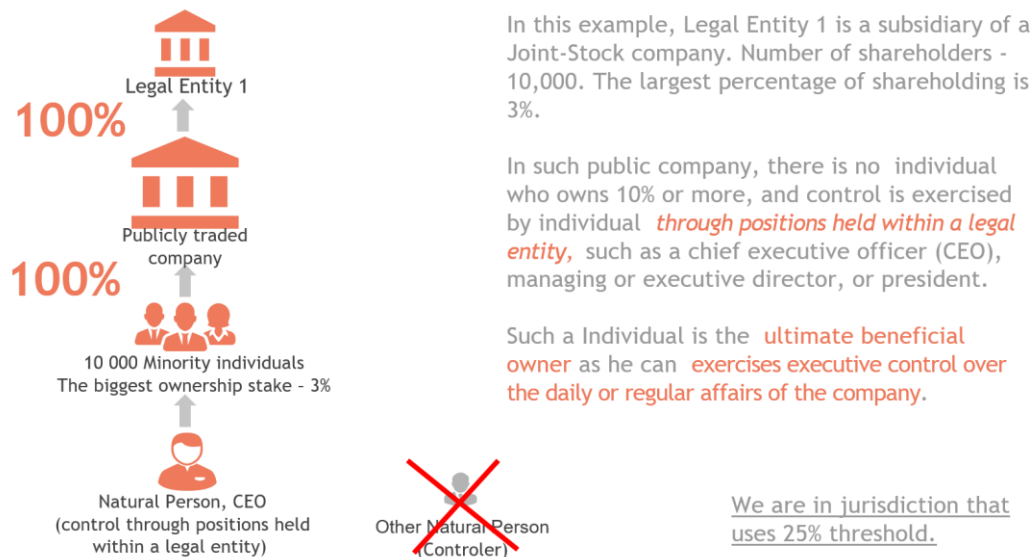


Figure 21 reflects that **Legal Entity 1** is a subsidiary of a **Joint-Stock Company** with approximately 10,000 shareholders. The largest shareholder holds 3% of the company's shares.

Do we have a Beneficial Owner in this situation?

Although none of the shareholders own 25% or more of the company's shares, in such publicly traded companies, **control** is usually **exercised** by an individual through executive positions within the company, such as the **Chief Executive Officer (CEO), Managing Director, or President**. Such an individual should be identified as he **exercises executive control** over the daily or regular affairs of the company.

At the same time, in this situation, it is required to keep clear records of the actions taken explaining why it was decided to identify and record the identity of the **senior managing official**. In such a case, the **CDD files** (or the register data) **should clearly specify** that **this individual is only a senior manager and not a real beneficial owner**.

Figure 22: General partnership

Example 13. General Partnership



In General Partnership the ownership and control are exercised jointly by all partners specified in the partnership contract

All partners are the Beneficial Owners of General Partnership.

We are in jurisdiction that uses 25% threshold.

Figure 22 demonstrates a **General Partnership**, where ownership and control are exercised by all partners specified in the partnership agreement.

The potential for misusing a general partnership to disguise beneficial ownership is **significantly reduced**, as management is directly handled by the partners themselves, and there is no legal separation between the natural persons and the partnership as an independent legal entity.

In terms of **beneficial ownership**, all partners in the general partnership should be considered **beneficial owners** due to their direct involvement in the management and control of the partnership. The partnership agreement, which defines the relationship among the partners, can also help identify the partnership's ultimate beneficial owner.

Figure 23: Multi-level indirect shareholding (trust)

Example 14. Multi-Level Indirect Shareholding (Trust)

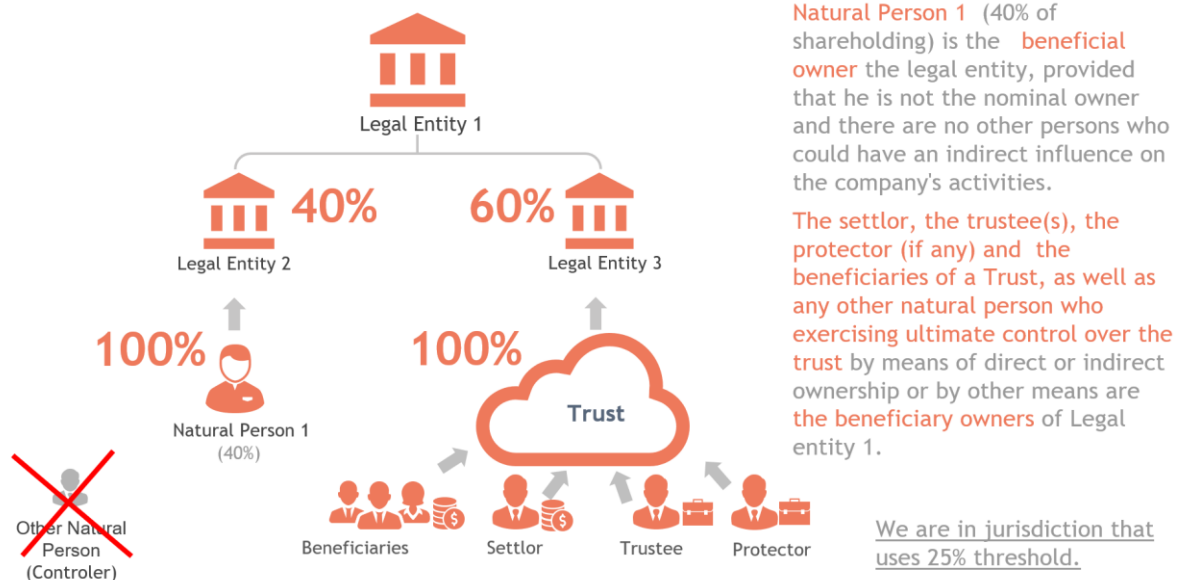


Figure 23 illustrates an example of **multi-level indirect shareholding**.

One of the shareholders of **Legal Entity 1** is a **trust**. It is important to note that a trust is not a legal person and operates according to the laws of the jurisdiction where it was established.

In this example, **Natural Person 1** (owning 40%) is the **beneficial owner** of **Legal Entity 1**, as he indirectly controls 40% of the company's shares through **Legal Entity 2**.

It is important to emphasize that **Natural Person 1** is neither an intermediary, agent, nor nominal owner. There are no other individuals who could exert indirect influence over the company's activities.

The **trust** holds 60% of **Legal Entity 1**. The **settlor**, the **trustee(s)**, the **protector** (if applicable), and the **beneficiaries** of the trust, as well as any other **natural person** who exercises ultimate control over the trust (whether through direct or indirect ownership, or by other means), are considered the **beneficial owners** of both the trust and **Legal Entity 1**.

Figure 24: Multi-level indirect shareholding (Investment Fund)

Example 15. Multi-Level Indirect Shareholding (Investment Fund).

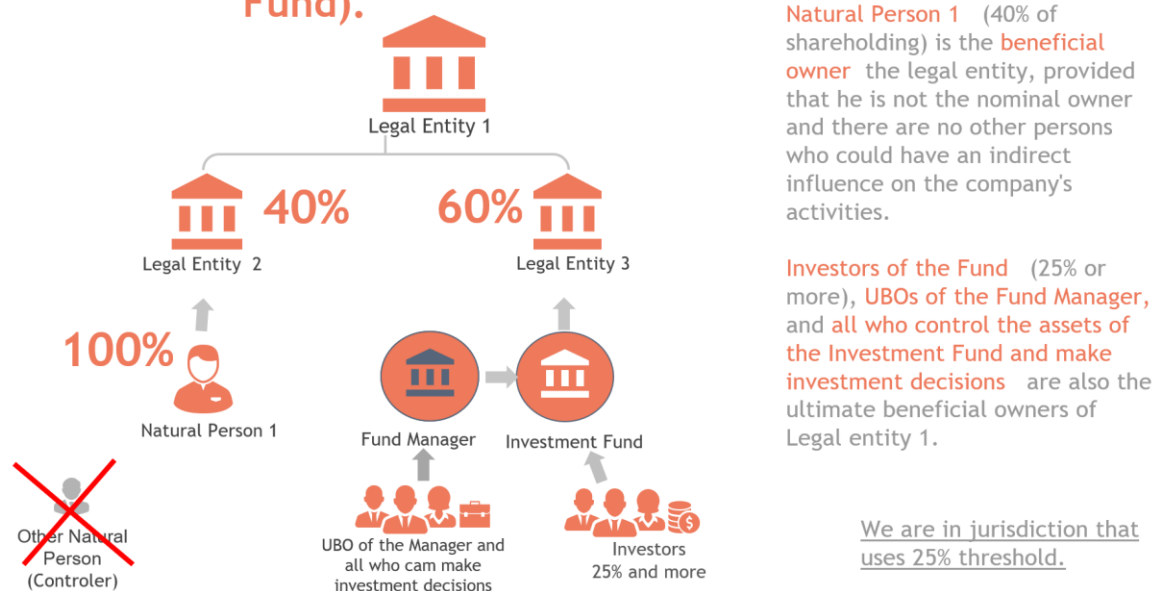


Figure 24 illustrates an example of **multi-level indirect shareholding**.

One of the shareholders of **Legal Entity 1** is an **Investment Fund**. It is important to note that an investment fund may or may not be a legal entity, and it operates according to the way it was formed, i.e., through legislation or through a legal arrangement. For the purposes of Figure 25, an investment fund is a legal Person.

Natural Person 1 (owning 40%) is the **ultimate beneficial owner** of **Legal Entity 1**, as he indirectly owns 40% of the company through **Legal Entity 2**.

It is crucial to emphasize that **Natural Person 1** is not an intermediary, agent, nor nominal owner. There are no other individuals who could exert indirect influence over the company's activities.

The **investment fund** holds 60% of **Legal Entity 1**. The **investors** of the fund who own 25% or more, the **beneficial owners** of the **fund manager**, and anyone who controls the fund's assets and makes investment decisions are considered the **beneficial owners** of both the **Investment Fund** and **Legal Entity 1**.

Figure 25: Trust and investment fund

Example 16. Trust and Investment Fund

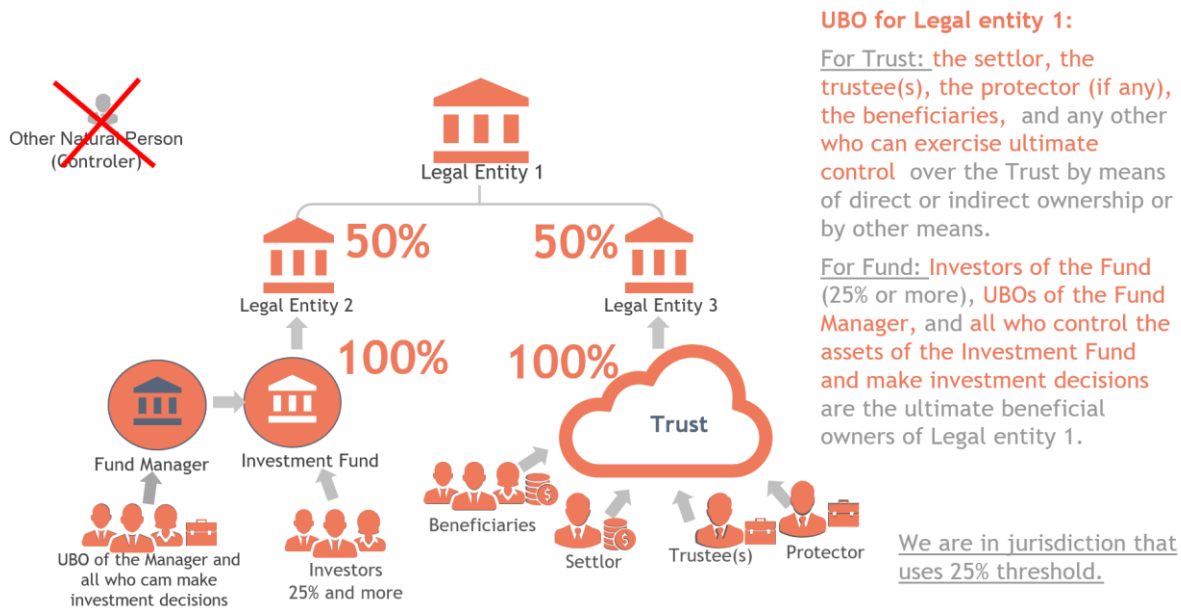


Figure 25 demonstrates a **Trust** and an **Investment Fund**, both of which **indirectly equally own 50%** of **Legal Person 1**.

The **ultimate beneficial owners (UBOs)** of **Legal Person 1** will be:

For the Trust:

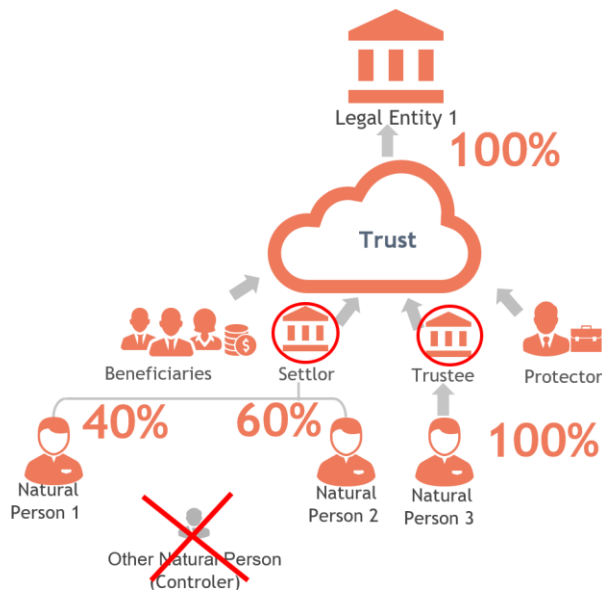
- The **settlor** (the individual who established the trust and transferred the property to the trustee),
- The **trustee(s)** (the individual(s) holding the property),
- The **protector** (if any) (the individual who has the power to direct or restrict the trustee's actions),
- The **beneficiaries** (the individuals who are entitled to receive profits from the trust),
- Any other individuals who can exercise **ultimate control** over the trust, either directly or indirectly, or by other means.

For the Investment Fund:

- **Investors** who hold 25% or more of the fund's assets,
- The **UBOs of the Fund Manager**,
- Any individuals who **control the assets** of the Investment Fund and **make investment decisions**.

Figure 26: Trust (established by legal persons)

Example 17. Trust (established by legal persons)



The **protector** (an individual) and the **beneficiaries** (individuals) of the Trust are the **beneficiary owners** of Legal entity 1.

The settlor and the trustee of a Trust are legal persons. For that reason it's **necessary to identify beneficial owners** of such legal persons.

Natural Person 1 and **Natural Person 2** (beneficial owners of the Settlor) and **Natural Person 3** (beneficial owner of the Trustee) are also the **beneficial owners** of the Legal entity 1.

We are in jurisdiction that uses 25% threshold.

Figure 26 demonstrates that if a **legal person** or **legal arrangement** acts as the **Settlor**, **Trustee**, **Protector**, or **Beneficiary** of the Trust, the beneficial owners of the Trust will be the individuals who are the beneficial owners of those legal persons or arrangements.

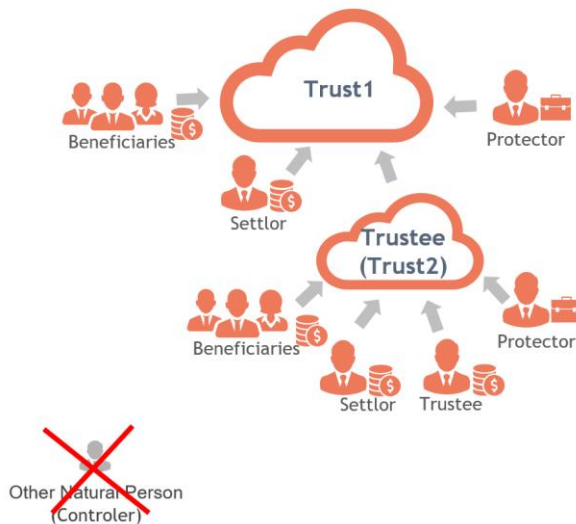
In this scenario, since the **Settlor** and **Trustee** are legal persons, it is essential to identify the beneficial owners of these legal entities.

The **beneficial owners** of **Legal Person 1** are:

1. The **Protector** and the **Beneficiaries** of the Trust, as they are individuals,
2. **Natural Person 1**, **Natural Person 2**, and **Natural Person 3**, as they are the beneficial owners of the legal entities acting as the **Settlor** and **Trustee** of the Trust.

Figure 27: Trust (Trustee is another Trust)

Example 18. Trust (Trustee is another Trust)



The settlor, the protector (if any), the beneficiaries of Trust1, and any other who can exercise ultimate control over the Trust1 by means of direct or indirect ownership or by other means are **Beneficial owners of the Trust1**.

Trust2 is the Trustee of a Trust1. For that reason it's **necessary to identify beneficial owners of Trust 2**.

The settlor, the trustee(s), the protector (if any), the beneficiaries of Trust2, and any other who can exercise ultimate control over the Trust2 by means of direct or indirect ownership or by other means are **Beneficial owners of the Trust2** and are **Beneficial owners of the Trust1**.

Figure 27 reflects that **Trust2** acts as the trustee for **Trust1**, meaning that it is necessary to identify the beneficial owners of both **Trust1** and **Trust2**.

For **Trust1**, the **beneficial owners** would include:

- The **Settlor**,
- The **Protector** (if any),
- The **Beneficiaries**,
- Any other individuals who can exercise ultimate control over **Trust1** through direct or indirect ownership, or other means.

For **Trust2**, the **beneficial owners** would include:

- The **Settlor**,
- The **Trustee(s)**,
- The **Protector** (if any),
- The **Beneficiaries**,
- Any other individuals who can exercise ultimate control over **Trust2** through direct or indirect ownership, or other means.

These beneficial owners of **Trust2** are also considered the **beneficial owners** of **Trust1**, as **Trust2** acts as the trustee for **Trust1**.

Figure 28: Investment fund (owned by legal persons)

Example 19. Investment Fund (owned by legal persons)

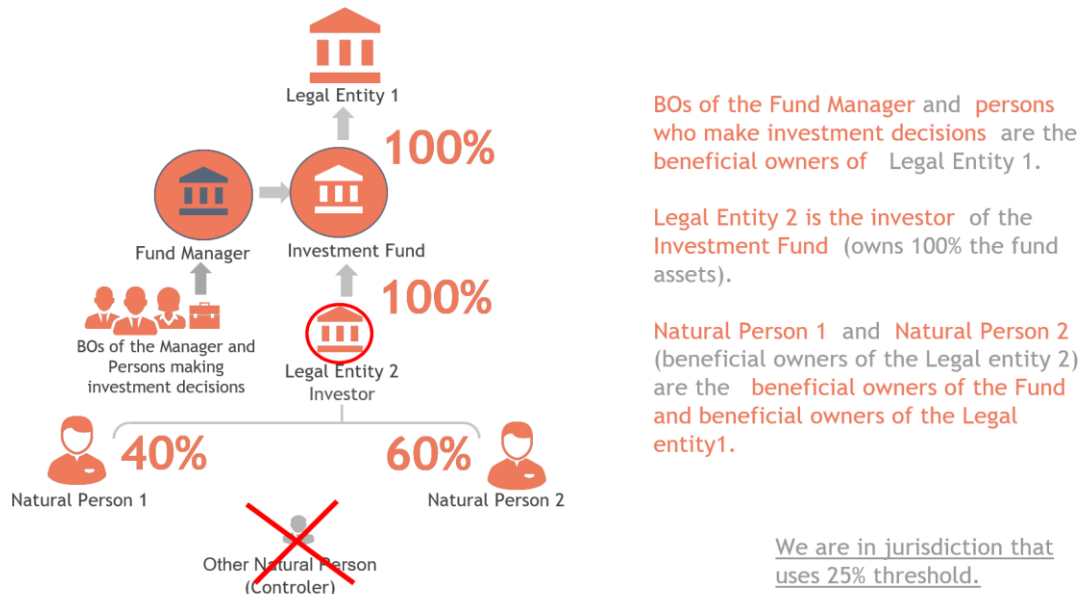


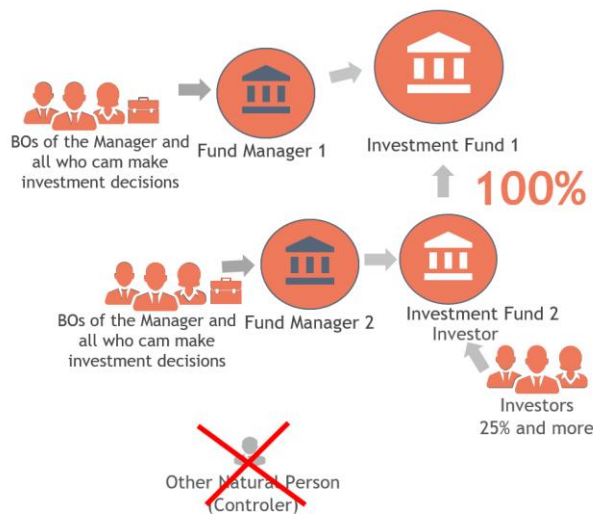
Figure 28 demonstrates that if a company (whether a legal person or legal arrangement) acts as an investor in an Investment Fund with a stake of 25% or more, the **beneficial owners of that company** will also be considered the beneficial owners of **the Investment Fund**.

In this scenario, **Legal Entity 2** is an investor in the Investment Fund, which owns 100% of the Fund's assets. The **beneficial owners (BOs)** of the **Fund Manager**, along with anyone who controls the assets of the Investment Fund and makes investment decisions, are the beneficial owners of the Investment Fund, as well as the beneficial owners of **Legal Entity 1**.

Also, **Natural Person 1** and **Natural Person 2**, who are the beneficial owners of **Legal Entity 2**, are also the beneficial owners of the Investment Fund and, consequently, the beneficial owners of **Legal Entity 1**.

Figure 29: Investment Fund (owned by another Investment Fund)

Example 20. Investment Fund (owned by another Investment Fund)



BOs of the Fund Manager 1, and all who control the assets of the Investment Fund 1 and make investment decisions are the beneficial owners of the Investment Fund 1.

Investment Fund 2 is the investor of the Investment Fund 1 (owns 100% of the fund assets).

Investors of the Investment Fund 2 (25% or more), BOs of the Fund Manager 2, and all who control the assets of the Investment Fund 2 and make investment decisions are the beneficial owners of the Investment Fund 2 and Investment Fund 1.

We are in jurisdiction that uses 25% threshold.

Figure 29 reflects that **Investment Fund 2** is the investor in **Investment Fund 1**, owning 100% of the Fund's assets. Therefore, it is necessary to identify the beneficial owners of both **Investment Fund 1** and **Investment Fund 2**.

The **beneficial owners** of **Investment Fund 1** are:

- the **beneficial owners** of **Fund Manager 1**, along with
- all individuals who control the assets of **Investment Fund 1** and make investment decisions
- all **beneficial owners** of **Investment Fund 2**.

For **Investment Fund 2**, the **investors** holding 25% or more of the assets, the **BOs of Fund Manager 2**, and all individuals who control the assets of **Investment Fund 2** and make investment decisions, are considered the beneficial owners of **Investment Fund 2**. All these individuals are also the beneficial owners of **Investment Fund 1**.

Figure 30: Different classes of shares

Example 21. Different classes of shares

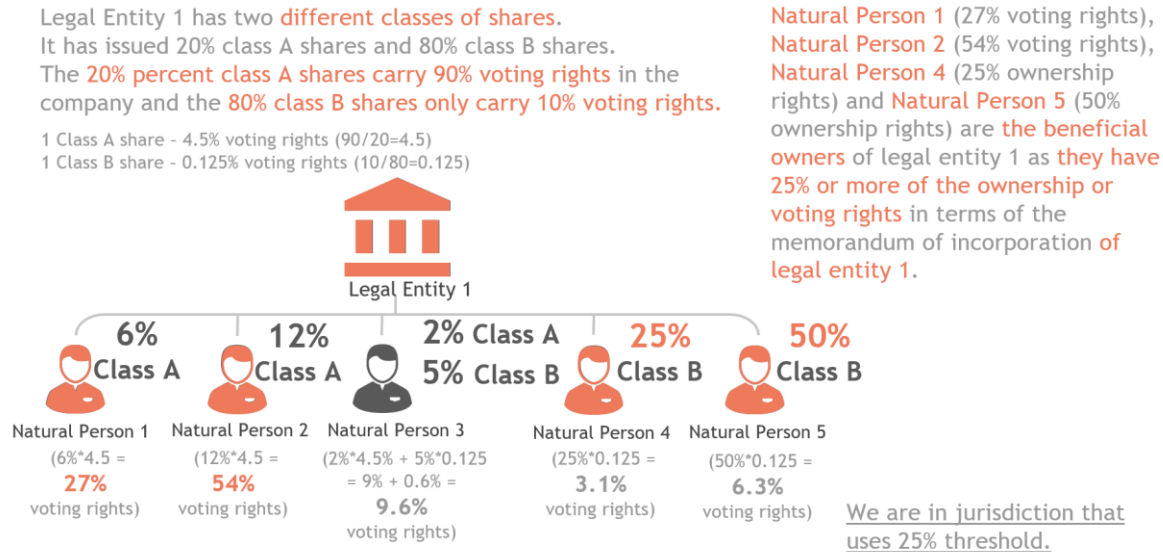


Figure 30 reflects that **Legal Entity 1** has two different classes of shares:

- **20% Class A shares:** These shares carry 90% of the voting rights.
- **80% Class B shares:** These shares carry 10% of the voting rights.

To determine the **beneficial owners** of a company with different classes of shares, both **ownership rights** and **voting rights** must be considered in accordance with the **memorandum of incorporation of Legal Entity 1**.

- **Natural Person 4**, and **Natural Person 5** are considered beneficial owners of **Legal Entity 1** since they each own more than 25% of the company's shares.
- **Natural Person 1** and **Natural Person 2** are also beneficial owners of **Legal Entity 1** because they each hold more than 25% of the voting rights.

The percentage of voting rights for **Natural Person 1** and **Natural Person 2** is calculated as follows:

- **Natural Person 1:** $(90 / 20) \times 6\% = 27\%$ voting rights
- **Natural Person 2:** $(90 / 20) \times 12\% = 54\%$ voting rights
- **Natural Person 3** is **not** a beneficial owner of **Legal Entity 1**, as he owns less than 25% of the company's shares and hold less than 25% of the voting rights, according to the memorandum of incorporation of **Legal Entity 1**.

Figure 31: Shareholders' agreement

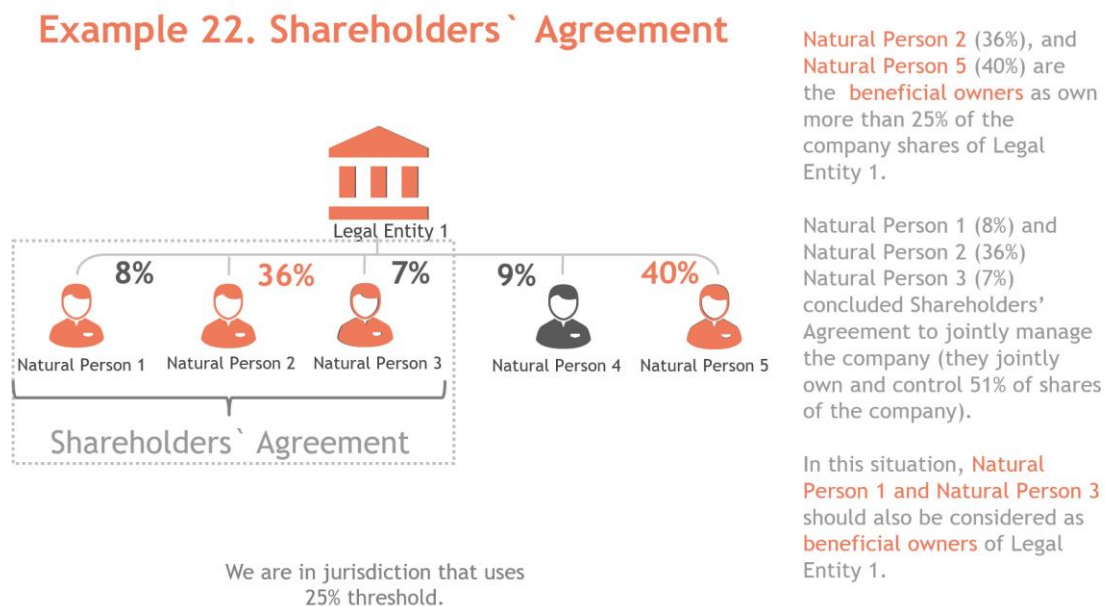


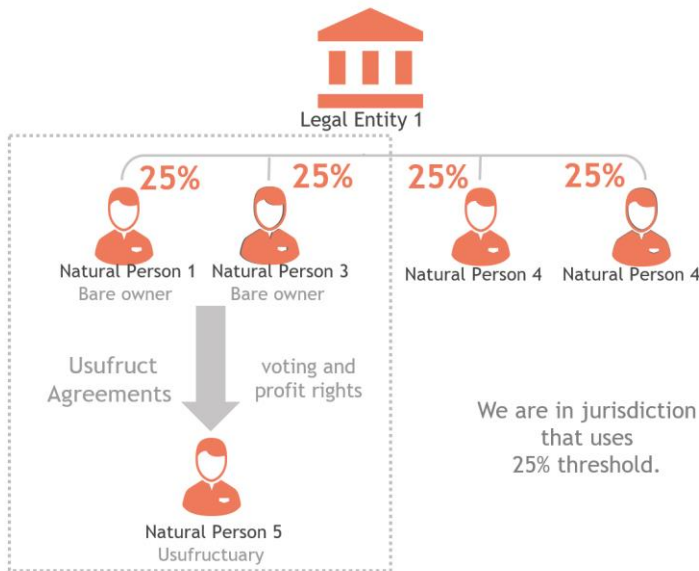
Figure 31 depicts **Natural Person 1** (8%), **Natural Person 2** (36%), and **Natural Person 3** (7%) have entered into a **Shareholders' Agreement** to jointly manage the company.

Together, Natural Persons 1,2 and 3 own and control 51% of the company's shares.

- **Natural Person 2** (36%) and **Natural Person 5** (40%) are the **beneficial owners** of **Legal Entity 1**, as they each own more than 25% of the company's shares.
- **Natural Person 1** and **Natural Person 3** should also be considered **beneficial owners** of **Legal Entity 1**, as they are part of the Shareholders' Agreement with **Natural Person 2** to jointly manage the company. Together, they own and control 51% of the shares, which is more than 25%.

Figure 32: Usufruct agreements

Example 23. Usufruct Agreements



Natural Person 1 (25%), Natural Person 2 (25%), Natural Person 3 (25%), and Natural Person 4 (25%) are the **beneficial owners** as they own 25% of the company shares of Legal Entity 1.

Natural Person 1 and Natural Person 2 (Bare Owners) concluded Usufruct Agreements with Natural Person 5 (Usufructuary) according to which they passed their voting and profit rights of their shares to Natural Person 5.

In this situation, **Natural Person 5** should also be considered as **beneficial owners** of Legal Entity 1.

Figure 32 depicts **Usufruct Agreements**.

The **bare owner** passes the voting and profit rights of their shares to the **usufructuary**. Both the bare owner and the usufructuary are considered **beneficial owners (UBOs)**, as this arrangement represents a form of co-ownership.

- **Natural Person 1** and **Natural Person 2** (bare owners) have concluded Usufruct Agreements with **Natural Person 5** (usufructuary), transferring the voting and profit rights of their shares to **Natural Person 5**.
- According to this scenario, **Natural Person 1** (25%), **Natural Person 2** (25%), **Natural Person 3** (25%), and **Natural Person 4** (25%) are the **beneficial owners** of **Legal Entity 1**, as they each own 25% of the company's shares.
- **Natural Person 5** (usufructuary) should also be considered a **beneficial owner**, as he holds the voting and profit rights of the shares owned by **Natural Person 1** and **Natural Person 2**.

Figure 33: Pledge agreements

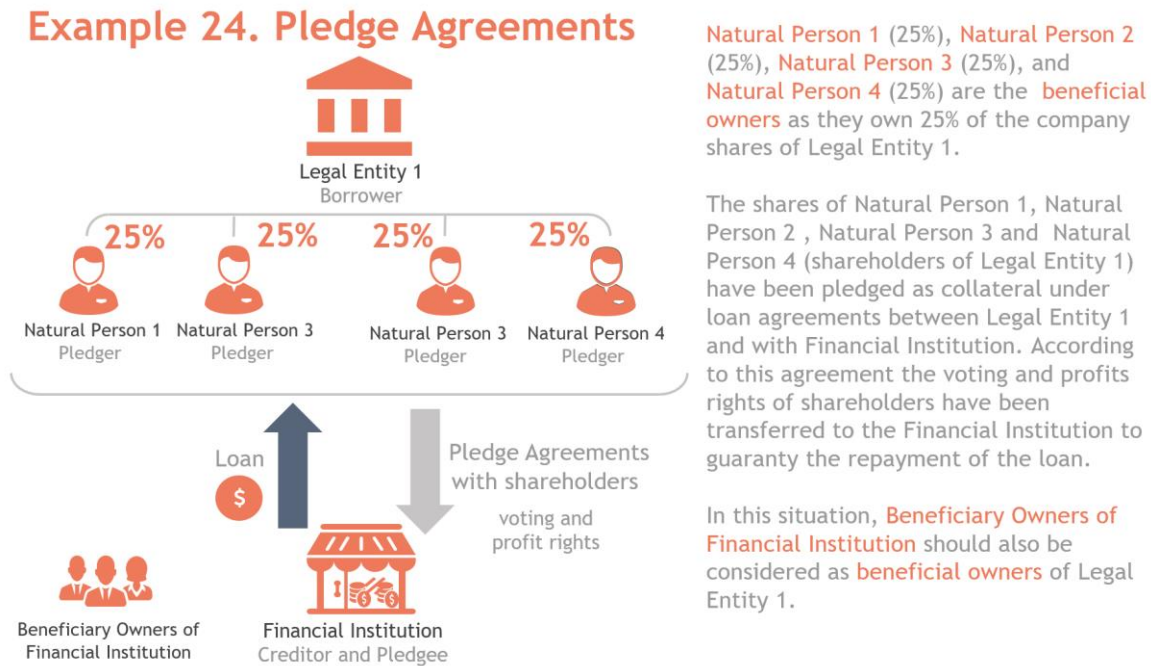


Figure 33 reflects that the shares of **Natural Person 1**, **Natural Person 2**, **Natural Person 3**, and **Natural Person 4** (shareholders of **Legal Entity 1**) have been pledged as collateral under loan agreements between **Legal Entity 1** and a **Financial Institution**.

According to the agreement, the voting and profit rights of the shareholders/members have been transferred to the **Financial Institution** as collateral to guarantee the repayment of the loan.

- **Natural Person 1** (25%), **Natural Person 2** (25%), **Natural Person 3** (25%), and **Natural Person 4** (25%) are the **beneficial owners** of **Legal Entity 1**, as they each own 25% of the company shares/member's interest.
- The **beneficial owners** of the **Financial Institution** should also be considered **beneficial owners** of **Legal Entity 1**, as the voting and profit rights of the shareholders/members of **Legal Entity 1** have been transferred to the **Financial Institution** to guarantee the loan repayment.

Figure 34: Family -owned business

Example 25. Family-owned business

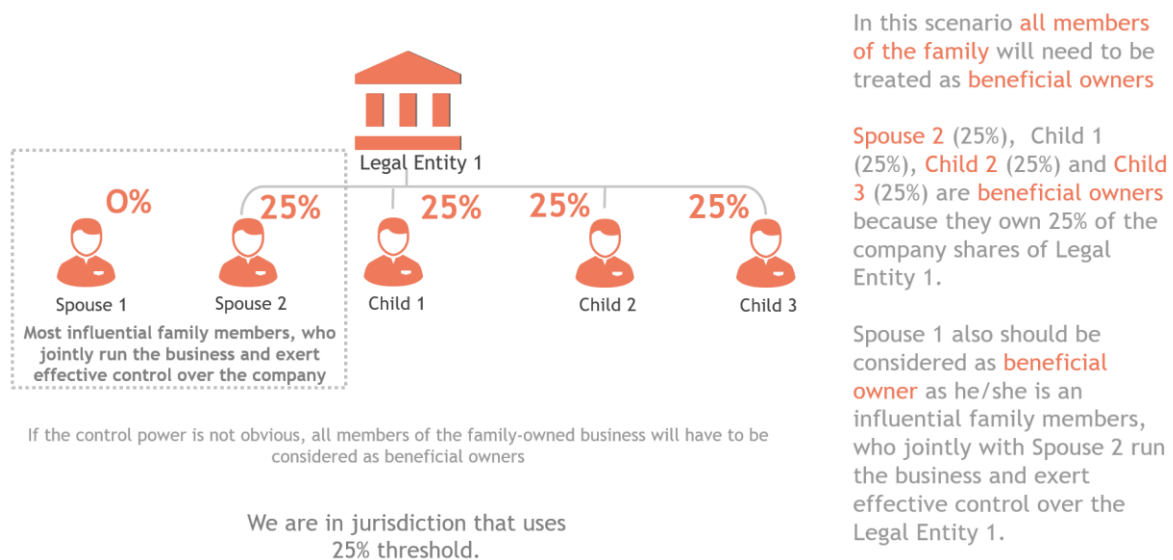


Figure 34 reflects that **Legal Entity 1** is a family-owned business with five members involved.

- **Spouse 2 (25%), Child 1 (25%), Child 2 (25%), and Child 3 (25%) are beneficial owners**, as each owns 25% of the shares/ members interest.
- **Spouse 1** should also be considered a **beneficial owner**, as he/she is an influential family member who, together with **Spouse 2**, actively manages the business and exerts effective control over **Legal Entity 1**.

As a result, all family members in this scenario should be treated as **beneficial owners**.

APPENDIX 2: Case Study on concealment of BO information

Case Study Summary

The FIC received information from a whistleblower alleging corrupt practices in the fishing industry. According to the allegations, Prominent Influential Persons (PIPs), together with foreign and domestic companies and individuals, conspired through complex corporate and legal structures to engage in corrupt practices. They employed sham agreements and disguised payments, making it difficult to identify the true beneficial owners.

These individuals used frontmen to register companies in their names. However, all proceeds from the unlawful activities were funnelled to the PIPs and their associates. Some of the payments received into the frontmen's bank accounts originated from companies owned by the PIPs and their close associates, which were commercially active. Instead of these companies directly transferring profits to the PIPs and associates, funds first passed through the frontmen's accounts, thereby concealing the actual source of the money paid because of the unlawful activities. The illicit payments were disguised as "management services," "marketing fees," "consulting fees," loans, or loan repayments to external companies with no genuine business operations. The external companies were often controlled or beneficially owned by the same individuals involved in the fishing quota scheme, illustrating how legal ownership was used to hide ultimate beneficial ownership when transactions lack proper oversight.

The scheme also involved accountants, lawyers, and corporate service providers who played crucial roles in establishing and maintaining these layered structures and facilitating money laundering. These professionals helped protect the anonymity of the beneficial owners throughout the process.

Report Source Type	Whistleblower
Perpetrators Involved	Foreign Nationals and Multi-National Companies, Namibian
	Nationals and locally registered Close Corporations, Companies and Trusts.
Involved sector	Banking, Legal Practitioners, Accountants, Real estate and
	the Fishing Sector
Key risk controls	Detection of questionable bank transactional behavior by a high-risk client (Prominent Influential Person) on the bank account of a Trust, where the PIP is registered as a Trustee.
	Identification of the beneficial owner who exercises effective control over the legal persons and arrangements through complex corporate structures and legal arrangements.
Designated services	Personal bank accounts, business bank accounts and Trust
	bank accounts.
Instruments used	EFTs, Cash payments, Companies, Close Corporations,
	Trusts and Individual banks accounts.
Potential Predicate Offence	Corrupt practices, Fraud, Tax evasion, and Racketeering.
Red flags/Indicators	<ul style="list-style-type: none"> • Concealed beneficial ownership information through complex corporate structures and legal arrangements. • Use of Legal ownership to hide ultimate control the Icelandic company. • Minority shareholding used strategically to meet local ownership laws while the Icelandic company retains effective control and profit flow. • Concealment of beneficial ownership through contractual arrangements.

- Shell companies, legal practitioners, TCSPs and legal arrangements used to layer transactions.

Lessons for AIs and RIs

- **Establish and Verify Ownership & Control Structures:** Institutions must not rely solely on self-declared information from clients. They should obtain corporate documents, agreements supporting the transactions, shareholder registers, and independent third-party verification before onboarding clients or conducting transactions.
 - **Perform Enhanced Due Diligence (EDD):** on all high-risk clients, including PIPs, and on all high-risk transactions.
 - **Adopt a Low Ownership Threshold for complex structure:** The FIA provides for a BO identification threshold at 25%. However, AIs and RIs may adopt a lower threshold for more complex transactions or high-risk clients— a best practice aimed at catching those who exploit small stakes across multiple entities to stay below conventional thresholds.
 - **Use a Risk-Based Approach:** AIs and RIs may use the results of the National Risk Assessment when high ML/TF/PF risks are identified for specific sectors, to conduct enhanced due diligence irrespective of the client's risk profile. This includes looking beyond legal owners to those exercising effective control by other means, including through family members, business associates, friends, informal relationships, or contractual arrangements.
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