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# Getting to Grips with the Challenge of Beneficial Ownership

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# Agenda

1. Introduction to Beneficial Ownership
2. Why establishing beneficial ownership is important
3. Need of the Hour
4. Illustrations
5. Conclusion



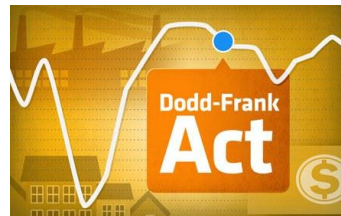
# Introduction to Beneficial Ownership

The term “Beneficial Owner” has been defined as the natural person who **ultimately owns or controls** a client and/or the person on whose behalf the transaction is being conducted, and includes a person **who exercises ultimate effective control** over a juridical person



# Why establishing Beneficial Ownership is Important

- Really getting to know your Third Parties
- Increasing Regulatory Impetus



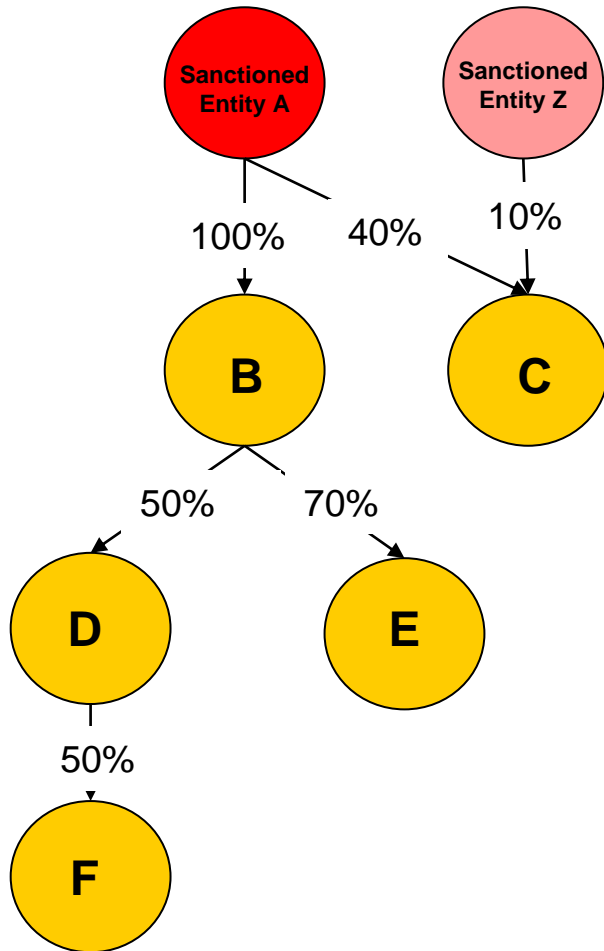
# Need of the Hour

- No 'quick fix' to this challenge of establishing UBO
- Calculation based on Validated Data and Established Business Rules
- Require tools and data that define qualifying levels of Beneficial Ownership based on different Needs and Regulations
- Teams should prepare for Increasing Domestic Scrutiny and not limit themselves to current requirements



# Illustrations

# Sanctioned Entities (50% Rule)



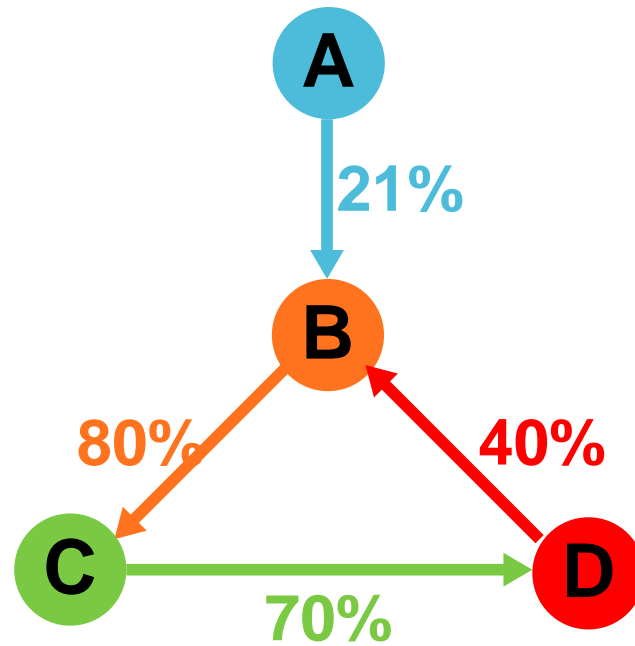
1. Sanctioned lists will only display A and Z
2. The missing links that can be found by unravelling complex ownership structures:
  - a. Direct & Indirect Sanctions: B, D & E
  - b. Cascaded Effect: F
  - c. Aggregation: C

Unlisted Sanctions

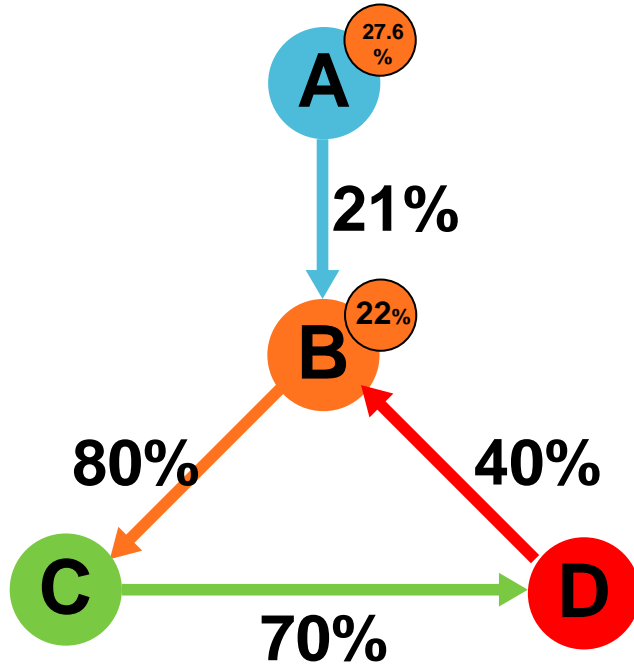




# Circular Ownership



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$$80\% \times 70\% \times 40\% = 22\%$$

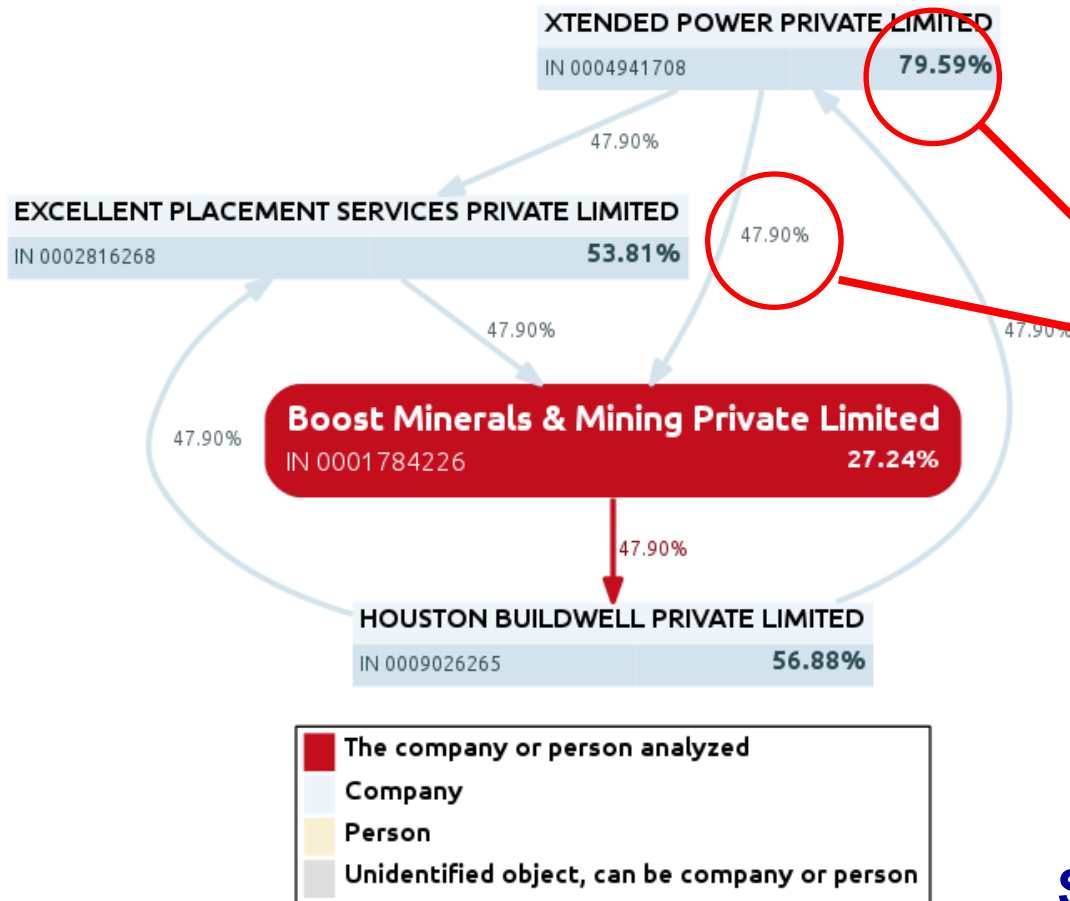
**B** Owns 22% of itself indirectly

$$21\% / (100\% - 22\%) = 27.6\%$$

**A** indirectly Owns 27.6% of **B**



# Circular Ownership



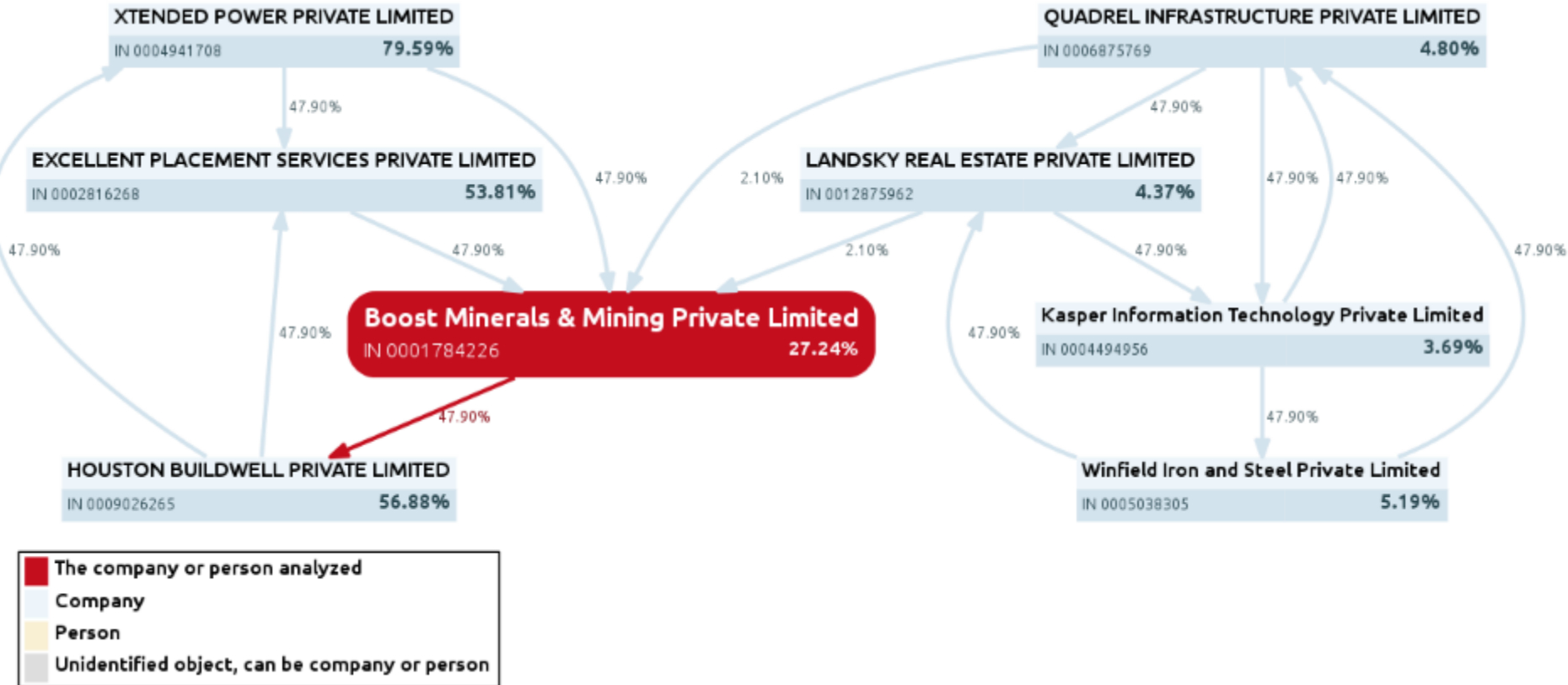
**The difference**

**Circular ownership makes it difficult to understand the real owner**

**Source: Bureau van Dijk**



# Beneficial Ownership – Lower Threshold



Source: Bureau van Dijk



# Conclusion

- It's important to really get to know your Third Parties
- AML teams should aim to stay ahead of Regulations; and
- We should make the best use of Customizable Technology to suit Internal Compliance Procedures



# Thank You

