

## Manual Guidance for Beneficial Owner Concept and Mechanisms of Identification

### Introduction:

The significance of money laundering and terrorist financing crimes and their direct negative impacts on the monetary and economic system stability as well as their tremendous threat to security and peace at the local and international levels, it was necessary for the Kingdom to mobilize the required capabilities to combat these two crimes at various levels, as all national authorities, each according to its competence is to apply the international standards and requirements issued by the Financial Action Task Force (FATF) regarding anti-money laundering and counter terrorist financing to enhance the effectiveness of the anti-money laundering and terrorist financing system. Hence, it was necessary to exert efforts to attain a satisfactory level of transparency regarding the beneficiary ownership of legal persons, based on what was stated in the Article (4) of Arab Convention on Combating Money Laundering and Terrorist Financing ratified by Law No. (20) of (2012), in which it was stated that each state party should stress the requirements for identifying clients and beneficiaries owners when necessary, as well as what was stated in Article ( 8/1/a) of the same agreement, provided that the beneficiaries owners of the natural and legal persons are verified.

### Definition

The beneficial owner as defined in Article (2) of anti-money laundering and counter terrorist financing law No. (46) of 2007:-

The natural person with the real interest for whom the business relationship is conducted for or on his behalf, or who has full or effective control over a legal person or has the right to conclude a legal arrangement on its behalf.

### The aims of identifying the beneficial owner or owners of legal persons:

1. Prevent the misuse of legal persons for criminal purposes;
2. Make legal persons sufficiently transparent;
3. Ensure that accurate and updated information on the beneficial ownership of a company is obtained and ensure that such information is accessed by the competent authorities in a timely manner.

Mechanisms of achieving the above aims to determine the beneficial owner:

1. The company registries shall obtain and hold up-to-date information on the companies' beneficial ownership (the Registry Approach);
2. Companies shall obtain and hold up-to-date information on the companies' beneficial ownership or companies to take reasonable measures to obtain and hold up-to-date information on the companies' beneficial ownership (the Company Approach);
3. Using existing information (the Existing Information Approach), including information held by other competent authorities on the legal and BO of companies and information held by the company as required
4. The companies shall authorize at least one natural person in the country to be accountable to the competent authorities for providing such information and assistance.

- Money laundering and terrorist financing risks for legal persons:

Financial crimes are committed with the aim of achieving material earning. For the purpose of enjoying the proceeds of these crimes and trying not to discover the crime and prosecute criminals, the criminal intent must be linked to the use of the money laundering proceeds in order to conceal the criminal origin of the funds or their illegal source, so it is difficult for law enforcement authorities to decide whether the criminal is the beneficiary owner of the money generated by the crime if he was involved.

The motive of terrorist financiers is to provide continuous sources of funds with the aim of financing terrorist groups for acts of terrorism. Whether the source of financing terrorism is legitimate or illegally, terrorist financiers generally use money laundering techniques similar to those used by criminals, including disguising the beneficiary owner and the funds' origin, destination and purposes.

Legal persons have legitimate goals that are known in the commercial and financial circles, but they remain vulnerable to exploitation in money laundering and terrorist financing.

International studies have proven that incomplete, inaccurate and timely transmission of information related to the beneficiary owner allows for the spread of money laundering and terrorist financing cases by disguising the following:

- Identity of known or suspected criminals.
- The real purpose of an account or property in the possession of a legal person.
- The source or destination of the use of funds or property related to the legal person.

Methods used to disguise the identity of the beneficiary owner:

- Establishment of fictitious companies.
- Complex companies in terms of determining the beneficiary owner and the controlling party having several levels of joint ownership in the name of other legal persons.

- Bearer shares.
- The use of legal persons as managers.
- The nominal directors and shareholders, as the identity of the actual shareholders and directors is not disclosed.

Hence, it was necessary to know the beneficiary owner and the controlling party of a legal person in order to take appropriate decisions regarding the level of risks of money laundering and terrorist financing for the purposes of preserving the reputation of the financial and economic system at the international level.

- Measures related to beneficiary ownership of legal persons:

A. Risk assessment:

Conduct a risk assessment for all types of legal persons to be consistent with the results of the national assessment of risks, taking into account the threats and local weaknesses associated with legal persons so that the records, companies, financial institutions and the competent authorities have a good understanding and knowledge of the risks of legal persons and verification according to the degree of risk.

B. Verify the sufficiency, accuracy, updating and timeliness of the information related to the beneficiary ownership and ensure its accuracy and coordination between the various sources of information, and for legal persons to update the information related to their usufruct ownership or to inform corporate records when there is a change in the usufruct ownership, and that the information related to Usufruct ownership is always available when it comes to foreign ownership.

C. The timely access of the competent authorities to sufficient, accurate and up-to-date information about the real ownership and beneficiary ownership.

D. Imposing effective, proportionate and deterrent sanctions on companies that do not provide accurate and updated information regarding the beneficiary ownership, such as companies that provide false information to the company's records, or do not retain information about shareholders or members.

- The applicable legal and regulatory requirements to determine the beneficial owner in favor of Companies Control Department:

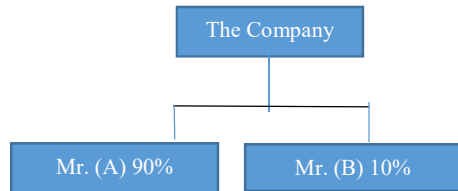
1. Companies registered in accordance with the provisions of the Jordanian Companies Law No. 22 of 1997 and its amendments are obligated to disclose the name of the beneficiary owner as defined in the effective Anti-Money Laundering and Counter Terrorist Financing Law when registering or conducting any alteration to its ownership.

2. The beneficiary owner shall be filed in a special register established by instructions issued for this purpose.
3. Sanctions are imposed by law on anyone who intentionally refrains from disclosing the beneficiary owner.

## Practical Examples

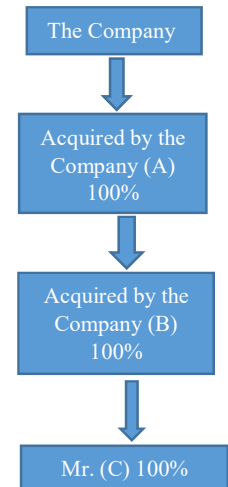
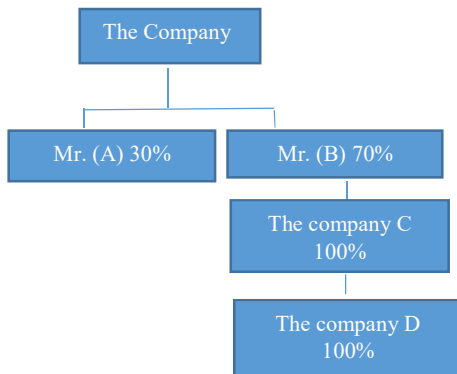
First:

Direct Ownership: Determining the beneficiary owner in this ownership is direct. The company is owned by natural persons whose identities are verified. The person who actually controls the company is the owner of the its largest share.



Second:

Indirect ownership: Determining the beneficial owner in this ownership requires to look through beyond Companies (A and B) until the natural person with actual control is reached and who is the beneficiary owner.



The beneficial owner is Mr. (D) by owning Company (C) directly and owning Company (B) indirectly.

Legal Representative:

1. Appointed by the Company.
2. Or the attorney under a power of attorney.
3. Or the trustee, liquidator, insolvency practitioner, guardian.

• Clarification:

- In the event that one of the partners/shareholders was a foreign legal person, a disclosure form must be submitted by his representative independently upon registration of the company.
- Emphasizing that not every partner / shareholder is a beneficiary owner. Accordingly, it is not permissible for each partner / shareholder to be considered as a beneficiary owner operationally, and they are not required to provide a disclosure that they are beneficiaries owners.
- If there are multiple partners/shareholders, whether they are natural or legal persons, the company's disclosure is signed by the attorney appointed by them for the purposes of its registration.
- The same procedures shall be followed when adding a partner/shareholder, either by transfer of the shares or capital increase.