



Commission de Surveillance  
du Secteur Financier

## Circular CSSF 24/861

amending Circular CSSF 19/732 of 20 December 2019 on the Prevention of Money Laundering and Terrorist Financing: Clarifications on the Identification and Verification of the Identity of the Ultimate Beneficial Owner(s)

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To all professionals under AML/CFT supervision of the CSSF

Luxembourg, 5 September 2024

Ladies and Gentlemen,

This circular modifies point 74 of Circular CSSF 19/732 of 20 December 2019 on the Prevention of Money Laundering and Terrorist Financing: Clarifications on the Identification and Verification of the Identity of the Ultimate Beneficial Owner(s) with immediate effect.

Point 74 will be replaced by the following:

*“Where legal persons or arrangements are in between the customer and the natural person - beneficial owner, their identification, with its documentation and verification, has to be done according to a risk-based approach”.*

Yours faithfully,

**Claude WAMPACH**  
Director

**Marco ZWICK**  
Director

**Jean-Pierre FABER**  
Director

**Françoise KAUTHEN**  
Director

**Claude MARX**  
Director General

Annex                      Circular CSSF 19/732 as amended by Circular CSSF 24/861



## Circular CSSF 19/732

as amended by Circular CSSF 24/861

Prevention of Money  
Laundering and Terrorist  
Financing: Clarifications on the  
Identification and Verification  
of the Identity of the Ultimate  
Beneficial Owner(s)

# Circular CSSF 19/732

as amended by Circular CSSF 24/861

## Prevention of Money Laundering and Terrorist Financing: Clarifications on the Identification and Verification of the Identity of the Ultimate Beneficial Owner(s)

To all professionals under AML/CFT supervision of the CSSF

Luxembourg, 20 December 2019

Ladies and Gentlemen,

1. The purpose of this circular is to provide guidance to all professionals subject to AML/CFT supervision of the CSSF in relation to the legal requirements applicable to the identification and verification of the identity of the ultimate beneficial owner with a view to enhancing financial transparency.
2. The concept of **ultimate beneficial ownership**<sup>1</sup> (*hereinafter* referred to also as "UBO") is not novel as the term "beneficial owner" already appeared in the first anti-money laundering directive dating from 1991.<sup>2</sup> Yet, said first anti-money laundering directive did not define the concept of beneficial owner and contained little detail on the relevant procedures with regard to customer identification and verification obligations including of beneficial owners (*know your customer*). This gap was filled with the adoption of the third anti-money laundering directive as a definition of what constitutes a beneficial owner was provided for in Article 3(6).<sup>3</sup> The fourth anti-money laundering directive<sup>4</sup> (*hereinafter* "4AML") has provided significant clarifications<sup>5</sup> in view of the concrete implementation of the beneficial owner concept while simultaneously taking into account the 2012 FATF Recommendations, particularly Recommendations 10, 24, 25, its interpretive notes, as well as immediate outcomes 4 and 5 described in the FATF Methodology for assessing the effectiveness of AML/CFT systems.

<sup>1</sup> The French equivalent is *bénéficiaire effectif*. The terms *bénéficiaires économiques* and *bénéficiaires réels* have equally been used in the past but are however no longer applicable.

<sup>2</sup> Council Directive 91/308/EEC of 10 June 1991 on prevention of the use of the financial system for the purpose of money laundering.

<sup>3</sup> Directive (EU) 2005/60 EC of the European Parliament and of the Council of 26 October 2005 on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing.

<sup>4</sup> Directive (EU) 2015/849 of the European Parliament and of the Council of 20 May 2015 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, amending Regulation (EU) No 648/2012 of the European Parliament and of the Council, and repealing Directive 2005/60/EC of the European Parliament and of the Council and Commission Directive 2006/70/EC.

<sup>5</sup> Articles 30 and 31.

3. As the practical implementation of these FATF Recommendations has proved challenging for professionals, FATF has equally developed a guidance paper<sup>6</sup> on transparency and beneficial ownership<sup>7</sup> in 2014 and continues to provide guidance on the topic with the aim of creating an effective system that prevents *i.a.* the misuse of legal persons and legal arrangements for criminal purposes.<sup>8</sup> The latest document of the FATF in that respect containing practical guidance is the paper on Best Practices on beneficial ownership for legal persons of October 2019.<sup>9</sup>
4. Several provisions of the 4AMLD have to be read in conjunction to identify the ultimate beneficial owner, notably Article 3(6) and 3(12) which contain definitions, Article 13 with regard to customer due diligence obligations and Articles 30 and 31 concerning the establishment of a central register on beneficial ownership information. To be noted that Article 30 has been modified pursuant to the fifth anti-money laundering directive<sup>10</sup> (hereinafter "5AMLD").
5. The Luxembourg Law of 13 February 2018 has implemented the 4AMLD requirements on professional obligations with respect to the beneficial owner through amendments in the Law of 12 November 2004 on the fight against money laundering and terrorist financing<sup>11</sup> (*hereinafter* "the AML/CFT Law").<sup>12</sup> The most relevant Articles in relation to the ultimate beneficial owner are thus Article 1(7) and Article 3(2) of the AML/CFT Law as well as Article 1(2) of the Grand-ducal Regulation of 1 February 2010.<sup>13</sup> CSSF Regulation No 12-02 of 14 December 2012<sup>14</sup> (*hereinafter* "CSSF Regulation 12-02"), particularly Articles 3, 17, 21-23 and 25 should equally be taken into account.
6. The establishment of a central register on beneficial ownership information, recently introduced through the Law of 13 January 2019<sup>15</sup> and the Grand-ducal Regulation of 15 February 2019 should also be taken into account. Moreover, the Law of 10 August 2018 on information to be obtained and held by trustees transposing Article 31 of the 4AMLD on the

<sup>6</sup> FATF Guidance, Transparency and beneficial ownership, 14 October 2014, available at: <http://www.fatf-gafi.org/media/fatf/documents/reports/Guidance-transparency-beneficial-ownership.pdf>

<sup>7</sup> Three mechanisms are suggested in this guidance paper: Firstly the creation of company registers, secondly to require and hold beneficial ownership information, and thirdly, to rely on existing information. A combination of mechanisms (the multi-prong approach) using several sources of information is considered by FATF to be the most effective.

<sup>8</sup> See also the FATF paper on "The Misuse of Corporate Vehicles, Including Trust and Company Service Providers", 13 October 2006, available at: <http://www.fatf-gafi.org/media/fatf/documents/reports/Misuse%20of%20Corporate%20Vehicles%20including%20Trusts%20and%20Company%20Services%20Providers.pdf>

<sup>9</sup> <http://www.fatf-gafi.org/media/fatf/documents/Best-Practices-Beneficial-Ownership-Legal-Persons.pdf>.

<sup>10</sup> Directive (EU) 2018/843 of the European Parliament and of the Council of 30 May 2018. The consolidated version can be found here: <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:02015L0849-20180709&from=EN>.

<sup>11</sup> Law of 12 November 2004 on the fight against money laundering and terrorist financing transposing Directive 2001/97/EC of the European Parliament and of the Council of 4 December 2001 amending Council Directive 91/308/EEC on prevention of the use of the financial system for the purpose of money laundering and amending.

<sup>12</sup> The law has subsequently been amended notably by the Laws of 17 April 2018 and of 10 August 2018.

<sup>13</sup> Grand-ducal Regulation of 1 February 2010 providing details on certain provisions of the amended Law of 12 November 2004 on the fight against money laundering and terrorist financing.

<sup>14</sup> CSSF Regulation No 12-02 of 14 December 2012 on the fight against money laundering and terrorist financing.

<sup>15</sup> <http://data.legilux.public.lu/file/eli-etat-leg-loi-2019-01-13-a15-jo-fr-pdf.pdf>.

registry on *fiducies* and trusts<sup>16</sup> should also be taken into consideration. The law establishing the central register on beneficial ownership information entered into force on 1 March 2019 with a transition period of six months which has been extended for three months, thus until 30 November 2019.<sup>17</sup>

7. The purpose of this circular is to provide guidance to all professionals subject to AML/CFT supervision of the CSSF (hereinafter “professionals”) on the practical implementation of the identification requirements of the ultimate beneficial owner as well as on the reasonable measures that should be taken to verify the identity requirements, so that they are satisfied that they know who the ultimate beneficial owner(s) is (are). The identification goes beyond the mere collection of a name or document or check in a registry. This circular has thus to be read in conjunction with other CSSF circulars and regulations related to AML/CFT,<sup>18</sup> as well as the applicable legal and regulatory framework. The examples provided in this circular are meant to assist the professionals in meeting their obligations but are not intended to be exhaustive examples. Professionals should develop AML/CFT policies, procedures, systems and controls that are adequate and effective considering the nature, scale and complexity of their respective businesses as well as their overall exposure to ML/FT risks.
8. Part I of this circular outlines the UBO identification requirements for customers that are either natural persons, legal persons or legal arrangements. Part II outlines the verification of identity requirements. Finally, in Part III, useful indicators can be found to help detect potential concealment of beneficial ownership information.

## **I. Identification of the Ultimate Beneficial Owner**

### **1. General Considerations**

9. An ultimate beneficial owner is a natural person who ultimately owns or controls the customer or on whose behalf a transaction or activity is being conducted. In the case of a legal entity, a clear distinction should be made between basic ownership information, namely concerning the immediate legal owner of the customer, and beneficial ownership information namely concerning the person(s) who ultimately own(s) or control(s) the customer. Generally, when implementing customer due diligence requirements, a holistic and risk-based approach should be adopted.<sup>19</sup> Nonetheless professionals have to ascertain that they will effectively look for the natural person(s) who is/are to be considered as the ultimate beneficial owner(s).

<sup>16</sup> Law of 10 August 2018 repealed by the Law of 10 July 2020 on information to be obtained and held by trustees and transposing Article 31 of Directive (EU) 2015/849 of the European Parliament and of the Council of 20 May 2015 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, amending Regulation (EU) No 648/2012 of the European Parliament and of the Council, and repealing Directive 2005/60/EC of the European Parliament and of the Council and Commission Directive 2006/70/EC, accessible at: <http://legilux.public.lu/eli/etat/leg/loi/2018/08/10/a702/jo>.

<sup>17</sup> In line with Article 30(10) and Article 67 of the 5AMLD, the national central registers on beneficial ownership have to be interconnected by 10 March 2021 through a European Central Platform.

<sup>18</sup> i.a. but not limited to Circulars CSSF 17/650, 17/661, 18/698, accessible at: [www.cssf.lu](http://www.cssf.lu).

<sup>19</sup> Article 3(2a) of the AML/CFT Law.

10. Establishing who the ultimate beneficial owner is may not in every circumstance be a straightforward exercise and different measures would need to be taken depending on the legal form and ownership structure of the customer. Also, the fact that many customers and/or their ultimate beneficial owners may not be based in Luxembourg can pose additional challenges in fulfilling the UBO requirements. The extent and depth of the measures needed to establish beneficial ownership have thus to be commensurate *i.a.* with the complexity and the location of the customer.
11. While complex legal entity structures can have legitimate reasons, additional measures might have to be taken for understanding the structure and to be satisfied as to the identity of their ultimate beneficial owner(s). For example, the lack of any obvious legitimate (commercial) purpose when using complex legal structures may trigger doubts on the real identity of the UBO(s) and could pose a higher risk of ML/TF that would need to be mitigated.
12. The ultimate beneficial owner is by definition a **natural person**. Therefore, the ultimate beneficial owner can only be an individual, and neither another legal person nor a legal arrangement. The ultimate beneficial owner should also be conceptually distinguished from:
  - The customer, which could be a natural person, a legal person or a legal arrangement; and
  - The beneficiaries of the contract or the transaction. The meaning of this term depends on the context, notably for insurance services or for trusts and legal arrangements. The beneficiary and the ultimate beneficial owner may in certain cases be the same, in particular where the customer is a natural person.
13. A business relationship or transaction can also involve several ultimate beneficial owners. Furthermore, ultimate beneficial ownership is by definition not static and can change over time. For example: Shared ownership can change as the business grows.
14. To identify the UBOs, professionals can make use of the publicly available records with information on ultimate beneficial owners (for example, the information contained in the national register on beneficial ownership), request the customer for relevant data, require evidence of the beneficial owner's identity on the basis of documents or information of a reliable source from the customer, or obtain the necessary information by other means.
15. The aforementioned Luxembourg central register on beneficial ownership recently put in place constitutes a useful tool for the purposes of obtaining and verifying beneficial ownership information on Luxembourg legal entities. When identifying the ultimate beneficial owner(s) of their customers, professionals should collect proof of registration or an excerpt of the register.<sup>20</sup> Similar measures should be taken with respect to customers that are foreign legal persons or arrangements and where such type of registers are available for consultation without restrictions to foreign financial institutions.
16. Simultaneously however, and in accordance with Article 3(2a) of the AML/CFT Law, professionals may not exclusively rely on beneficial ownership information contained in such

<sup>20</sup> Article 14 of the 5AMLD.

a central register to fulfill their customer due diligence obligations<sup>21</sup> as those go beyond information required for the purpose of Article 3(2)(b) of the AML/CFT Law and include measures for the purpose of Article 3(2)(a), (c) and (d). These central registers provide a useful basis of information, which in combination with other verification means, shall ensure the accuracy and adequacy of the beneficial ownership information (cross-checking).

17. In case no ultimate beneficial owner is identified as required by the laws and regulations, the business relationship cannot be established. In the case of an existing business relationship, where it is not possible to identify the UBO, the transaction(s) should not be carried out or the business relationship should be terminated. Consideration should be given to file a report of ML/FT suspicions, in accordance with Article 3(4) of the AML/CFT Law.

## **2. Definition of Ultimate Beneficial Owner**

18. Article 1(7) of the AML/CFT Law defines the ultimate beneficial owner as follows:  
*"Any natural person(s) who **ultimately own(s) or control(s)** the customer or any natural person(s) **on whose behalf** a transaction or activity is being conducted".*
19. According to the FATF Recommendations, the definition of a beneficial owner also includes the *"person(s) who exercise(s) ultimate effective control over a legal person/arrangement"*.<sup>22</sup>

### **2.1 The Customer is a Natural Person**

20. In case of a business relationship with a customer who is a natural person, the customer himself will usually be the ultimate beneficial owner. In line with Article 17 of CSSF Regulation 12-02, the professional must always enquire whether the customer is acting for its own account or not. Where the declaration is negative, or where there exist elements of the transaction, or surrounding circumstances, or reasonable grounds that indicate that the customer is acting on behalf of (or fronting for) another person, appropriate inquiries should be made in order to determine if that person falls within the definition of UBO pursuant to Article 3(2)(b) of the AML/CFT Law. Where the ultimate beneficial owner is a different person, said individual must be identified and reasonable measures must be taken to verify his/her identity.

### **2.2 Legal Persons or Legal Arrangements**

21. This section outlines the legal framework applicable to identify the ultimate beneficial owner(s) of a legal person or legal arrangement. First, some general guidance will be given (2.2.1), second, the applicable legal framework (2.2.2) as well as the threefold "cascading procedure" will be addressed (2.2.3), and finally, some specific relationships will be explained (2.2.4).

<sup>21</sup> Article 3(2a) of the AML/CFT Law.

<sup>22</sup> Glossary of the FATF Recommendations, available at: <https://www.fatf-gafi.org/glossary/>.



### 2.2.1 General Guidance

22. In view of enhancing transparency, “*legal persons*” should be interpreted broadly, meaning generally any entity which has a legal personality and “*that can establish a permanent customer relationship with a financial institution or otherwise own property*”.<sup>23</sup> This includes but is not limited to companies, corporate bodies, foundations, partnerships or associations and other pertinently similar entities. Non-profit organizations (NPO’s) that can take a variety of forms, such as associations or cooperative societies, should also be included.
23. Legal arrangements may refer to express trusts<sup>24</sup> or other similar legal arrangements that may include (for AML/CFT purposes) *fiducies*, *Treuhand* and *fideicomiso*, which are not necessarily foreseen in the Luxembourg law. However, life insurance policies shall not be regarded as similar legal arrangements.
24. For any legal person or legal arrangement, the extent of the specific measures that have to be taken to understand the ownership structure and identify the ultimate beneficial owner should be determined depending on the complexity and the different legal forms and structures in order to achieve appropriate levels of knowledge and transparency related to ultimate beneficial ownership information.

### 2.2.2. Legal Framework Applicable to Legal Persons and Legal Arrangements

#### I. General Rules

25. Article 1(7)(a) of the AML/CFT Law provides that:

*The concept of beneficial owner shall include at least:*

a) *In the case of corporate entities:*

(i) *Any natural person who **ultimately owns or controls** a legal entity through **direct or indirect ownership** of a sufficient percentage of the shares or voting rights or ownership interest in that entity, including through bearer shareholdings, or through control via other means other than a company listed on a regulated market that is subject to disclosure requirements consistent with Union law or subject to equivalent international standards which ensure adequate transparency of ownership information.*

*A shareholding of 25% plus one share or an ownership interest of more than 25% in the customer held by a natural person shall be an **indication of direct ownership**. A shareholding of 25% plus one share or an ownership interest of more than 25% in the customer held by a corporate entity, which is under the control of a natural person(s), or by multiple corporate entities, which are under the control of the same natural person(s), shall be an indication of **indirect ownership**;*

<sup>23</sup> Glossary of the FATF Recommendations, available at: <https://www.fatf-qafi.org/glossary/i-m/>.

<sup>24</sup> According to the Glossary of the FATF Recommendations, “*Express trust*” refers to a trust clearly created by the settlor, usually in the form of a document e.g. a written deed of trust. They are to be contrasted with trusts which come into being through the operation of the law and which do not result from the clear intent or decision of a settlor to create a trust or similar legal arrangements (e.g. constructive trust).

(ii) *If, after having exhausted all possible means and provided there are no grounds for suspicion, no person under point (i) is identified, or if there is any doubt that the person(s) identified are the beneficial owner(s), any natural person who holds the position of senior **dirigeant (manager)**.*

## II. Fiducies and Trust Specificities

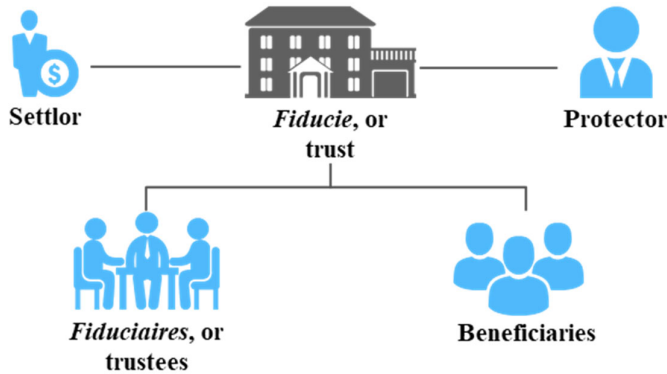
26. In relation to fiducies and trusts incorporated/recognised in Luxembourg,<sup>25</sup> it should be noted that trusts and fiducies can be used to increase anonymity by adding an additional layer of complexity through the separation of beneficial and legal ownership. In a trust, a settlor transfers legal ownership including the right to control the property (legal title) to a trustee and the right to enjoy the benefits of the property (equitable) to beneficiaries. The trust instrument sets out the terms of such a transfer. As the legal title and control of property are disconnected from the equitable interests in the asset, different persons might own, benefit from, and control the trust. If the settlor and beneficiary are the same, the legal and equitable title are said to merge and the trust ceases to exist. Where a legal is entirely or partially owned by a trust, the rules on identification of the UBO of legal entities and trusts apply simultaneously.

27. Article 1(7)(b) of the AML/CFT Law provides that the concept of beneficial owner shall include at least:

- (i) *The settlor, if any;*
- (ii) *Any fiduciaire or trustee);*
- (iii) *The protector, if any;*
- (iv) *The beneficiaries, or where the individuals benefiting from the legal arrangement or entity have yet to be determined, the class of persons in whose main interest the legal arrangement or entity is set up or operates;*
- (v) *Any other natural person exercising ultimate control or influence over the fiducie or trust by means of direct or indirect ownership or by other means.*

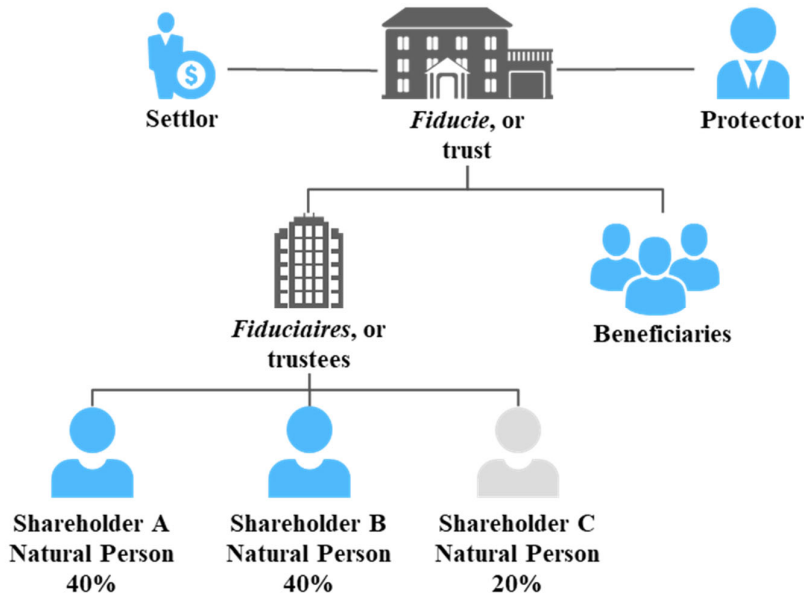
<sup>25</sup> Law of 27 July 2003 ratifying the Den Hague Convention of 1 July 1985 relating to the law applicable to the trust and its recognition; providing for a new regulation of fiduciary contracts; and amending the Law of 25 September 1905 on the transcription of rights on immoveable property (as amended by the Law of 22 March 2004).

**Figure 1: Trust Direct Ownership: All persons in blue have to be identified as UBOs**



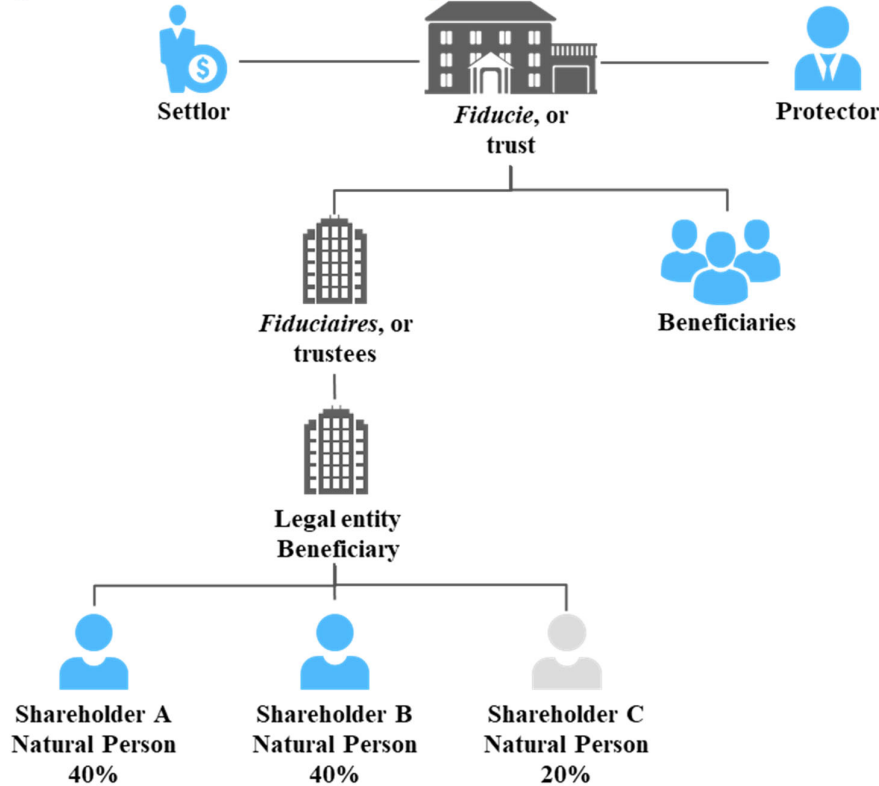
28. In the case of fiducies and trusts, control under point (v) means the power, either exercisable alone or jointly, to take certain actions. These actions include dealing with trust property, terminating or varying a trust, adding or removing beneficiaries, appointing or removing trustees, etc.

**Figure 2: Trust: Indirect Ownership: All persons in blue have to be identified as UBOs**



29. In relation to legal entities such as foundations and legal arrangements similar to trusts, Article 1(7)(c) of the AML/CFT Law provides that the concept of ultimate beneficial owner should at least include any natural person holding equivalent or similar positions as in the situation of *fiducies* or trusts.

**Figure 3: Trust: Indirect Ownership**



30. Where the trust is 100 percent owned by a legal entity, the rules applicable to legal entities in view of identifying the UBO apply.

III. Exemption: Companies whose shares are admitted to trading on regulated markets (Union or equivalent)

31. The AML/CFT Law specifies<sup>26</sup> that, in principle, it is not required to identify and verify the identity(ies) of the ultimate beneficial owner(s) of a customer whose shares are admitted to trading on a regulated market<sup>27</sup> in one or more EU Member States or EEA countries that is subject to disclosure requirements consistent with Union law or on a third country market that is subject to equivalent obligations which ensure adequate transparency of ownership information. It should be noted that under Union law, relevant disclosure obligations for major shareholders are set out under Chapter III of the Transparency Directive,<sup>28</sup> and apply only for an issuer whose shares (or depositary receipts representing shares) are admitted to trading on a regulated market. Therefore, issuers of securities other than shares (such as debt instruments), and issuers whose shares (or depositary receipts presenting shares) are admitted to trading on a market other than a regulated market (such as an MTF), are not

<sup>26</sup> Article 1(7)(a)(i).

<sup>27</sup> As defined under Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments ("MiFID II").

<sup>28</sup> Directive 2004/109/EC of the European Parliament and of the Council of 15 December 2004 on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market and amending Directive 2001/34/EC.

subject to the necessary transparency obligations and do not qualify for the exemption of Article 1(7)(a)(i) of the AML/CFT Law. Consequently, in the latter cases, UBO(s) should be identified and verified.

32. In other terms, the exemption only applies where the customer is an issuer of shares (or equivalent depository receipts representing shares) which are admitted to trading on a regulated market in the Union or on a third country market subject to disclosure obligations for major shareholders which are subject to equivalent international standards which ensure adequate transparency of ownership information.
33. The professional which intends to make use of this exemption should thus ensure that the customer is:
  - A company whose shares (or equivalent) are admitted to trading on a regulated market in the EEA; or
  - A company whose shares are admitted to trading on a non-EEA market, but that is subject to equivalent disclosure obligations to those mentioned above.
34. Where applicable, the professional should record the measures taken to ascertain the equivalence status of the market. The evidence of the admission to the regulated market should also be recorded. For companies whose shares are admitted to trading on a third country market which does not pass the equivalence requirements, the UBO should always be identified and verified in the same manner explained in this circular as for unlisted companies.
35. Legal entity customers that do not fulfill these criteria are however subject to the identification of their ultimate beneficial owner(s) on the basis of the following threefold procedure.

### **2.2.3 Threefold Procedure to Determine Ultimate Beneficial Ownership**

36. With regard to legal persons, Article 1(7) of the AML/CFT Law provides for a threefold procedure to determine ultimate beneficial ownership. The respective steps mentioned hereafter have to be followed until all ultimate beneficial owners have been correctly identified:
  - i) Identify the natural person(s) who directly or indirectly holds or controls a sufficient percentage, namely 25 percent plus one, of the shares, voting rights or ownership in an entity;
  - ii) Where no natural person can be identified under any of the scenarios under (i), identify any person who controls the legal entity via other means; and
  - iii) After having exhausted all possible means and provided that there are no grounds for suspicion, where no person under point i) and ii) is identified, or if there is any doubt that the person(s) identified is/are the beneficial owner(s), identify any person who holds the position of senior managing official (*dirigeant principal*).
37. It is fundamental to stress that measures (i) and (ii) are not alternative options but cascading measures. Assessments under (i) and (ii) have thus each to be fully completed and formalised before resorting to measure (iii) which constitutes an express fallback option only

applicable when all possible measures to identify the ultimate beneficial owner under (i) and (ii) have been exhausted and came to no result.

I) Direct or indirect ownership: The threshold approach

38. The prescribed indicative threshold referred to in Article 1(7)(a)(i) of the AML/CFT Law should be understood as the natural person owning more than 25 percent (*i.e.* at least 25 percent plus one) percent of shares or voting rights<sup>29</sup> of the legal person customer. Strictly speaking, from a mathematical point of view, and as a general principle when applying the threshold approach, a legal person customer could have between zero (because ownership is strongly diluted) and three ultimate beneficial owners. It should be stressed that a professional may adopt more stringent internal policies and procedures, for example by lowering the ownership threshold, particularly where ML/TF risks are identified to be higher.
39. References to the notions “*ultimately owns or controls*” and “*ultimate effective control*”, address situations where ownership or control is exercised through a chain of ownership by means of indirect control other than direct control. The ownership structure of the legal person defines the controlling ownership interest.
40. In a one-layer structure as illustrated in figure 4, where the customer himself is e.g. a legal entity, the professional has to examine whether natural persons can be identified as ultimate beneficial owners, *i.e.* natural persons who directly own more than 25 percent of the shares or voting rights of the customer.
41. In a multiple-layer structure as illustrated in figure 5, where the customer himself is e.g. a legal entity and where other legal persons are participating in the ownership structure of the customer, *i.e.* by holding more than 25 percent of the shares or the voting rights, the professional has then to examine whether natural persons can be identified as ultimate beneficial owners, through the chain of shareholdings. This process has to be repeated in a cascade manner, where multiple layers are present, until all ultimate beneficial owners with respect to the customer have been identified.
42. As a reminder, the persons to be identified as ultimate beneficial owners have always to be natural persons. In the context of the threshold approach and in accordance with notably Article 1(2) of the Grand-ducal Regulation of 1 February 2010, this means that the professional will need to take reasonable measures to understand the ownership and control structure of the customer. As a result, to understand the ownership structure of his customer, or where natural persons are not exclusively and/or directly involved in the ownership structure of the customer, the professional may need to look through several layers of legal entities to determine whether a natural person owns finally more than 25 percent of shares or voting rights or ownership interests of the legal person customer.
43. Finally, as stated in Article 23 of CSSF Regulation 12-02, the threshold of ‘more than 25 percent’ is only indicative entailing that the sole application of this threshold might in certain cases not suffice to identify the correct ultimate beneficial owner. Also, where a shareholder holding more than 25 percent has been identified, other UBOs might still be present and

<sup>29</sup> Throughout this section, the example of shares will be used. However, voting rights or ownership interests could be used interchangeably as per the AML/CFT Law.

would need to be identified (either because they are also holding more than 25 percent of shares or voting rights or because they fall within other categories of UBOs).

### Illustrative examples

Figure 4: Simple One Layer Ownership Structure

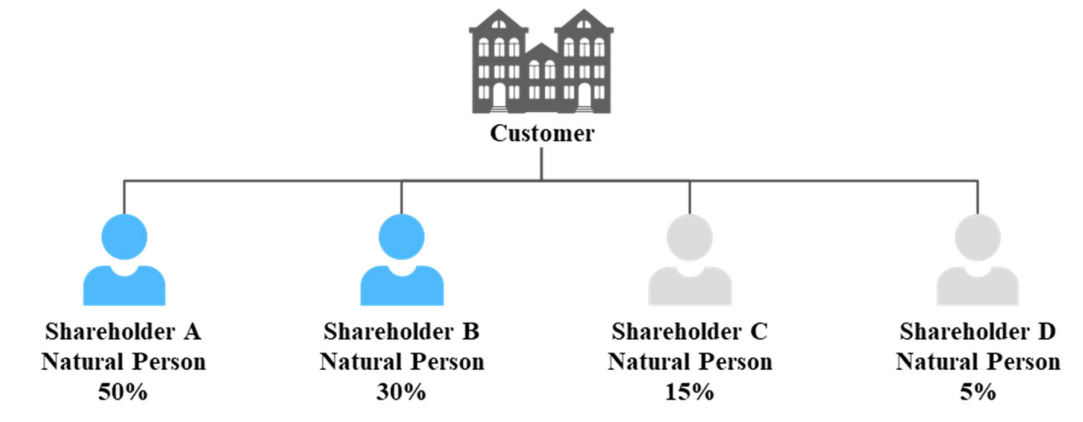
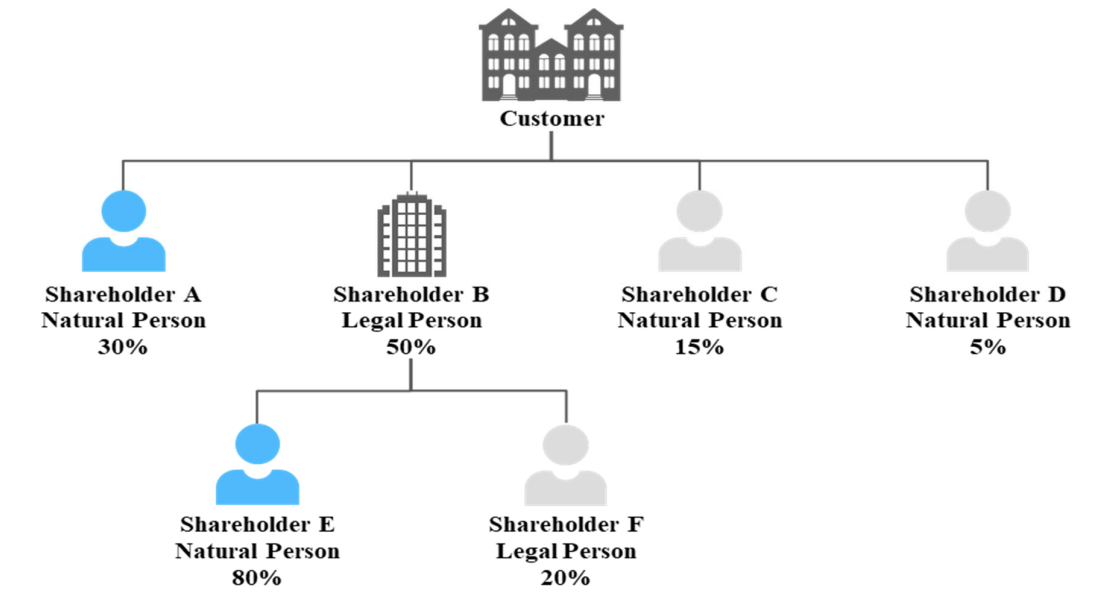


Table 4: Simple One Layer Ownership Structure<sup>30</sup>

Shareholder	Type of shareholder	Type of ownership	Ownership	Beneficial owner
A	Natural	Direct	50%	✓
B	Natural	Direct	30%	✓
C	Natural	Direct	15%	x
D	Natural	Direct	5%	x

<sup>30</sup> X: The orange cross in all the figures indicates that, a priori, those persons do not qualify as UBOs under this step of the assessment. However, the professional has the obligation to conduct a case by case analysis to ensure that all the correct UBOs are identified, notably also pursuant to point II) here below ("control via other means").

Figure 5: Multiple Layer Ownership Structure



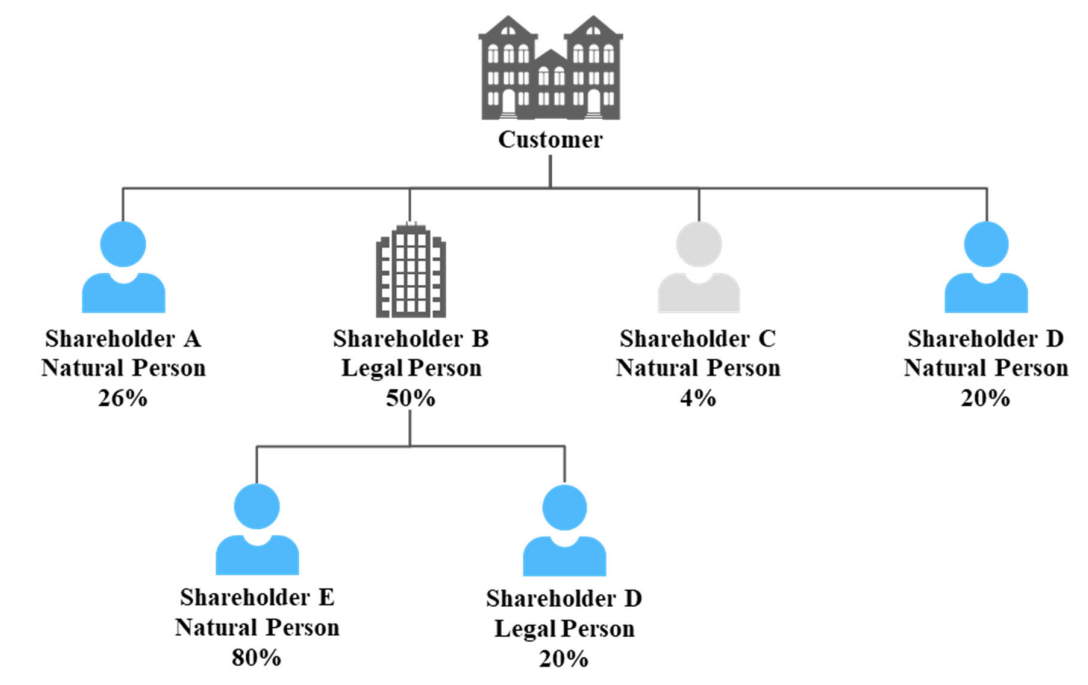
44. In this example, shareholders A, B, C and D are the direct owners of the legal person customer. Shareholders E and F own the legal person customer indirectly through their ownership in shareholder B.
45. Shareholder A can be identified as ultimate beneficial owner through direct ownership as it is a natural person holding more than 25 percent of the shares in the customer. Shareholder B is not a natural person and can thus never be qualified as an ultimate beneficial owner. However, as shareholder B holds more than 25 percent of the shares in the customer, its own ultimate beneficial owners should be identified as they could be ultimate beneficial owners of the customer through indirect ownership, namely when they hold more than 25 percent of the shares of B. Therefore, shareholder E can be qualified as an ultimate beneficial owner through indirect ownership as it is a natural person owning 80 percent of shareholder B which itself owns 50 percent of the customer thus indirectly owning 40 percent of the customer (80 percent of 50 percent).
46. Shareholders C, D and F are not to be identified as ultimate beneficial owners under the threshold approach as they own less than 25 percent of the shares of the customer. The table below summarises the identification of the ultimate beneficial owners through direct and indirect ownership applying the threshold approach.



Table 5: Multiple Ownership Structure

Shareholder	Type of shareholder	Type of ownership	Ownership	Beneficial owner
A	Natural	Direct	30%	✓
B	Legal	Direct	50%	✗
C	Natural	Direct	15%	✗
D	Natural	Direct	5%	✗
E	Natural	Indirect	40%	✓
F	Natural	Indirect	10%	✗

Figure 6: Cumulative Ownership

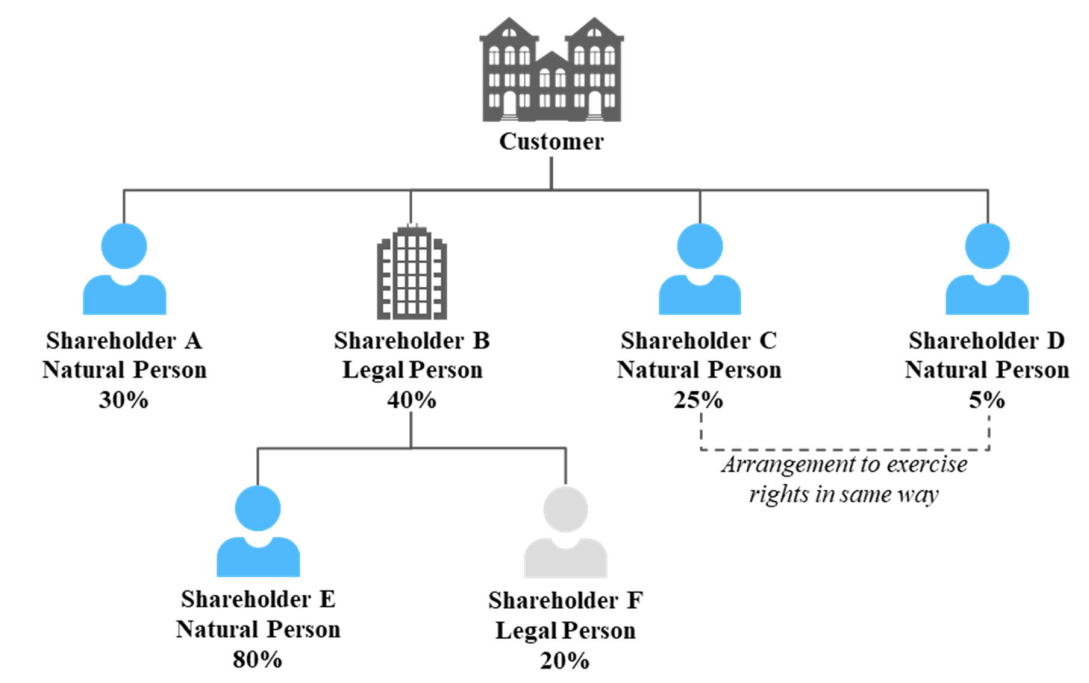


47. In this example (figure 6), shareholder D is the ultimate beneficial owner of the customer via cumulative ownership. Indeed, shareholder D is both a direct owner of 20 percent of the shares in the customer, and an indirect owner of 10 percent of the shares in the customer by holding 20 percent of the shares in shareholder B, which itself owns 50 percent of the shares in the customer. As a result, cumulatively shareholder D owns 30 percent of the customer and is thus an ultimate beneficial owner. The situation of the other shareholders is the same as under figures respectively 4 and 5.

Table 6: Cumulative Ownership

Shareholder	Type of shareholder	Type of ownership	Ownership	Beneficial owner
A	Natural	Direct	26%	✓
B	Legal	Direct	50%	✗
C	Natural	Direct	4%	✗
D	Natural	Direct (cumulative)	30%	✓
E	Natural	Indirect	40%	✓

Figure 7: In Concert Ownership



48. In this example (figure 7), shareholder C and D individually own not more than 25 percent plus one of shares in the customer, yet they have an arrangement to exercise their rights in the same way. Therefore, when known by professionals they must be treated as owing the sum of the shares and should thus be considered as joint or in concert beneficial owners.

Table 7: In Concert Ownership

Shareholder	Type of shareholder	Type of ownership	Ownership	Beneficial Owner
A	Natural	Direct	30%	✓
B	Legal	Direct	40%	✗
C	Natural	Direct (joint)	30%	✓
D	Natural	Direct (joint)	30%	✓
E	Natural	Indirect	32%	✓
F	Natural	Indirect	8%	✗

49. If no natural person can be determined applying the threshold approach, the second step of the procedure foreseen in the AML/CFT Law comes into play, namely determining who exercises effective control via other means over the customer. Situations might exist where the two approaches have to be applied simultaneously.

II) Control Through any Other Means: Effective Control

50. In line with Article 23 of CSSF Regulation 12-02, for some customers, after having applied the ownership threshold approach, it may become clear that ownership is spread over a large number of natural persons with none owning more than 25 percent of the shares or voting rights. In such cases, and as a simple mathematical application may not be considered sufficient, the ultimate beneficial owner(s) still need(s) to be identified via the second step of the procedure, namely identify the natural person(s) who control(s) the entity by any other means.

51. Control by "any other means" should be interpreted broadly, namely having the power to exercise or actually exercise dominant influence or control by any means to over the customer. Understanding the management and governance structure of the customer will assist to establish those natural person(s) with effective control over the customer. The circumstances of each individual case will be decisive.

52. In determining the natural person(s) effectively controlling the customer which is not an individual (i.e. a legal entity or legal arrangement), the following non-exhaustive factors may be useful to consider, always on a case by case basis:

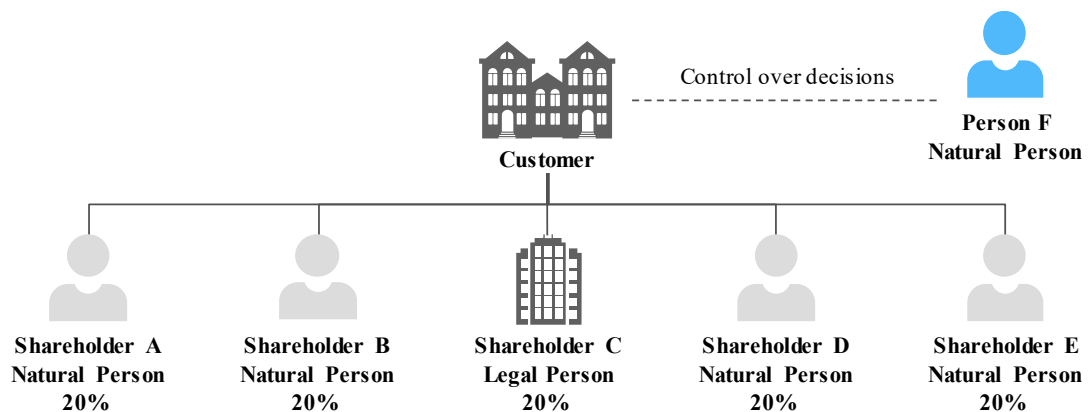
- Individuals granted control through shareholders agreements;
- Individuals with the ability to de facto control the customer;
- Individuals that sign orders or initiate transactions, or regularly intervene otherwise in the relationship without the need to exercise for example official/formal representative functions of the company;
- Individuals having the exclusive right to exercise the power to appoint or dismiss a majority of the members of the administrative, management or supervisory body of the legal person which determines the financial and business policy;

- Individuals responsible for essential managerial decisions;
- Individuals having the right to use all or part of the assets of a legal person;
- Former shareholder or management member exercising a significant influence on the legal entity;
- Personal relationships with the customer, for example family members,
- Individuals possessing a significant minority interest whereas the other shareholders have significantly lower participations;
- Individuals having the right to determine the financial and business policy of the customer on the basis of a domination agreement with the party directly involved or on the basis of a provision in the statutes of the party directly involved;
- With regard to special purpose vehicles, the indirect party bearing the majority of risks and opportunities of the party directly involved to achieve a narrowly and precisely defined objective of the parent company; etc.

53. It should also be noted that the exercise of control through a dominant influence is also conceivable through the interaction of different parallel strands within a legal entity customer. When for example, a shareholding is split into several vertical parallel strands of 25 percent or less than 25 percent of shareholdings, which at higher level are brought together again in one natural person, then the latter can also qualify as the ultimate beneficial owner. Furthermore, control may be presumed even if control is never actually exercised, such as using, enjoying or benefiting from the property owned by the legal person.

**Some illustrative examples:**

Figure 8: Decision Control over the Customer



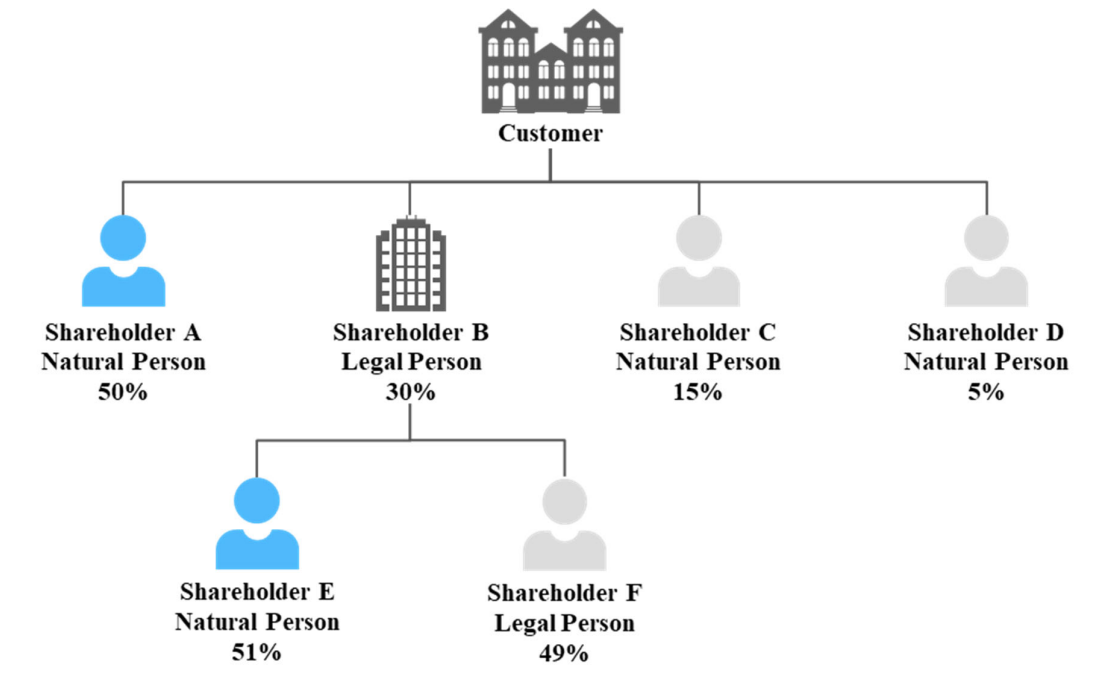
54. Figure 8 provides a plausible example of effective control via other means. Person F is a beneficial owner via its “*Control over decisions*” on the legal person customer. Indeed, Person F has control over the decisions made by another beneficial owner of the customer. This could be due the following reasons, among others, the following list not being exhaustive:

- Personal relationships, such as family members;
- Former shareholder or management member still exercising a significant influence on the legal entity; or
- Ownership of assets central to the running of the customer.

Table 8: Decision Control over the Customer

Shareholder	Type of shareholder	Type of ownership	Ownership	Beneficial owner
A	Natural	Direct	20%	✗
B	Natural	Direct	20%	✗
C	Legal	Direct	20%	✗
D	Natural	Direct	20%	✗
E	Natural	Direct	20%	✗
F	Natural	Decision control	0%	✓

Figure 9: Majority Control

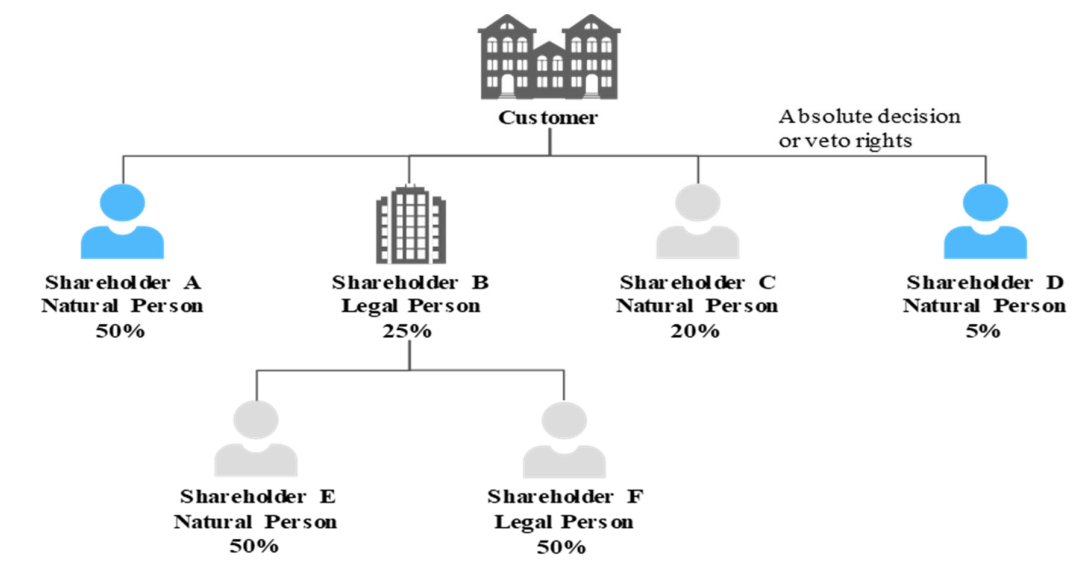


55. In figure 9, Shareholder E indirectly owns 15.3 percent of the shares in the customer via its ownership in Shareholder B and does consequently not reach the required more than 25 percent threshold. However, as Shareholder E owns a majority in Shareholder B (over 50 percent of the shares), it exercises de facto effective control over shareholder B. Both Shareholder A and Shareholder E should thus be considered as ultimate beneficial owners.

**Table 9: Majority Control**

Shareholder	Type of shareholder	Type of ownership	Ownership	Beneficial owner
A	Natural	Direct	50%	✓
B	Legal	Direct	30%	✗
C	Natural	Direct	15%	✗
D	Natural	Direct	5%	✗
E	Natural	Indirect (majority)	15.3%	✓
F	Legal	Indirect	14.7%	✗

**Figure 10: Decision Rights**



**Table 10: Decision Rights**

Shareholder	Type of shareholder	Type of ownership	Ownership	Beneficial owner
A	Natural	Direct	50%	✓
B	Legal	Direct	25%	✗
C	Natural	Direct	20%	✗
D	Natural	Decision rights	5%	✓
E	Natural	Indirect	12.50%	✗
F	Natural	Indirect	12.50%	✗

56. Shareholder D owns less than 25 percent of the shares in the customer, yet it has effective control via its absolute decision or veto rights over the customer. Examples of such rights can among others be: decision rights over the adoption or amendment of the customer’s business plan, decision rights over the customer’s borrowing decision, decision rights over the appointment or dismissal of the customer’s Management, decision rights over the customer’s incentive program, decision rights over the change of the customer’s business nature, etc.

III) Natural Person Holding the Position of Senior Managing Official

57. Provided that it is impossible to identify the ultimate beneficial owner applying the threshold approach and to determine who is effectively in control of the customer by other means, and provided that there are no grounds for suspicion or any doubts in relation to the identity of the UBO, the third step comes into play. It consists in identifying the relevant natural person who holds the position of senior manager official (hereafter "SMO").
58. It should be stressed that this constitutes an express fall back or default option which allows to identify the senior managing official as the ultimate beneficial owner, being an individual who has knowledge of and sufficient connection to the legal person. In principle, the management as such does not exercise effective control because it acts in the interest of and represents the owners or persons controlling the company.
59. Customers should also not straight away designate merely their senior managing official as ultimate beneficial owner i.a. for the purpose of the central registry and the declaration required by Article 17 of CSSF Regulation 12-02. It should also be noted that, in principle, one senior managing official, and this being a natural person, where appropriate, should be retained as ultimate beneficial owner. Where a collegial or jointly responsible body is in charge, more than one senior managing official can be designated as UBO.
60. The emphasis for determining the SMO should be on the actual senior managing responsibilities attributed and tasks performed rather than on the official title. The senior managing official can be understood as either the executive official or the member of the board of directors to whom the daily management has been delegated, and if no such delegation has taken place, the members of the board of directors. This will need to be considered on a case-by-case basis.
61. The professionals should keep records of all actions taken to identify the ultimate beneficial owner(s) under point (i), (ii) or (iii). Moreover, professionals should be ready to justify the measures they have taken, when requested.

Figure 11: Senior Managing Official

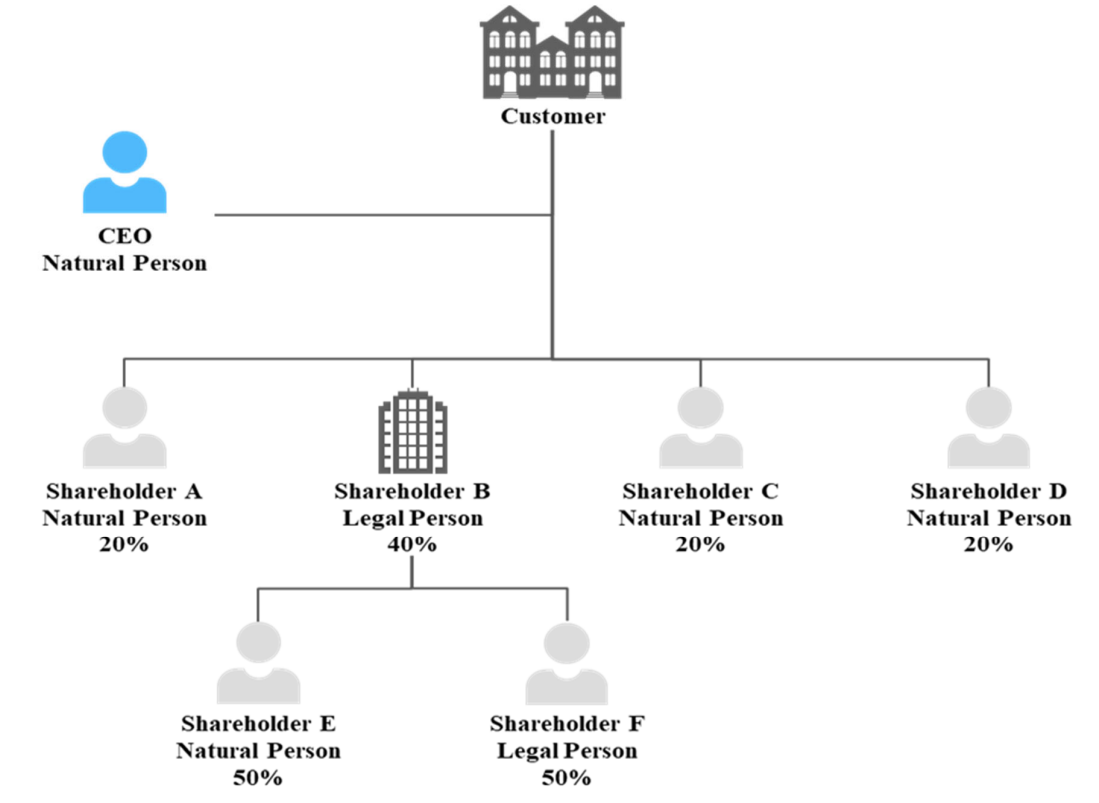
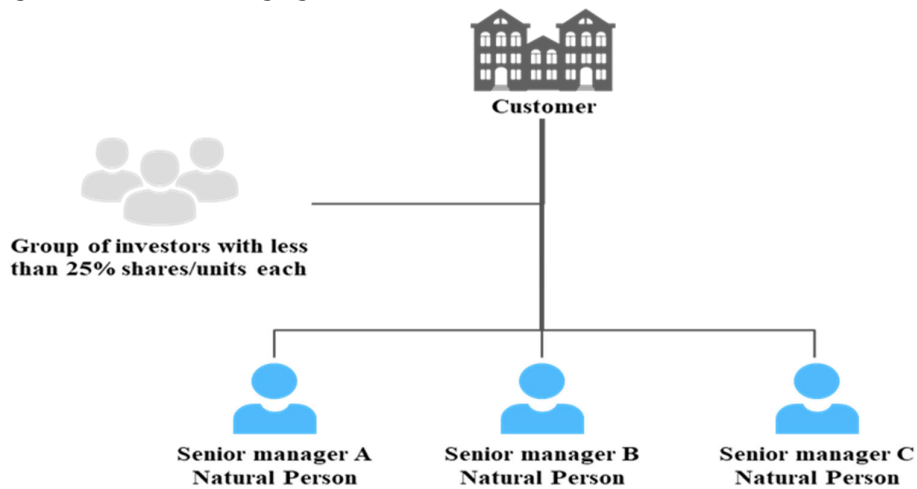


Figure 12: Senior Managing Official



In this example, the three senior managing officials should be identified as UBOs.



## 2.2.4 Specific Relationships (NPOs, Public Authorities, Bearer Shares and Pension Funds)

### I) Non-profit Organizations, Charities or Similar Entities

62. Non-profit organizations are likewise obliged to establish an ultimate beneficial owner. In line with Article 1 of 21 April 1928,<sup>31</sup> a non-profit organization ("NPO") is characterised by the fact it does not carry out any industrial or commercial operations and does not have the goal of obtaining any financial gain for its members. As the organization's income cannot be distributed to the members, the members cannot be regarded as the owners and thus also not as ultimate beneficial owners. Nonetheless, if a member has 25 percent plus one of the voting rights, he/she should be identified as UBO (example (1) hereafter). Otherwise, applying the threefold procedure described above, the managers that effectively and de facto control the non-profit organizations should be regarded as ultimate beneficial owner(s) (example (2) hereafter).
63. The FATF glossary defines an NPO as: "a legal person or arrangement or organization that primarily engaged in raising or disbursing funds for purposes such as charitable, religious, cultural, educational, social or fraternal purposes, or for the carrying out of other types of 'good work'."<sup>32</sup>
64. As examined by FATF,<sup>33</sup> NPOs can be misused in a variety of ways and for different purposes, in particular within the context of terrorism financing, as well as proliferation financing. The NPO should have a clear governance structure, particularly with regard to the role of the governing board. Bearing in mind a risk-based approach, certain red flags should be considered, for example directors or managers having a history of extremism or even a criminal or terrorism-related record when identifying beneficial ownership.

Figure 13: Example ASBL (1)

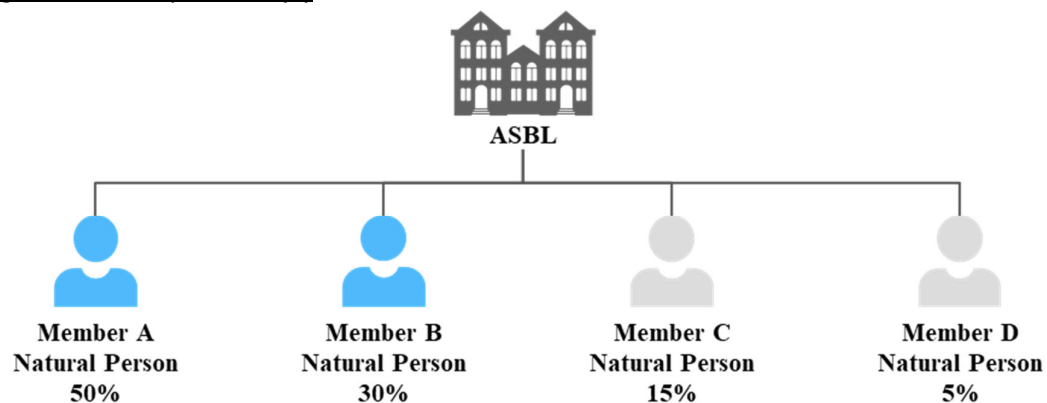


Table 13: Example ASBL (1)

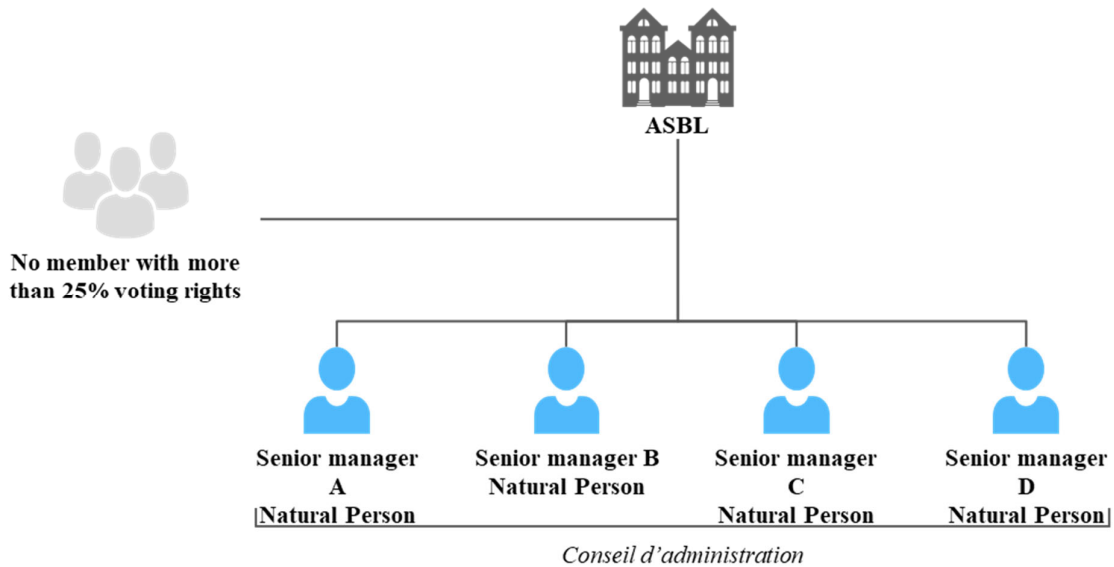
<sup>31</sup> Law of 21 April 1928 on non-profit associations and foundations

<sup>32</sup> Glossary of the FATF Recommendations, available at: <https://www.fatf-gafi.org/glossary/n-r/>

<sup>33</sup> FATF, June 2015, Best Practices, Combating the Abuse of Non-Profit Organizations (Recommendation 8), available at: <https://www.fatf-gafi.org/content/dam/fatf-gafi/guidance/BPP-Combating-TF-Abuse-NPO-R8.pdf.coredownload.inline.pdf>

Member	Voting rights	Beneficial owner
A	50%	✓
B	30%	✓
C	15%	✗
D	5%	✗

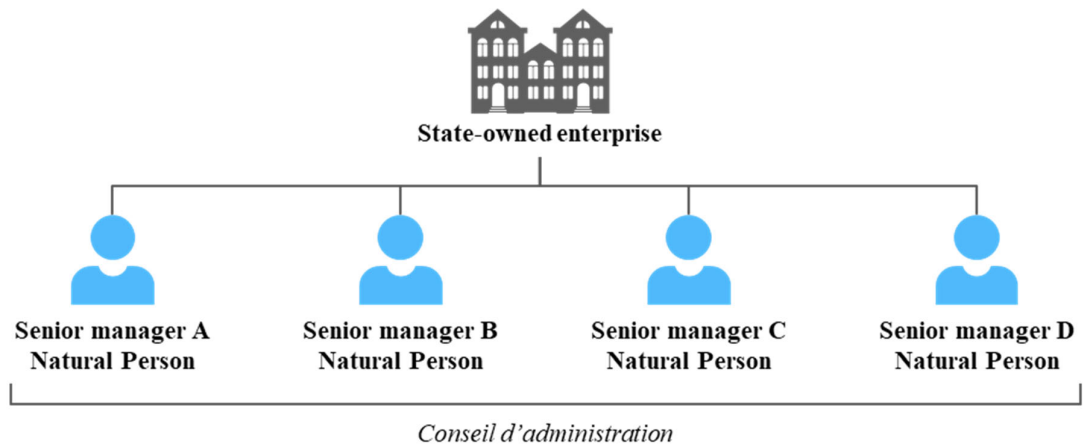
Figure 14: Example ASBL (2): The members of the board (Conseil administration) are to be considered as UBOs



## II) Public Administration or Public Establishments

65. With respect to public authorities or public bodies, professionals also need to identify the UBO of these authorities or bodies. As usually neither the threshold nor the effective control test can be applied in this case, by default, the senior managing official needs to be identified as UBO. The SMO is the person to whom the daily management of the public entity has been delegated according to legal or statutory provisions. As the case may be, members of the management body or Board of Directors will be identified as UBO. If representatives of the State are members of the executive committee or the Board of Directors, it is the responsible minister ("Ministre de tutelle") of that representative who shall be identified and for example registered in the register.

Figure 15: Public Administration: The members of the board (*Conseil d'administration*) are to be considered as UBOs



III) Bearer shares

66. Bearer shares are company shares that exist in certificate form and are legally owned by whomever has physical possession of the bearer certificate at any given time. Luxembourg limited liability companies (*Société Anonyme*) and corporate partnerships limited by shares can issue bearer shares. Since 2014 bearer shares of Luxembourgish companies have been immobilised in Luxembourg and there exist stringent regulations regarding holding and keeping bearer shares.<sup>34</sup> As a result of these regulations, bearer shares must be held by a professional depository, namely: a professional, a notary, a lawyer or a Luxembourg certified public accountant. Consequently, problems relating to identifying the holders of these shares are mitigated and compliance with these rules by professionals is supervised by the CSSF.
67. Nonetheless, extra vigilance is required in case of foreign companies with capital in the form of bearer shares that would not be subject to such disclosure regulations in their country. Indeed, in such cases it is often challenging to identify the ultimate beneficial owner(s). Companies that issue bearer shares are frequently incorporated in high risk jurisdictions. Professionals should adopt procedures to establish the identities of the holders and UBOs of such shares and to ensure that they are notified without delay whenever a change of holder and/or ultimate beneficial owner occurs.

<sup>34</sup> Law of 28 July 2014 related to the immobilisation of bearer shares and units and to the maintenance of a register of registered and bearer shares.

#### IV) Pension Funds/ Superannuation Funds or Similar Relationships

68. Luxembourg, as other countries, offers a variety of legal vehicles for pension fund pooling. In determining the extent of customer/beneficial owner due diligence measures for this type of customers, and mindful of the risk-based approach, the professional should take into account whether the customer/product is a pension, superannuation or similar scheme which provides retirement benefits for employees, secondly, whether contributions are made by an employer or by way of deduction from employees' wages, and lastly whether the scheme rules do not permit the assignment of a member's interest under the scheme.
69. If these conditions are met, and where the risks related with such a scheme are considered as low, the professional may identify the senior managing official of the legal vehicles as ultimate beneficial owner and not the employees, beneficiaries of the pension fund.
70. However, where a pension scheme does not meet said criteria, all the beneficiaries of such pension schemes will have to be identified if they hold more than 25 percent of the member's interest of the relative scheme. Where none of the beneficiaries identified holds more than 25 percent plus one of the member's interest scheme, step 2 needs to be applied to identify the UBO. Only if no UBO can be identified under step 2, step 3 has to be applied.

#### II. **Documentation and Verification of the Identity of the Ultimate Beneficial Owner**

71. Once the ultimate beneficial owner has been identified, pursuant to Article 3(2)(b) of the AML/CFT Law, the professional should take reasonable measures to verify the identity of the UBO(s).
72. Consideration should also be given as to whether the documents relied upon could be falsified. Appropriate steps should be taken to be reasonably satisfied that the documents provide in fact evidence of the ultimate beneficial owner's identity, particularly when the documents are provided in a foreign language.
73. For the purpose of this circular and Article 3(2)(b) of the AML/CFT Law, the following information on the ultimate beneficial owner should thus be collected, as foreseen in Article 21 of CSSF Regulation 12-02, read in conjunction with Articles 16 and 22(1) of the CSSF Regulation 12-02:
- Surname and first name;
  - Place and date of birth;
  - Nationality;
  - Address;
  - Where appropriate, official national identification number.
74. Where legal persons or arrangements are in between the customer and the natural person - beneficial owner, ~~the following information shall be recorded: their identification, with its documentation and verification, has to be done according to a risk-based approach.~~
- ~~— Denomination;~~
  - ~~— Legal form;~~
  - ~~— Address of the registered office and, if different, a principal place of business;~~
  - ~~— Where appropriate, official national identification number;~~

- ~~Directors (*dirigeants*) (for the legal persons) and directors (*administrateurs*) or persons exercising similar positions (for the legal arrangements);<sup>35</sup>~~

75. Verification measures consist in establishing the link with the reality in order to make sure that the information on the customer or the ultimate beneficial owner(s) provided to the professional corresponds with the facts. To be noted that the practical implementation of the verification requirements differs between customer and ultimate beneficial owner. The verification of the identity of a customer or a UBO occurs on the basis of documents or information obtained from a reliable source which is independent from the customer. For these purposes, documents issued or made available by an official (public) authority are to be regarded as being independent of the customer even if they are provided or made available by the customer. An ID card forms an example. The obligation to verify the identity of the UBO is to take reasonable measures as to be satisfied that the professional knows who the UBO is and that it understands the structure and ownership of the customer. Taking into account the ML/TF risk associated with the business relationship, it remains up to each professional to determine the extent of information and to consider whether it is appropriate to make use of records of UBOs in the public domain, ask their customers for relevant data, require evidence of the UBO's identify based on documents or information obtained from a reliable source which is independent from the customer or obtain the information in some other way.
76. In situations representing a low risk, it may thus be reasonable for the professional to verify the ultimate beneficial owner's identity based on information provided by the customer. This could comprise information provided by the customer as to the UBO's identity, as to the structure chart and confirming that they are known to the customer. In any case, the customer should sign the specific declaration as provided for in Article 17 of CSSF Regulation 12-02.
77. Self-declarations provided by the beneficial owner(s) and reliance on internet data can in certain cases be useful, yet and in line with a risk-based approach, in situations not representing a low risk, further evidence should be collected. For example, certified copies of share registers, share transfer agreements, etc.
78. As the risk-based approach requires, professionals must take all necessary steps to guarantee that they registered appropriate information enabling them to demonstrate they know all their customers and their respective ultimate beneficial owners.
79. Professionals need to regularly update beneficial ownership information as ultimate beneficial owners can change over time.<sup>36</sup> The collection of new beneficial ownership information can for example be based on the periodic and risk-based customer due diligence review cycles,<sup>37</sup> as well as on trigger events such as changes in legal structure, mergers and acquisitions, adverse media reports, etc. The need for accurate and up-to-date information on the ultimate beneficial owner is a crucial factor in tracing criminals who might otherwise

<sup>35</sup> ~~Article 16(2) CSSF Regulation 12-02~~

<sup>36</sup> Article 3(5) of the AML/CFT Law

<sup>37</sup> Articles 3-1 and 3-2 of the AML/CFT Law

hide their identity behind a corporate structure and must be available to competent AML/CFT authorities.

80. Beneficial ownership identification and verification of existing customers must not always be re-performed. Professionals may rely upon existing information previously collected to comply with ultimate beneficial ownership requirements, provided that the information is up to date and accurate, and there is no reason to question its reliability. In the same context, it is not always necessary to repeat ultimate beneficial ownership identification and verification when a customer opens multiple accounts. Customers should, however, confirm the accuracy of the existing ultimate beneficial ownership information.

### **III FATF Indicators of Concealed Beneficial Ownership**

81. On the basis of 106 case studies and discussions among and with competent authorities and the private sector, the FATF Egmont Report Group on concealment of beneficial ownership information identified a range of indicators that could possibly reveal efforts to conceal beneficial ownership. These indicators can assist the professionals in their judgment on ultimate beneficial ownership information. It should be noted that the list below is neither exhaustive nor exclusive, as further indicators may be identified over time. The presence of a sole indicator does not necessarily entail beneficial ownership is being concealed. Moreover, additional valuable indicators can be found in, for example, the CSSF Circular 17/650 concerning primary tax offences.<sup>38</sup>

82. The main relevant indicators as mentioned in the FATF Publication on Concealment of Beneficial Ownership are set out below.<sup>39</sup>

a) Indicators concerning the customer:

aa) The customer is reluctant to provide personal information or unable to explain:

- its business activities and corporate history;
- the identity of the ultimate beneficial owner(s);
- its source of wealth / funds;
- why it is conducting its activities in a certain way;
- who it is doing transactions with; and
- the nature of its business dealings with third parties, particularly when the latter ones are located in foreign jurisdictions.

ab) Customers or related customers that:

- insist on the use of an intermediary (either professional or informal) in all interactions without sufficient justification;
- are actively avoiding personal contacts without sufficient justification;

<sup>38</sup> Circular CSSF 17/650, 17 February 2017, accessible at:

<https://www.cssf.lu/en/document/circular-cssf-17-650/>

<sup>39</sup> For the entire list, please consult: <https://www.fatf-gafi.org/publications/methodsandtrends/documents/concealment-beneficial-ownership.html>

- are foreign nationals with no significant dealings in the country in which they are procuring professional or financial services;
- refuse to co-operate or provide information, data, and documents usually required to facilitate a transaction;
- are politically exposed persons, or have familial or professional associations with a person who is politically exposed;
- have previously been convicted for fraud, tax evasion, or serious crimes;
- are under investigation or have known connections with criminals;
- have previously been prohibited from holding a directorship role in a company or operating a Trust and company service provider (TCSP);
- conduct financial activities and transactions inconsistent with their customer profile;
- are the signatories to customer accounts without sufficient explanation; and
- have declared income which is inconsistent with their assets, transactions, or lifestyle.

ac) Legal persons or legal arrangements that:

- have demonstrated a long period of inactivity following incorporation, followed by a sudden and unexplained increase in financial activities;
- have complex corporate structures that do not appear to legitimately require that level of complexity or which do not make commercial sense;
- describe themselves as a commercial business but cannot be found on the internet or social business network platforms;
- are registered under a name that appears to mimic the name of other companies, particularly high-profile multinational corporations;
- use an email address with an unusual domain name or a non-professional email address for professional purposes (
- are registered at an address that does not match the profile of the company;
- are registered at an address that cannot be located on internet mapping services
- are registered at an address that is also listed for numerous other companies or legal arrangements, indicating the use of a mailbox service;
- where the director(s) or controlling shareholder(s) cannot be located or contacted;
- where the director(s) or controlling shareholder(s) do not appear to have an active role in the customer company;
- where the director(s), controlling shareholder(s) and/or ultimate beneficial owner(s) are listed against the accounts of other legal persons or arrangements, indicating the use of professional nominee shareholders;
- have declared an unusually large number of beneficiaries and other controlling interests; and
- have representatives or board members that change frequently without an appropriate rationale.

ad) The examination of business records indicates:

- discrepancies between purchase and sales invoices;
- double invoicing between jurisdictions;
- fabricated corporate ownership records;

- false invoices created for services not carried out;
- falsified paper trails;
- inflated asset sales between entities controlled by the same ultimate beneficial owner;
- agreements for nominee directors and nominee shareholders; and
- family members with no role or involvement in the running of the business and which are listed as ultimate beneficial owners of legal persons or legal arrangements.

b) Indicators about the transaction:

- The customer is both the ordering and beneficiary customer for multiple outgoing international funds transfers;
- The connections between the parties are questionable, or generate doubts that cannot be sufficiently explained by the customer;
- Finance is provided by a lender, whether a natural or a legal person, other than a known credit institution, with no logical explanation or commercial justification;
- Loans are received from private third parties without any supporting loan agreements, collateral, or regular interest repayments;
- The transaction:
  - is occurring between two or more parties that are connected without an apparent business or trade rationale
  - is a business transaction that involves family members of one or more of the parties without a legitimate business rationale
  - is a repeat transaction between parties over a contracted period of time
  - is a large or repeat transaction, and the executing customer is a signatory to the account, but is not listed as having a controlling interest in the company or assets
  - is executed from a business account but appears to fund personal purchases, including the purchase of assets or recreational activities that are inconsistent with the company's profile
  - is executed from a business account and involves a large sum of cash, either as a deposit or withdrawal, which is anomalous, or inconsistent with the company's profile.



**Claude WAMPACH**  
Director

**Marco ZWICK**  
Director

**Jean-Pierre FABER**  
Director

**Françoise KAUTHEN**  
Director

**Claude MARX**  
Director General

Annexes:

- <http://www.fatf-gafi.org/media/fatf/documents/reports/FATF-Egmont-Concealment-beneficial-ownership.pdf>
- <http://www.fatf-gafi.org/media/fatf/documents/reports/G20-Beneficial-Ownership-Sept-2016.pdf>
- <http://www.fatf-gafi.org/media/fatf/documents/reports/Guidance-transparency-beneficial-ownership.pdf>
- <http://www.fatf-gafi.org/media/fatf/documents/Best-Practices-Beneficial-Ownership-Legal-Persons.pdf>