



BANGKO SENTRAL NG PILIPINAS

OFFICE OF THE DEPUTY GOVERNOR
FINANCIAL SUPERVISION SECTOR

CIRCULAR LETTER NO. CL-2019- 002

To : All BSP-Supervised Financial Institutions (BSFIs)

Subject : Anti-Money Laundering Council (AMLC) Resolution Nos. 149 and 191 on Digitization of Customer Records and Identification of Beneficial Owners

Please be informed that the AMLC issued the following guidelines relative to digitization of customer records and identification of beneficial owners (copy attached):

- a. AMLC Resolution No. 149 dated 11 September 2018 - Guidelines on Digitization of Customer Records¹.

Section 3 of the Guidelines provides the specific duties of covered persons which BSFIs should observe in digitizing its customers' records and ensuring the security and integrity of the customers' records database.

In addition, Section 6 provides the following timelines:

Updating of the Money Laundering and Terrorist Financing Prevention Program (MTPP) of the covered person	Within six (6) months from date of effectivity of the Guidelines
Digitizing all customer records that the covered person will henceforth receive, create or open	Immediately upon effectivity of the updated MTPP but in no case to exceed six (6) months from effectivity of the Guidelines
Completely digitizing all existing customer records and establish the required central database	Within two (2) years from the expiration of the period under Section 6a of the Guidelines

Non-compliance with the Guidelines shall be considered grave violation under the AMLC's Rules on Imposition of Administrative Sanctions (RIAS).

¹ [www.amlc.gov.ph/images/PDFs/DIGICUR%20ARI%20\(ORIGINAL%20SIGNED\).pdf](http://www.amlc.gov.ph/images/PDFs/DIGICUR%20ARI%20(ORIGINAL%20SIGNED).pdf).

- b. AMLC Resolution No. 191 dated 23 November 2018 - Guidelines on Identifying Beneficial Ownership². Annexes A and B of the Guidelines provide illustrative examples in identifying the beneficial owners of customer, which the BSFIs may use as reference.

Accordingly, BSFIs shall: (i) update their MTPP, and (ii) identify and record the beneficial ownership information of all existing customers, within six (6) months and one (1) year, respectively, from the effectivity of the Guidelines.

For information and compliance.


CHUCHI G. FONACIER
Deputy Governor

14 January 2019

Att: a/s

² www.amlc.gov.ph/.../Guidelines%20on%20Identifying%20Beneficial%20Ownership....



**AMLC REGULATORY ISSUANCE (ARI)
A, B and C, No. 2**

Series of 2018

Subject: Guidelines on Digitization of Customer Records

By the authority vested upon the Anti-Money Laundering Council (AMLC) to implement measures as may be necessary and justified to counteract money laundering, in accordance with Section 7(7) of Republic Act (RA) No. 9160, also known as the Anti-Money Laundering Act of 2001, as amended (AMLA), the Council, in its Resolution No. 149, dated 11 September 2018, approved the adoption of the Guidelines on Digitization of Customer Records.

Section 1. Declaration of Policy.

It is hereby declared a policy that any revelation by any person of an ongoing investigation of the Anti-Money Laundering Council (AMLC) is considered inimical to the public interest as it leads to immediate movement of funds from accounts subject of investigation to another account, thereby depriving the State the opportunity to recover proceeds of unlawful activity.

Thus, covered persons should take measures to ensure that its officers and employees are aware of their respective responsibilities in maintaining the confidentiality of financial investigations, and that no officer or employee communicates to any person any information in relation to any request for details and documents by the AMLC in the course of its investigation.

Swift retrieval of documents is likewise essential in the AMLC's financial investigations. It is therefore declared a policy that covered persons should take measures to ensure that customer records are submitted in the manner, quality and period as would assist the AMLC in its prompt financial investigations and institution of legal actions.

Section 2. Definition of Terms.

Customer records shall refer to:

1. Those obtained by covered persons to establish the true and full identity of customers in accordance with their Customer Due Diligence (CDD) policies and procedures, such as customer information files where the customers provide minimum information; copies or records of official identification documents or similar documents, establishing the true and full identity of customers; account files and business correspondence, including the results of any analysis undertaken, such as inquiries, to establish the background and purpose of complex, unusually large transactions, collectively referred to as *CDD records* or *CDD documents*; and
2. Account transaction histories or statements of accounts, whether in Philippine pesos or other currency.

Other terms used in these Guidelines shall be as defined under Republic Act (RA) No. 9160 or the Anti-Money Laundering Act of 2001, as amended (AMLA), its Implementing Rules and Regulations, and resolutions, directives and other issuances of the AMLC.

Section 3. Duties of Covered Persons.

Under these Guidelines, covered persons shall:

a. *In General.*

Act promptly, and treat with utmost confidentiality all requests for information and/or documents, as well as orders, to provide customer records pursuant to the AMLC's functions to investigate or conduct bank inquiry;

b. *Digitization of Customer Records.*

Digitize all customer records in accordance with the timelines set in Section 6 hereof, including those pertaining to accounts existing prior to implementation period thereof, but excluding customer records of closed accounts beyond the five (5)-year

record-keeping requirement of the AMLA, as amended, and its Implementing Rules and Regulations.

The requirement to digitize all customer records existing prior to implementation period as stated in Section 6.a shall not apply to covered persons engaged in money service business operations as defined by issuances of the Bangko Sentral ng Pilipinas, except when the business model of said covered persons is such that the customer is able to open, keep and maintain an account as an electronic wallet or other similar electronic product or service;

c. Development and Access to Central Database.

Develop a central database of customer records to be maintained in their respective head offices or main branches of foreign banks operating in the Philippines, and authorize the compliance officer, or any duly authorized officer, or representative, to have direct, immediate, and unimpeded access to the database;

d. Security and Integrity of the Database.

Ensure compliance with prevailing laws related to data privacy, data protection and security in developing their respective databases, and their adoption of retrieval procedures;

e. Format of Customer Records.

Keep all required customer records in their respective central databases, in such forms as may be admissible in court or as may be prescribed by the AMLC; and

f. Updating of Money Laundering and Financing of Terrorism Prevention Program.

Update its Money Laundering and Financing of Terrorism Prevention Program (MLPP) to ensure that the foregoing duties are properly established, and appropriate controls are in place, to ensure the confidentiality of the database as well as to prevent tipping-off. Said updated MLPP shall be duly approved by its Board of Directors, partners or owners, and the latter shall ensure its proper dissemination and implementation within the period mentioned in Section 6 of these Guidelines.

Section 4. Submission of Digitized Customer Records to the AMLC.

a. *Submission to the File Transfer and Reporting Facility (FTRF).*

Whenever requested, or directed to submit customer records, the compliance officer, or any duly authorized officer, or representative, shall submit the customer records extracted from the covered person's central database to the AMLC's FTRF, using their respective log-on credentials, or in such other mode as the AMLC may prescribe.

b. *Complete, accurate, timely and secure submission of customer records.*

Covered persons shall ensure complete, accurate, timely and secure submission of customer records, in accordance with the Implementing Rules and Regulations of the AMLA and other AMLC issuances.

Section 5. Compliance Checking.

a. The AMLC will ensure compliance by covered persons with these Guidelines through compliance checking or other modes that it may deem appropriate.

b. Parallel to Section 5.a, the Supervising Authorities and Appropriate Government Agencies are enjoined to ensure that covered persons within their respective supervisory or regulatory authorities comply with these Guidelines by issuing and/or updating their respective circulars, or rules and regulations.

Section 6. Implementation.

a. *Implementation of digitization of customer records.*

Within six (6) months from effectivity of these Guidelines, covered persons shall update their MLPP to comply with the duties set forth under these Guidelines. Immediately upon effectivity of their updated MLPP, which in no case shall exceed six (6) months from effectivity of these Guidelines, covered persons shall implement the digitization of all customer records that they will henceforth receive, create or open.

b. Period to complete digitization of customer records.

Within two (2) years from the expiration of the period stated in Section 6.a hereof, covered persons shall completely digitize all existing customer records and establish the central database that is accessible to the officers of covered persons mentioned in Section 3.c hereof.

c. Parallel updating of customer records and on-going monitoring of customers.

Implementation of these Guidelines shall run parallel to updating of customer records, as part of on-going monitoring of customers.

Section 7. Compliance with Record-Keeping Requirements.

Digitization of customer records shall be without prejudice to the covered person's compliance with record-keeping and retrieval requirements under the AMLA, and its Implementing Rules and Regulations, and resolutions, directives and other issuances of the AMLC.

Section 8. Sanctions and Penalties.

Non-compliance with the Guidelines shall subject the covered person to such administrative sanctions and penalties as provided under the AMLC's Rules on Imposition of Administrative Sanctions (RIAS), and shall be considered grave violations.

Since confidentiality of financial investigations is of paramount importance, breaches thereof shall constitute criminal offenses pursuant to the provisions of the AMLA and its Implementing Rules and Regulations. In particular, the AMLA prohibits any person from disclosing any information in relation to a covered or suspicious transaction report, including the financial investigations initiated by the AMLC as a result of its analysis of such reports.

Section 9. Amendment of the Rules on Imposition of Administrative Sanctions.

The RIAS is hereby amended to include violations of these Guidelines as grave offenses, subject to the administrative sanctions for such offenses provided therein.

Section 10. Separability Clause.

If any provision of these Guidelines or the application thereof is held to be invalid, the other provisions of these Guidelines or the application thereof, shall not be affected thereby.

Section 11. Effectivity Clause.

These Guidelines shall take effect fifteen (15) days after its publication in a newspaper of general circulation.

FOR THE AMLC:

(ORIGINAL SIGNED)
MEL GEORGIE B. RACELA
Executive Director
Anti-Money Laundering Council Secretariat

17 September 2018



AMLC REGULATORY ISSUANCE (ARI)
A, B and C, No. 3
Series of 2018

Subject: Guidelines on Identifying Beneficial Ownership

By the authority vested upon the Anti-Money Laundering Council (AMLC) to implement measures as may be necessary and justified to counteract money laundering, in accordance with Section 7(7) of Republic Act (RA) No. 9160, also known as the Anti-Money Laundering Act of 2001, as amended (AMLA), the Council, in its Resolution No. 191 dated 23 November 2018 approved the adoption of the Guidelines on Identifying Beneficial Ownership.

Section 1. General Policy on Customer Due Diligence – These Guidelines are intended to assist covered persons (CPs) in meeting the requirements to perform customer due diligence (CDD) on the beneficial owners. Accordingly, CPs are required to:

- a. Establish and record the true identity of its clients based on official documents. Where an account is opened or a transaction is conducted by any person in behalf of another, CPs shall also establish and record the true and full identity, and existence of both the account holder or transactor, and the beneficial owner or person on whose behalf the transaction is being conducted.
- b. Maintain a system of verifying the true identity of their clients and, in case of legal persons, require a system of verifying their legal existence, organizational structure, as well as the authority and identification of all persons purporting to act on their behalf, and of understanding the nature of the clients' business;
- c. Establish appropriate systems and methods, and adequate internal controls, compliant with the AMLA, and its Implementing Rules and Regulations (IRR); resolutions, directives and issuances of the AMLC; and internationally-accepted anti-money laundering and counter-terrorism

financing (AML/CTF) standards, for verifying and recording the true and full identity of their customers; and

- d. Grant immediate and full access to authorized personnel of the AMLC Secretariat, the Supervising Authorities (SAs), and the Appropriate Government Agencies (AGAs), to all information, documents or objects pertaining to the account, transaction and/or persons subject of an investigation. Provided, that transaction documents pertaining to specific deposits and investments in banks shall be subject to the provisions on bank inquiry under the AMLA, its IRR, and issuances of the AMLC. CPs must therefore identify the beneficial owners of accounts and when requested, to immediately give relevant beneficial ownership information to the AMLC Secretariat.

Section 2. Definition of Terms – For purposes of these Guidelines, the following terms are hereby defined as follows:

- a. **Appropriate Government Agencies (AGAs)** – refers to those government agencies that supervise and regulate casinos and casino operators as provided under the AMLA, as amended by RA No. 10927, and AMLC Regulatory Issuance (ARI)-C, No. 1, Series of 2017, or the Casino Implementing Rules and Regulations (CIRR).
- b. **Beneficial Owner** – refers to any natural person who:
 - 1. Ultimately owns or controls the customer and/or on whose behalf a transaction or activity is being conducted; or
 - 2. Has ultimate effective control over a legal person or arrangement.
- c. **Beneficial Ownership Information** – refers to the identification documents and information of the beneficial owner of a customer.
- d. **Company Registry/Register** – refers to the Securities and Exchange Commission (SEC), Cooperative Development Authority (CDA), and other government agencies responsible for the establishment of legal persons.
- e. **Competent Authorities** – refers to the AMLC and other government agencies authorized by law or regulation to have access to customer information of CPs.

- f. **Corporate Vehicles** – refers to legal persons and legal arrangements, as defined herein.
- g. **Juridical Persons** – refers to any entities other than natural persons created by law and recognized as a legal entity having distinct identity, legal personality and duties and rights that can establish a permanent customer relationship with a financial institution. This can include companies, bodies corporate, foundations, partnerships, or associations and other relevantly similar entities.
- i. **Legal Arrangements** - refers to express trusts or other similar legal arrangements. Examples of other similar arrangements (for AML/CTF purposes) include *fiducie*, *treuhand* and *fideicomiso*.
- j. **Legal Owners** – the natural or juridical persons who own at least twenty percent (20%) of the corporate vehicle.
- k. **Supervising Authorities** – refers to the Bangko Sentral ng Pilipinas (BSP), the Insurance Commission, and the SEC.
- l. **Ultimate Effective Control** – refers to a situation in which ownership/control is exercised through actual or a chain of ownership or by means other than direct control.

Definitions of terms under the IRR of the AMLA not otherwise mentioned in these Guidelines are hereby adopted and deemed incorporated herein.

Section 3. Scope – These Guidelines shall apply to CPs as defined under the AMLA, as amended.

Section 4. Obligations of CPs.

a. Customer Risk Assessment

CPs shall conduct a risk-based approach in conducting CDD, depending on the type of customer. To comply with this requirement, CPs should assess the AML/CTF risks posed not only by the legal owner but also by the beneficial owners. CPs must therefore demonstrate that they have considered the different types of risks the beneficial owners of customers may pose to the business and to the country. Identifying beneficial ownership of a

customer is an obligation that must be satisfied, regardless of the level of risk associated with that customer.

However, when deciding what reasonable steps to take to ascertain the customer's identity and information, the CP's approach may vary, depending on the CP's risk assessment of the customer. The process for assessing customer risk and deciding how to identify and verify beneficial ownership should be set out in the CP's Money Laundering and Terrorism Financing Prevention Program (MLTFPP), based on its AML/CTF risk assessment.

A risk-based approach allows the CP some flexibility in its obligation to use data, documents or information obtained from a reliable and independent source to verify the identity of the beneficial owner(s) of the customer, on a case-to-case basis.

In general, CPs should require minimum information on beneficial ownership for low-and normal-risk customers, including reliable and independent documentation and electronic data on beneficial ownership. For high-risk customers, CPs should require additional information on beneficial ownership and legal arrangements as may be required in the conduct of enhanced due diligence, such as occupation, volume of assets, the intended nature of the business relationship, the source of funds or wealth of the customer and the beneficial owner, and the nature of the legal arrangements.

b. Determination of the identity of the beneficial owners of corporate vehicles and the existence of legal arrangements

CPs shall adopt a written procedure that is reasonably designed to identify and verify the beneficial owners of the customer that is a corporate vehicle, and the existence of legal arrangements entered into between the customer and said beneficial owners.

Any natural person who directly or indirectly owns twenty percent (20%) or more of the legal person who is a customer of the CP ('Ownership Prong') shall be considered the beneficial owner.

Any individual who has "significant" responsibility to control, manage, or direct the legal person ('Effective Control Prong') will be also be considered the beneficial owner.

In determining the identity of the beneficial owners, CPs should establish the customer's ownership structure and understand the ownership at each layer. Usually, the beneficial owner is not one individual; there may be several beneficial owners in a structure. When there are complex ownership layers and no reasonable explanation for them, CPs should consider the possibility that the structure is being used to hide the beneficial owner.

To guide CPs in determining ownership, examples are attached to these Guidelines as **Annexes A, B, C and D.**

c. Obtaining beneficial ownership information

i. Required minimum information

CPs shall obtain the required minimum information of the customer, including the beneficial owner and legal arrangements, as provided in the IRR of the AMLA; and the rules and regulations of the SAs, the AGAs, and other competent authorities.

ii. Verification of beneficial owner information

To verify the beneficial owner's (or beneficial owners') identity, CPs shall use reliable and independent documentation or reliable and independent electronic data that demonstrates the identity information collected about the beneficial owner is correct.

Reliable and independent documentation includes (but is not limited to) original government-issued photographic Identification Document (ID). Other verification sources may be used, provided, that it is appropriate having regard to the ML/TF risk and the CP's MLTFPP and AML/CTF program.

iii. When to verify the information

CPs should verify information on all customers, beneficial owners and legal arrangements as the customer identification form is filled out.

Where, in exceptional circumstances, SAs, AGAs and other competent authorities allow CPs to complete the verification after the establishment of business

relationship, CPs must ensure that: (a) said verification be conducted as soon as reasonably practicable; (b) it is essential not to interrupt the normal conduct of business; (c) any money laundering and/or terrorism financing (ML/TF) risks are effectively managed; and (d) it is in accordance with the MLTFPP and AML/CTF manual.

Occasional cash transactions below One Hundred Thousand Pesos (Php100,000.00), or cash transactions or activities that may be classified as a "one-off" or "one-time," that do not involve establishment of a business relationship, shall not be covered by this requirement on when to verify the information. An example of a "one-off" transaction is the encashment of a check by a non-account holder or replacement of a currency with newer notes.

However, CPs shall require customer and beneficial ownership information, otherwise required for high-risk customers, for occasional cash transactions regardless of amount, or "one-off" or "one-time" transactions or activities, as provided herein, where said transactions and activities are attended by suspicious circumstances that would otherwise require submission of suspicious transaction reports.

iv. Minimum customer information for corporate vehicles

CPs shall secure the following information and documents from their corporate vehicle customers:

- a. Name of the corporate vehicle;
- b. Proof of incorporation/creation/registration;
- c. Current status of its legal existence;
- d. Address;
- e. By-laws or other document stating the powers of its officers;
- f. List of directors/senior officers;
- g. List of owners having twenty percent (20%) or more ownership and/or voting rights;
- h. Board resolution or other document appointing a resident individual to represent the corporate vehicle and made accountable to competent authorities; and

- i. Legal arrangements entered into by the corporate vehicle with other persons, including the legal owners, and such contracts, certificates and other documents evidencing these legal arrangements, and the capacities, duties, and responsibilities defining the relationships.

v. Risk- and materiality-based updating of beneficial ownership information

CPs shall regularly update beneficial owner information throughout the life of relationships with their corporate vehicle customers.

vi. Reliance on other sources

CPs may use the beneficial owner's information in the possession of:

- a. Other CPs, including Designated Non-Financial Businesses and Professions (DNFBPs);
- b. Credit bureaus;
- c. Company registers; and
- d. Competent authorities, where disclosure requirements ensure adequate transparency of beneficial ownership.

When CPs rely on identification of the beneficial owner of a customer, the ultimate responsibility for CDD measures should remain with the CPs relying on the third party, provided that:

- a. They can immediately obtain the identification information;
- b. Copies of identification data and other relevant documentation relating to CDD requirements are made available upon request and without delay; and
- c. The third party is regulated, and supervised or monitored for, and has measures in place for compliance with CDD and record keeping requirements.

d. Record Keeping

CPs shall keep records of the beneficial owner and identification processes undertaken, consistent with the requirements under

the AMLA, its IRR, and guidelines, resolutions and other issuances of the AMLC.

CPs shall keep detailed records of all decisions and retain CDD and relevant records in a readily auditable manner. It is important to record the rationale behind any decision made. The recording should be done in a manner where anyone reading the notes years later should be able to understand why a risk-based decision was made.

The information and records referred to should be maintained for at least five (5) years after the date on which the corporate vehicle ceases to be a customer of the CPs.

e. Updating of MLTFPP

Within six (6) months from effectivity of these Guidelines, CPs shall: (1) update their MLTFPP to comply with the duties set forth under these Guidelines; (2) secure the approval of their Board of Directors, partners or proprietors; and (3) implement the same immediately upon said approval.

Section 5. Access to beneficial ownership information – CPs shall provide the AMLC with accurate and current beneficial ownership information of a customer, immediately upon request, in the conduct of a money laundering investigation.

Section 6. Politically Exposed Person (PEP) as a beneficial owner – CPs should include in its risk management system a process to determine if a beneficial owner is a PEP. Should the beneficial owner be determined to be a PEP, CPs must undertake the following:

- a. Obtain senior management approval before establishing (or continuing, for existing customers) such business relationships;
- b. Conduct enhanced ongoing monitoring on that relationship; and
- c. Reassess the risk profile of the customer and beneficial owner based on the CPs existing policy.

Section 7. Use of Financial Technology – All parties may opt to use Financial Technology (FinTech) in developing innovative solutions that assist in the identification and verification of true beneficial ownership

information, with the objective of enhancing the transparency of transactions performed by legal persons and arrangements.

Section 8. Penalties for Non-compliance – Failure to comply with the responsibilities imposed under these Guidelines shall be subject administrative sanctions, including fines, that the AMLC may impose as provided under the AMLA, its IRR, the Rules on Imposition of Administrative Sanctions, and their respective amendments, and such resolutions, directives and other issuances that the AMLC may, from time to time, adopt.

Section 9. Transition Period – Within one (1) year from the effectivity of these Guidelines, CPs shall identify and record the beneficial ownership information of beneficial owners of all existing customers.

Section 10. Separability Clause – If any provision of these Guidelines or the application thereof to any person or circumstance is held to be invalid, the other provisions of these Guidelines, and the application of such provision to other persons or circumstances, shall not be affected thereby.

Section 11. Effectivity – These Guidelines shall take effect immediately upon publication in a newspaper of general circulation.

FOR THE AMLC:

(original signed)
MEL GEORGIE B. RACELA
Executive Director
Anti-Money Laundering Council Secretariat

23 November 2018

ANNEX A

Determining simple ownership structure.

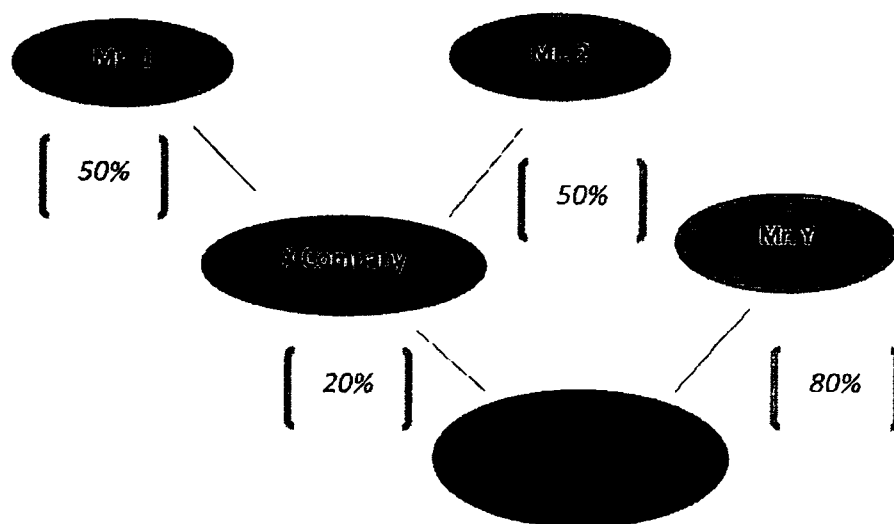
Company Z, a customer, is directly owned by a natural person, Mr. Y, who owns 80%, and Company Z, which owns 20%, and is owned equally by Ms. 1 and Mr. 2. Based on this ownership structure, CPs should determine the beneficial owners of the customer.

Applying the *ultimate ownership test*, CPs should determine who are the natural persons who ultimately own or control the customer.

In this case, only one natural person, Mr. Y, ultimately owns and controls the customer, Company Z. Thus, Mr. Y should be deemed the beneficial owner of Company Z.

Because Mr. Y directly owns 80% of Company Z, he should also be deemed its legal owner.

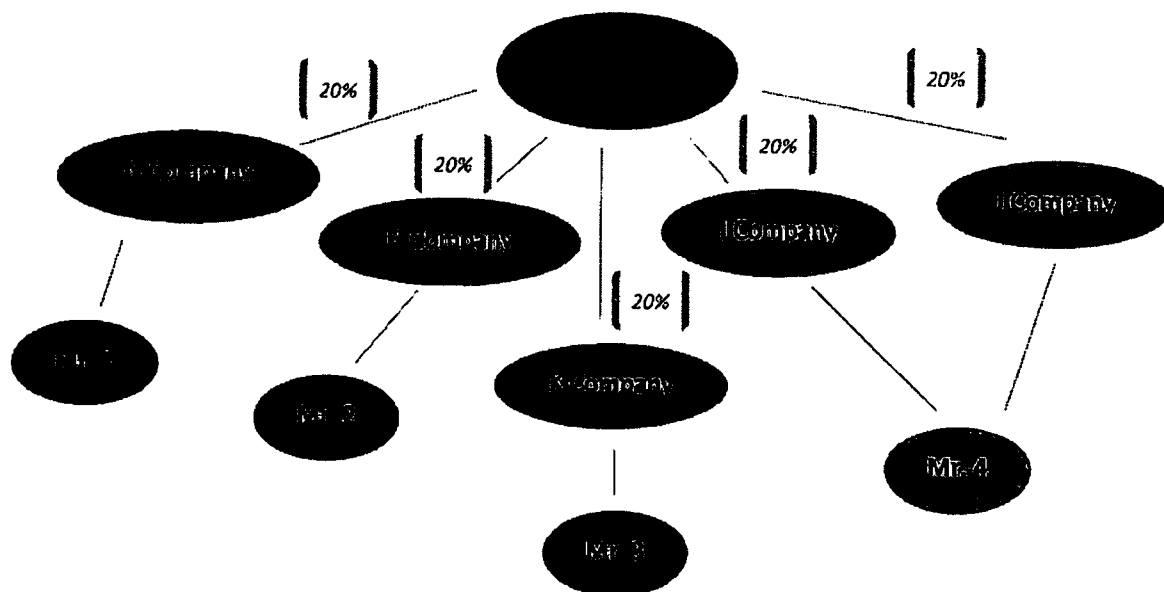
Ms. 1 and Mr. 2 cannot be deemed beneficial owners of Company Z: neither of them has ultimate ownership or control of Company Z, as each of them ultimately holds only 10% of Company Z. For the same reason, they cannot be considered legal owners of Company Z.



ANNEX B

Determining complex ownership structure

Company Z has five (5) direct owners in equal shares, 20%.



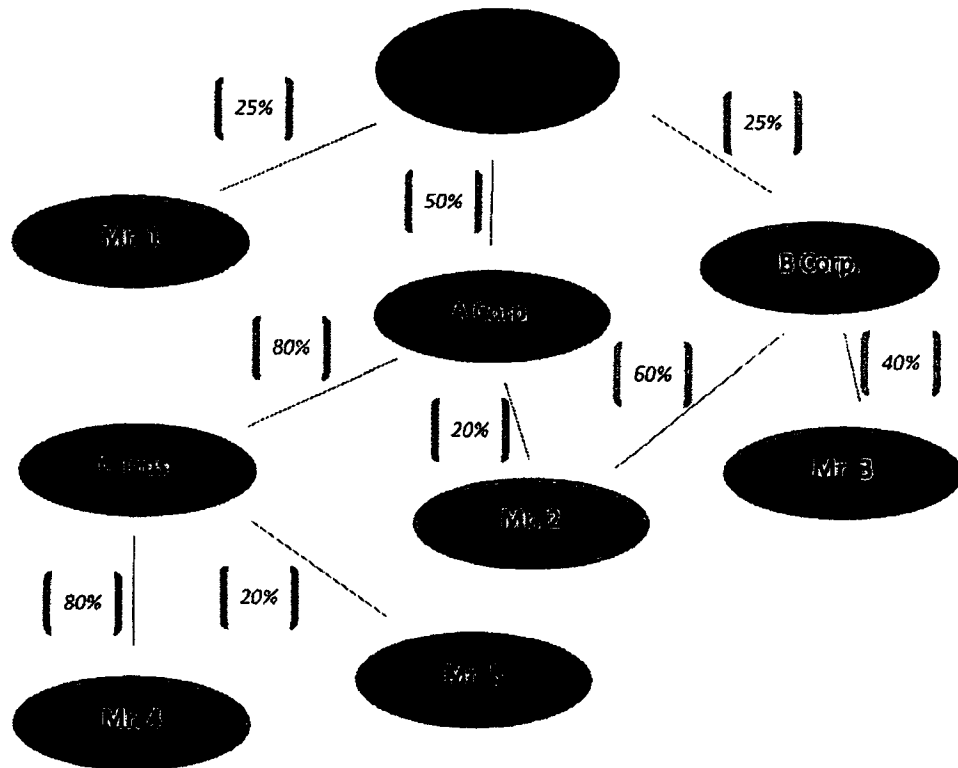
CPs should be able to determine who are the legal owners of the corporate vehicle, Company Z.

In this case, all five (5) direct owners fit the definition of *legal owner*: they all own at least 20% of Company Z, the corporate vehicle.

However, CPs should also determine if there are natural persons who own G, H, I, J and K Companies, and if these natural persons could be considered beneficial owners of these Companies.

Here, CPs should be able to discover legal and beneficial ownership of G Company (Mr. 1); H Company (Mr. 2); I and J Company (both wholly owned by Mr. 4); and K Company (Mr. 3). Mr. 4, who owns 40% of Company Z should be considered a beneficial owner thereof.

Y Corporation is directly owned by a natural and legal person.



In this verified ownership structure, Mr. 1 is a beneficial owner of Y Corp. because he directly owns 25%, or at least 20%, of Y Corp.

Likewise, Mr. 4 is a beneficial owner because he owns 80% of C Trust which owns 80% of A Corp. which in turn owns 50% of customer Y Corp. Arithmetically, Mr. 4 owns 32% of Y Corp. (i.e. $.8 \times .8 \times .5 = .32$)

Mr. 2 is also a beneficial owner of Y Corp. because he owns the total of 25%. The first part is his ownership of 20% of A Corp. who in turn owns 50% of the customer, thus making him an indirect owner of 10% of the customer ($.2 \times .5 = .10$). Mr. 2 also owns 60% of B Corp., which, in turn, owns 25% of the customer, thus making him an indirect 15% owner of the customer ($.6 \times .25 = .15$). Hence, adding his indirect ownership of 10% and 15% will give him a total indirect ownership of 25% of the customer, thereby making him a beneficial owner.

In cases where ownership is spread over a large number of individuals and none of them owns at least 20% of the company, CPs should still identify a beneficial owner, but in this case the effective control element is more likely to determine the beneficial owner.

ANNEX C

Person on whose behalf a transaction is conducted

Included in the definition of beneficial owner are those persons on whose behalf a transaction or activity is being conducted. This concept is important when considering the relationship between managing intermediaries and their underlying clients.

As an example, when the CP knows that someone (Mr. V) is conducting an occasional transaction on behalf of another person (Ms. G), then Mr. V and Ms. G should be identified together with other beneficial owners.

ANNEX D

Determining ultimate effective control

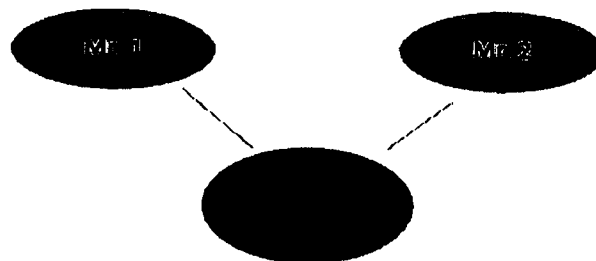
Ultimate effective control is part of beneficial ownership, as defined herein. An example is an individual with significant responsibility to control, manage, or direct a juridical person customer, including an executive officer or senior manager (e.g. Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, Managing Member, General Partner, President, Vice President, or Treasurer); or any other natural person who regularly performs similar functions.

CPs should have a system or procedure of understanding the management and governance structure of their customer to assist them in establishing those persons who exercise effective control of the customer. To determine who has effective control over the corporate vehicle customers, the following should be considered:

- Identify who can control the customer and/or dismiss or appoint those in senior management positions;
- Identify those who hold at least twenty percent (20%) of the customer's voting rights;
- Identify those who hold senior management positions;
- When applicable, for trusts, identify the trustees, settlor, beneficiaries, and any other natural person exercising ultimate effective control over the trust; and
- Identify persons with equivalent or similar positions for other types of legal arrangements.

Some or all of the foregoing may apply to the customer. CPs should decide who has effective control over the customer by considering the customer's management and governance structure.

Example:



Mr. 1 holds all the voting rights for, while Mr. 2 manages all the decisions at, XX Corp. If the ownership and management structure are validated, then Mr. 1 and Mr. 2 should be identified as beneficial owners because they both have effective control over the customer.