
To : **Regulated Entities**

- i. CIFs**
- ii. ASPs**
- iii. UCITS Management Companies**
- iv. Internally managed UCITS**
- v. AIFMs**
- vi. Internally managed AIFs**
- vii. Internally managed AIFLNPs**
- viii. Companies with sole purpose the management of AIFLNPs**

From : **Cyprus Securities and Exchange Commission**

Date : **28 February 2020**

Circular No : **C 357**

Subject : **Financial Action Task Force (FATF) Best Practices on Beneficial Ownership for Legal Persons**

The Financial Action Task Force (FATF) has released its [new FATF Best Practices](#) on Beneficial Ownership for Legal Persons (the 'Report') to help countries get rid of the cloak of secrecy concerning the ultimate owner of a company, foundation, association or any other legal person, and prevent their misuse for crime and terrorism. The Report builds on the previous efforts of the FATF to set international standards on beneficial ownership such as the [Guidance on Transparency and Beneficial Ownership in 2014](#), the joint report of the FATF and the Egmont Group on [Concealment of Beneficial Ownership in July 2018](#).

The results of the FATF Mutual Evaluations indicate that jurisdictions find it challenging to achieve a satisfactory level of transparency regarding the beneficial ownership of legal persons. Thus, the Report aims to provide suggested solutions, supported by cases and examples of best practices in response to challenges faced by delegations in implementing [FATF Recommendation 24](#). As stated in [Interpretative Note to R.24](#), countries should use one or more of mechanisms (the Registry Approach, the Company Approach and the Existing Information Approach) to ensure that information on the beneficial ownership of a company is obtained by that company and available at a specified location in their country; or can be otherwise determined in a timely manner by a competent authority.

The Report suggests that a multi-pronged approach using several sources of information to obtain accurate and up-to-date information on beneficial ownership in a timely manner is often more effective in preventing the misuse of legal persons for criminal purposes and implementing measures that make the beneficial ownership of legal persons sufficiently transparent.

The variety and availability of sources increases transparency and access to information, and helps mitigate accuracy problems with particular sources. Using a multi-pronged approach, competent authorities can gain access to information on beneficial ownership through different sources. They can also ensure the accuracy of information by cross-checking. It is also easier for key stakeholders (including companies, directors, shareholders, obliged parties such as FIs and DNFBPs) to identify incorrect beneficial ownership information in their database by looking up different registers or requesting information from different sources. This will then trigger the obliged party to seek clarifications from the companies, and if necessary, report suspicious activities to competent authorities. Therefore, such approach encourages key stakeholders to fulfil their obligations through peer interaction and supervision.

In addition, the Report identifies the following suggested key features of an effective system (see Section 5 of the Report):

- a. Risk assessment;
- b. Adequacy, accuracy and timeliness of information in beneficial ownership;
 - i. Obligated parties to verify or/and monitor the accuracy of the information;
 - ii. Supplementary information platform in addition to company registry;
 - iii. Ongoing reporting at company level / to the reporting entities or company registry;
 - iv. Verification through different means;
 - v. Enhanced measures for companies with foreign ownership/directorship;
 - vi. Highly effective law enforcement authorities with adequate resources;
 - vii. Using technology to facilitate checking and validation;
- c. Access by competent authorities;
- d. Forbidding or immobilising bearer shares and nominee arrangements;
- e. Effective, proportionate and dissuasive sanctions.

The Report also puts forward suggestions on ensuring authorities can access getting information on beneficial ownership of overseas entities (see Section 6 of the Report).

The Cyprus Securities and Exchange Commission (CySEC) expects that Regulated Entities take due account and consult the Report, as provided in paragraph 17 of the CySEC's Directive for the prevention and suppression of money laundering and terrorist financing when implementing appropriate measures and procedures on a risk-based approach, and on implementing the customer identification and due diligence procedures.

Sincerely,

Demetra Kalogerou
 Chairwoman of the Cyprus Securities and Exchange Commission