LexisNexis®
RISK SOLUTIONS

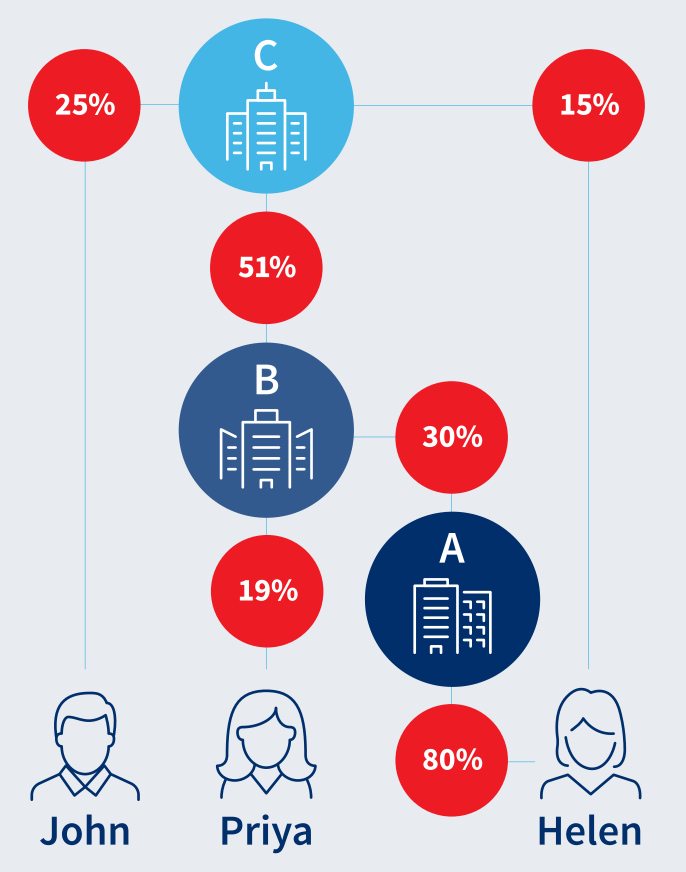
Exposing Ultimate Beneficial Owners

Do you know the risks hiding below the surface?

To prevent money laundering, fraud, terrorist financing and other criminal activity, financial institutions must know who they are doing business with. Identifying ownership is an essential requirement for meeting anti-money laundering (AML) and know your customer (KYC) regulations.

What is an **ultimate beneficial owner** (UBO)?

A UBO is any individual that holds 10–25% or more (depending on jurisdiction) of a company's shares or voting rights and who can exercise control of the underlying entity (the exact percentage differs between countries and regulatory bodies).[1]



To understand ultimate beneficial ownership of Company C, assuming a requirement of 25%:

John directly owns 25% of Company C so he **is** a UBO.

Priya directly owns 19% of Company B which owns 51% of Company C. Her ownership of Company C totals 9.69% ((0.19x0.51)=0.0969) so she **is not** a UBO.

Helen directly owns 15% of Company C but indirectly owns another 12.24% ((0.80x0.30x0.51)=0.1224) via companies A and B, so she **is** a UBO.

UBOs may use shell companies, offshore accounts and corporations with complex layered ownership structures to conceal their identity. While not inherently illegal, the anonymity and lack of transparency these vehicles provide makes them a haven for fraud, money laundering, tax evasion, other financial crime and sanctions violations.

Why identifying ownership is challenging

- No consistent definition across jurisdictions
- Minimal ownership details are required to set up shell companies and offshore accounts, and those details are easily changed
- Evolving regulatory requirements
- Customer confidentiality is protected in many offshore banking locations
- Intentionally opaque nature of shell companies and corporate ownership structures conceals true stakeholders

Lifting the veil of secrecy

The Panama Papers in 2016 exposed loopholes in the global financial system that enabled the world's wealthy elite to operate under a veil of secrecy.

The Panama Papers

The Panama Papers contained 11.5 million leaked documents linking more than 214,400 offshore shell companies in 21 jurisdictions connected to public officials, high-net worth individuals, fraudsters and others from over 200 countries and territories.[2]

11.5M leaked documents

214,400 shell companies

200+ countries & territories

21 jurisdictions

The scandal served as a catalyst for regulators around the world to close gaps in oversight, tighten UBO reporting requirements and improve transparency.

Changes to UBO legislation over time

EU

2017

The 4th AML Directive (4AMLD) requires member states to create UBO registers and set standards for information collection.

2020

January: 5AMLD requires member states to maintain publicly available national registers of UBOs and consult UBO registers for AML screening.

December: 6AMLD introduces stricter requirements for transparency and identifying beneficial owners.

U.S.

2018

The Financial Crimes Enforcement Network (FinCEN) issues the Customer Due Diligence (CDD) rule requiring financial institutions and other covered entities to identify and verify beneficial owners of companies opening accounts, understand the relationship and conduct ongoing monitoring.[3]

2021

The Corporate Transparency Act (CTA) is enacted. U.S. registered companies must provide the identifying information for every direct and indirect beneficial owner.[4]

2024

The CTA goes into effect January 1, 2024.

It is more important than ever to know your customer

Doing business with UBOs linked to criminal activity or sanctioned entities carries a range of risks.

Financial Risk
Monetary fines for failure to meet regulatory requirements

Criminal Risk
Failure to carry out KYC obligations can result in being sued for negligence

Legal Risk
Potential license revocation for failure to meet AML requirements

Reputational Risk
Loss of trust can have a long-lasting impact on the business

How to protect your organization

Adopt a risk-based approach to KYC
Use the latest risk management solutions to quickly and efficiently check UBO data against internal thresholds of high-risk countries, individuals and business sectors.

Cast a wide net
Screen customers and third parties against sanctions, politically exposed persons (PEPs) lists and adverse media (including social media, the dark web and other online and off-line sources).

Invest in training
Support technology with strong internal processes and analysts trained to identify unusual activity or ownership.

Connect the dots
Leverage technology with advanced analytics and data to identify hidden links and suspicious activity.

Perform ongoing monitoring
Verify UBOs regularly to ensure ownership data is up to date.

Our suite of compliance data, lookup and screening solutions helps you see below the surface to safeguard your organization against risk and support business growth. **LexisNexis® Bankers Almanac® Counterparty KYC API** can show you aggregated ownership down to 0.1%.

For more information on LexisNexis® Risk Solutions visit **risk.lexisnexis.com/FCC**

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[1] www.swift.com/your-needs/financial-crime-cyber-security/know-your-customer-kyc/ultimate-beneficial-owner-ubo
[2] www.icij.org/investigations/panama-papers/five-years-later-panama-papers-still-having-a-big-impact
[3] www.fincen.gov/resources/statutes-and-regulations/cdd-final-rule
[4] www.proskauer.com/alert/shining-light-on-the-corporate-transparency-act-fincens-rules-for-beneficial-ownership-reporting