



BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

Guidance on Beneficial Ownership

**Anti-Money Laundering,
Countering Financing of Terrorism and
Targeted Financial Sanctions for
Financial Institutions,
Designated Non-Financial Businesses and
Professions and Non-Bank Financial
Institutions
(AML/CFT and TFS for FIs, DNFBPs and NBFIs)**

TABLE OF CONTENTS

Part A: Overview

1.0	Foreword	2
2.0	Glossary and terms.....	2

Part B: Guidance

3.0	Introduction	3
4.0	Identification of Beneficial Owner	4
5.0	Methods to Identify Beneficial Owner	10
6.0	Verification of Beneficial Owner	13
7.0	Record Keeping on Beneficial Ownership	15
8.0	Examples of Identification of Beneficial Owners	16

Part A: Overview

1.0 Foreword

- 1.1 This Guidance is intended to provide clarification and recommended best practices in relation to beneficial ownership obligation under the Anti-Money Laundering, Countering Financing of Terrorism and Targeted Financial Sanctions for Financial Institutions, Designated Non-Financial Businesses and Professions and Non-Bank Financial Institutions (AML/CFT and TFS for FIs, DNFBPs and NBFIs) Policy Documents.
- 1.2 The Guidance is not intended to replace any requirements in the abovementioned Policy Documents. Reporting institutions should not regard the information in the Guidance as exhaustive nor should it be used as evidence of compliance.
- 1.3 Any updates to the Guidance will be notified to reporting institutions from time to time. Should there be any need to obtain further clarification or explanation on the Guidance, enquiries may be emailed to the following addresses:

- | | | |
|------|--------------------|------------------------------------------------------------------|
| (i) | For FIs | : amlpolicy@bnm.gov.my |
| (ii) | For DNFBPs & NBFIs | : fied@bnm.gov.my |

2.0 Glossary and Terms

- 2.1 Below are clarifications to the terms used in this Guidance:-

“Policy Document” refers to the Policy Document on AML/CFT and TFS for FIs. Any corresponding provisions in other parts of the same Policy Document or in the Policy Document on AML/CFT and TFS for DNFBPs and NBFIs, shall be reflected in the footnotes.

“Corporate Vehicles” refers to legal persons and legal arrangements.

Part B: Guidance

3.0 Introduction

- 3.1 Since the early 2000s, there has been growing concern on the misuse of corporate vehicles for criminal purposes. Criminals have been relying on different corporate vehicles to conceal their illegal assets by maintaining a legitimate front. This includes, among others, the usage of shell companies and the creation of companies, partnerships, foundations, trusts and other types of corporate vehicles with complex ownership and control structure, to avoid detection by authorities. The lack of transparency on the ultimate beneficial owners of these corporate vehicles became a hindrance to governments around the world in their effort to effectively combat criminal activities.
- 3.2 In response, the Financial Action Task Force (FATF), an intergovernmental body responsible for combatting money laundering, terrorism financing and other related threats, has issued the FATF Recommendations requiring countries to ensure that adequate, accurate and timely information on the beneficial ownership of corporate vehicles is available and can be accessed by competent authorities in a timely fashion. This includes the requirements to identify and verify beneficial ownership information. Apart from the FATF Recommendations, the FATF has issued various guidance on this topic including the *“Guidance on Transparency and Beneficial Ownership”* and *“Best Practices on Beneficial Ownership for Legal Persons”*, in October 2014 and October 2019 respectively.
- 3.3 As such, the reporting institutions under the Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001 (AMLA) play an important role by obtaining beneficial ownership information which helps prevent the misuse of corporate vehicles in the financial system. Identifying beneficial owners benefit stakeholders, including:



Reporting Institution

Reporting institutions are able to make appropriate assessments on the level of money laundering and terrorism financing risks associated with their customers, consequently leading to necessary decision making on control measures required to contain these risks.



Financial landscape

Ensuring and upholding the integrity of all sectors within the financial landscape.



Country

Early detection of criminals hiding behind natural persons, legal persons and legal arrangements, facilitate law enforcements' efforts and prevents money laundering and terrorism financing activities from prospering.

- 3.4 Primarily, the obligations of a reporting institution on beneficial ownership requirements are:
- (a) Identifying a natural person who is the beneficial owner of the customer and obtaining information that describes the ownership, control and structure of the legal persons/ legal arrangements relating to the beneficial owner;
 - (b) Taking reasonable measures to verify the accuracy of the information obtained and keeping records of all relevant documents;
 - (c) Conducting customer risk profiling to identify the risk category of the beneficial owner; and
 - (d) Performing further regulatory obligations based on the risk category of the beneficial owner such as CDD, sanction screening and high risk jurisdiction.

4.0 Identification of Beneficial Owner

- 4.1 Issues concerning beneficial owners having ultimate ownership and exercising and/or having ultimate control are relevant to the following types of customers:

Legal persons

- (a) Private and public companies;
- (b) Bodies corporates;
- (c) Government-linked companies;
- (d) Partnerships;
- (e) Foundations;
- (f) Cooperatives;
- (g) Associations such as clubs and societies; and
- (h) Non-governmental organisations such as charities.

Legal arrangements

- (a) Trust bodies/arrangement or other similar arrangements

Understanding beneficial ownership in different types of entities

A. Legal persons

- In the context of legal persons, the concept of beneficial ownership must be distinguished from the concepts of legal ownership and control.
 - Legal ownership refers to the natural or legal persons who, according to the respective laws governing legal persons in Malaysia (such as the Companies Act 2016 or the Labuan Companies Act 1990), own the legal person.
 - Control refers to the person with decision making ability within the legal person who has the power to impose those decisions.

- Beneficial owner refers to the natural person who either ultimately owns, through capital, assets or other means, or has control over a legal person, be it directly or indirectly. A person who controls a legal person may or may not have legal ownership per se.



Example of arrangements within a legal person that may obscure beneficial ownership information:

- (a) Bearer shares and bearer share warrants;
- (b) Unrestricted use of legal persons as directors;
- (c) Nominee shareholders and directors;
- (d) Informal nominee shareholders and directors, such as close associates and family; and
- (e) Use of intermediaries in forming legal persons, including professional intermediaries.

B. Legal Arrangements

- In the context of legal arrangements such as trust, beneficial owner refers to natural person(s), at the end of the chain, who ultimately owns or controls the legal arrangement, including those persons who exercise ultimate effective control over the legal arrangement.
- In a trust, the legal title and control of an asset are separated from the equitable interests in the asset. Hence, different persons might own, benefit from, and control the trust, depending on the law and the provisions of the document establishing the trust such as the trust deed.



How a trust can conceal control of assets

- a) created in one jurisdiction and used in another to hold assets across jurisdictions to disguise the origins of criminal proceeds.
- b) used to enhance anonymity by completely disconnecting the beneficial owner from the names of the other parties including the trustee, settlor, protector or beneficiary.

4.2 To determine the identity of beneficial owners of a customer, reporting institutions should seek to understand the complexities of the customer's ownership structure, governance and/or arrangement at each layer. An entity may have several beneficial owners, depending on its size and the complexity of its structure and governance.

- 4.3 There may be **more than one** beneficial owner associated with a customer. Reporting institutions' regulatory obligations relating to beneficial ownership are applicable on all the beneficial owners.
- 4.4 As outlined under Paragraph 6.2 of the Policy Document¹, *beneficial owner* is defined as a natural person:
- (a) who **ultimately owns** a customer;
 - (b) who **ultimately controls** a customer;
 - (c) on whose behalf a transaction is being conducted²; and/or
 - (d) who **exercises ultimate effective control** over a legal person or arrangement.

Legal persons

- 4.5 As provided in Paragraph 14A.9.6 of the Policy Document³, reporting institutions should identify the beneficial owners of legal persons through the cascading steps reflected below:

Step 1	Identify the natural person(s), if any, who ultimately have controlling ownership interest in the legal person
---------------	-----------------------------------------------------------------------------------------------------------------------

- (a) Having ultimate controlling ownership interest over an entity includes having more than 25% ownership or equity interest in an entity⁴ which may be observed, among others, through share capital or voting rights. The ownership may either be direct ownership (through ownership of shares within the entity itself) or indirect ownership (through chain of corporate vehicles).



Having a golden share within an entity is similar to having ultimate ownership of the entity, as it refers to 51% ownership.

¹ Corresponding provision in Paragraph 6.2 in the Policy Document on AML/CFT and TFS for DNFBPs and NBFIs.

² Such a situation may exist where a transaction conducted by another person is structured in such a manner to deliberately avoid control or ownership transparency by the beneficial owner.

³ Corresponding provision in Paragraph 14B.11.12, 14C.10.7 and 14D.9.6 of the Policy Document as well as, Paragraph 14.10.6 of the Policy Document on AML/CFT and TFS for DNFBPs and NBFIs

⁴ The requirement on more than 25% ownership threshold for beneficial ownership identification is issued under the AML/CFT Policy Document and should be differentiated with the beneficial ownership threshold set by other regulatory authorities which were set for other purposes.

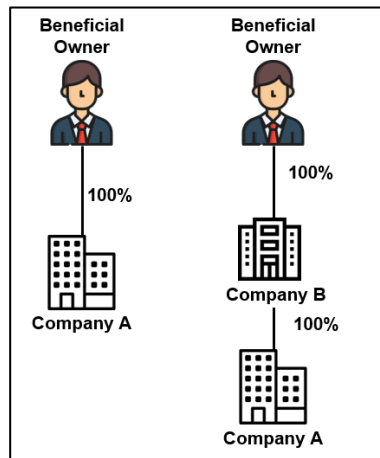


Illustration 4.1

*(left diagram) Direct ownership
(right diagram) Indirect ownership*

As provided in Illustration 4.1, if Company A is legally owned by Company B (according to its corporate registration information), the beneficial owners are the natural persons behind the Company B (or behind the ultimate holding company in the chain of ownership).

- (b) There may also be circumstances where a natural person owns less than 25% direct shareholding in an entity but is identified as the beneficial owner through his indirect and aggregated ownership of the entity, as reflected in **Illustration 4.2** below.

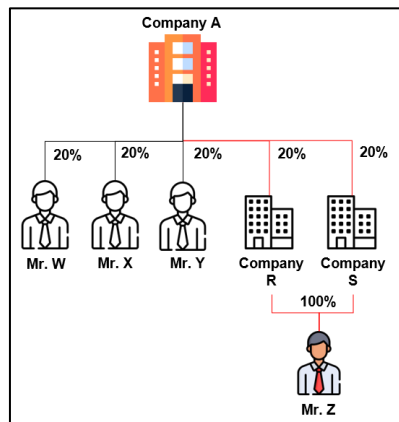


Illustration 4.2

Although all direct shareholders of company A equally owns 20% of its shares, Mr. Z is considered the beneficial owner of Company A due to his aggregated ownership of Company R and Company S, making Mr. Z the indirect owner of 40% of Company A.

- (c) Shareholder may exercise control together with other shareholders, including through any contract, understanding, relationship, intermediary or tiered entity to increase control as illustrated in **Illustration 4.3**

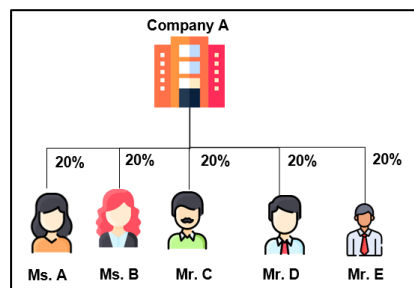


Illustration 4.3

Although all direct shareholders of company A equally owns 20% of its shares, Mr. D and Mr. E are considered the beneficial owners through their exerts of control over the company collectively via shareholders' contract.

In most circumstances, ownership over an entity implies control over the entity, as ownership may come with the power and authority to take actions and make decisions for the entity. Such a situation can be observed, among others, where:

- i. The natural person has majority voting power within the entity to make decisions; or
 - ii. The natural person exercises his right to appoint or remove directors or senior management, as a major shareholder.
- (d) In implementing Step 1, a natural person identified as fulfilling the criteria in (a) shall be identified as the beneficial owner. However, where there is doubt that the person identified under **Step 1** is not the beneficial owner; or where no natural person has ultimate controlling ownership interest over the legal person, the reporting institution shall carry out **Step 2**.

Step 2

Identify the natural person, if any, exercising control of the legal person, through other means

- (e) A natural person may also exercise effective control over an entity if he has the powers and authority to take actions and make decisions for the entity, including on matters relating to its financial affairs, financial relationships, operations or other matters that may fundamentally affect the business or direction of the entity, without having ownership interest over the entity. Such powers may be attained through other means, such as:
- i. Reflecting dominant influence to appoint or remove directors/ senior management;
 - ii. Having the power of attorney over the entity;
 - iii. Owning stocks or rights over outstanding debts that are convertible into voting equity;
 - iv. Participating in the financing of the enterprise; or
 - v. Having control through trusts, agreements, arrangements, understandings, policies or practices, close and intimate family relationships or if a company defaults on certain payments.

A natural person demonstrating control may be, among others, the entity's senior management, directors, authorised signatory, controller and etc.

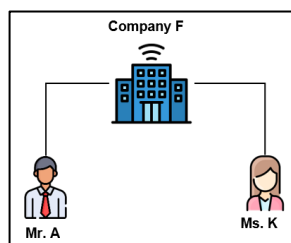


Illustration 4.4

Ms. K has complete managerial powers over Company F. Under Step 2, Ms. K is the beneficial owner of Company F.



How-to

Where, in the course of identifying beneficial owners, reporting institutions identified natural persons who exert control over an entity but have no direct ownership or apparent control over the entity, this assessment along with the person suspected of being a beneficial owner, should be recorded. Such a situation may be observed through:

- a. personal connections to persons in positions of power within the entity or persons who possess ownership over an entity (close or intimate family relationships and historical or contractual associations)
- b. participated in financing of enterprises which may allow enjoyment or benefits from assets of the legal person
- c. In the case of MSB, executive staff who are empowered to make important decisions on behalf of the senior management

- (f) In implementing Step 2, a natural person identified as fulfilling the criteria under (e), shall be identified as the beneficial owner. However, where, through **Step 1**, no natural person is identified to have ultimate ownership interest over the legal person and through **Step 2**, no natural person is identified to have and exercise, either directly or indirectly, control over the entity, the reporting institution shall carry out **Step 3**.

Step 3

Identify the identity of natural persons holding the position of **senior management** within the legal person

- (g) “*Senior management*” are identified as persons who exercise executive control over the daily or regular affairs of the legal person, which may include, but are not limited to, directors, deputy directors, Board members, chief executive officer, chief financial officer, chief operating officer, or any other individual performing similar management functions.

- 4.6 In moving down the cascading steps in paragraph 4.5 above, reporting institutions should ensure that they have identified either:
- (a) the lack of a natural person under (a) as the ultimate owner of the entity; and/or
 - (b) the lack of a natural person under (e) who exercises ultimate control over the entity.



Reporting institutions should endeavour to record and keep documentations reflecting all the findings in moving down the cascading steps, as well as all shareholders identified throughout the chain of ownership, leading to the ultimate beneficial owner.

Legal arrangements

- 4.7 For legal arrangements, persons with “*ultimate control*” over the legal arrangement shall be identified as the beneficial owners. For example, in a trust, such persons may include, among others, the trustee (person who manages the trust), the settlor (the person who creates the trust), the protector (person appointed by settlor to oversee the trustee) and the beneficiary (person who benefits from the trust). The following are examples of positions denoting control over a trust:
- (a) A settlor with power to revoke the trust and return property of trust back to the settlor;
 - (b) A protector with power to remove or appoint a trustee;
 - (c) An investment manager with power to direct the trustee’s action; and
 - (d) A person who benefits from the legal arrangement.

5.0 Methods to Identify Beneficial Owner

- 5.1 Reporting institutions may seek to review the beneficial ownership information relating to an entity, based on the following recommended source documents to determine the ownership structure and governance of an entity. The following **list is non-exhaustive and reporting institutions are encouraged to explore other possible sources of documents** to review such information.

Type of legal person/ legal arrangement	Information relating to beneficial ownership	Source documents
Private and public companies/ Bodies corporate/ Partnership/	i. Legal vehicle (e.g. corporate, partnership etc)	<ul style="list-style-type: none"> ▪ Certificate of incorporation ▪ Certificate of registration ▪ Company constitution ▪ Minutes of Board meeting

Type of legal person/ legal arrangement	Information relating to beneficial ownership	Source documents
Government-linked companies	ii. Shareholding including information on parent company and subsidiaries information iii. Direct or indirect ownership iv. Relationship to conglomerates/ corporate groups v. Company tree	<ul style="list-style-type: none"> ▪ Director's and shareholder's resolution ▪ Partnership agreement ▪ Appointment/ Authorisation letter ▪ Senior management list ▪ Company's annual report and annual return ▪ Joint venture agreement, shareholder's agreements and other related agreements ▪ Director nomination agreement ▪ Register of member including BO ▪ Any other source documents that sufficiently identifies the beneficial owner
Trust arrangement	i. Parties to the trust ii. Persons involved in the trust establishment iii. Administrator of the trust iv. Type of trust	<ul style="list-style-type: none"> ▪ Trust deed ▪ Trust registration document
Cooperatives	i. Management of the cooperatives ii. Rules governing the cooperatives	<ul style="list-style-type: none"> ▪ Registration form of the Cooperatives ▪ By-laws of the cooperative ▪ Minutes of General Meeting
Clubs/ Societies/ Foundations/ Charities/ NGOs	i. Rules governing the clubs/ societies/ foundations/ charities/ NGOs	<ul style="list-style-type: none"> ▪ Constitution/ charter/ rules ▪ Registration form ▪ Minutes of meeting ▪ List of members of committee

5.2 Depending on the type of legal person or legal arrangement, identity of beneficial owners may be determined based on the following relationships:

Type of legal person/ legal arrangement	Relationships to be determined, if any
Companies (Private & Public)	<ul style="list-style-type: none"> ▪ Shareholders ▪ Senior management ▪ Joint venture agreement ▪ Persons with voting rights ▪ Nominee directors/ shadow directors ▪ Persons with power to appoint or remove directors ▪ Other persons with interest within the company
Partnership	<ul style="list-style-type: none"> ▪ Partners within the partnership ▪ Other natural persons with effective control over the partnership
Government linked companies ○ Government investment linked companies, state based company etc.	<ul style="list-style-type: none"> ▪ Person authorised in the government to exercise or influence decision making on the GLC ▪ Other persons who exercise or influence decisions over the GLC
Clubs/ Societies/ Foundations/ Charities/ NGOs/ Cooperatives	<ul style="list-style-type: none"> ▪ Office bearer (e.g. president, secretary, treasurer or other committee) ▪ Senior management/ management team ▪ Other member with effective control over the club/ societies/ charities/ foundations/ cooperatives
Trust arrangement	<ul style="list-style-type: none"> ▪ Settlor ▪ Trustee ▪ Protector ▪ Beneficiaries or class of beneficiaries ▪ Other natural persons with effective control over the trust

5.3 Reporting institutions shall take all reasonable measures to identify their customers' beneficial owner and shall be satisfied, based on the measures taken, that they know the ultimate beneficial owner.

5.4 Reporting institutions are recommended to examine as many levels of information from the company structure as they deem necessary to accomplish this. "*Reasonable measures*⁵", in this situation, refer to practical, necessary and appropriate steps taken in line with the reporting institutions' risk assessment, at best efforts basis.

⁵ Reporting institutions are recommended to translate the extent of reasonable measures they take into a clear set of internal policies and procedures for consistency of conduct and to guide their employees actions.

**Illustration of
reasonable
measures on
best efforts
basis**

In determining the beneficial owner of a company, the reporting institution has taken a best efforts basis by thoroughly enquiring the customer on information of beneficial owner, obtaining all relevant documents relating to the customer, reviewing all the relevant company documents and obtaining information through online and offline publically available sources including information maintained by public registrars.

- 5.5 Where the reporting institutions are unable to identify, or further verify, the information of beneficial owners, including those who are foreign natural persons, reporting institutions shall record that **they have exhausted all reasonable measures** that may be taken to obtain such information. This may include obtaining a statutory declaration from the customer on the identification of the foreign beneficial owner.



Reporting institutions may choose to implement and adopt stricter internal policies and procedures with regard to identification and verification of beneficial ownership information. For example, reporting institutions may choose to collect information of shareholders with less than 25% ownership if they so wish.

- 5.6 Reporting institutions should identify and take reasonable measures to verify all the information of the beneficial owner as required in the Policy Document.

6.0 Verification of Beneficial Owner

- 6.1 Reporting institutions shall use reliable and independent source documents⁶ to verify the identity of beneficial owners.
- 6.2 Reporting institutions are expected to perform identification and verification of beneficial owners at the on-boarding stage, as well as when there are any changes to the beneficial ownership information. Depending on the risk assessment of the customer and their beneficial owner, reporting institutions may conduct a delayed verification of the beneficial owner, by adhering to the requirements of the Policy Documents. Beneficial ownership obligation should still be satisfied regardless of the level of risk associated with the customer and beneficial owner.

⁶ Example of reliable and independent source documents are provided in the “*Guidance on Verification of Individual Customers for CDD*”. The list is not exhaustive and any other verification sources may be relied on, with due regard to be given to the requirements under the Policy Documents.

- 6.3 Similar to the identification process, reporting institutions should ensure that they have taken all reasonable measures to verify the identity of the beneficial owner(s) of their customer. This may include, but is not limited to, conducting verification through independent documents provided by the customer, reliance on public registries or government bodies, researching publicly available information or arranging a face-to-face meeting with the beneficial owner to corroborate the undertaking or declaration provided by the customer



Where reporting institutions are unable to verify the beneficial owner's identity, reporting institutions may manage the risks of customer's activities, by either limiting the activities of the customer, treating the customer's activities as high risk or apply enhanced on-going due diligence on the customer, as per the best practices of other countries

- 6.4 Where a customer falls under the list of exempted legal persons listed under Paragraph 14A.9.8 of the Policy Document⁷, reporting institutions are not required to verify their directors or shareholders. Notwithstanding this, reporting institutions are still required to identify and maintain the information relating to the identity of the directors and shareholders, based on public register, reliable sources or other information provided by the customer.
- 6.5 For foreign beneficial owners, where there is no existing independent and reliable document submitted on the beneficial owner, reporting institutions may verify the identity of the beneficial owners through open available sources. Reporting institutions should reflect that they have exhausted all reasonable measures that may be taken to verify the foreign beneficial owners' identity.



Reporting institutions may conduct a self-assessment to determine whether they have taken adequate steps to verify the beneficial owner's identity and whether they understands the rationale for the beneficial owner's use of complex corporate structures.

⁷ Corresponding provision in Paragraph 14B.11.14, 14C.10.9 and 14D.9.8 of the Policy Document as well as, Paragraph 14.10.9 of the Policy Document on AML/CFT and TFS for DNFBPs and NBFIs

7.0 Record Keeping of Beneficial Ownership

7.1 Reporting institutions shall obtain and retain records of beneficial owner information in accordance with the requirements under the Policy Document. The following are **best practices on record keeping**:

DO's

All records may be:

- ✓ retained and recorded in a readily auditable manner.
- ✓ retained as per requirement of maintaining court evidence.
- ✓ regularly updated through on-going due diligence.
- ✓ retained consistently according to CDD & record keeping procedures for every process stage.
i.e. identification, verification, risk profiling of beneficial owners and updating & maintaining records of beneficial owners.
- ✓ retained for at least 6 years from the date customer cease business relationship with reporting institution.



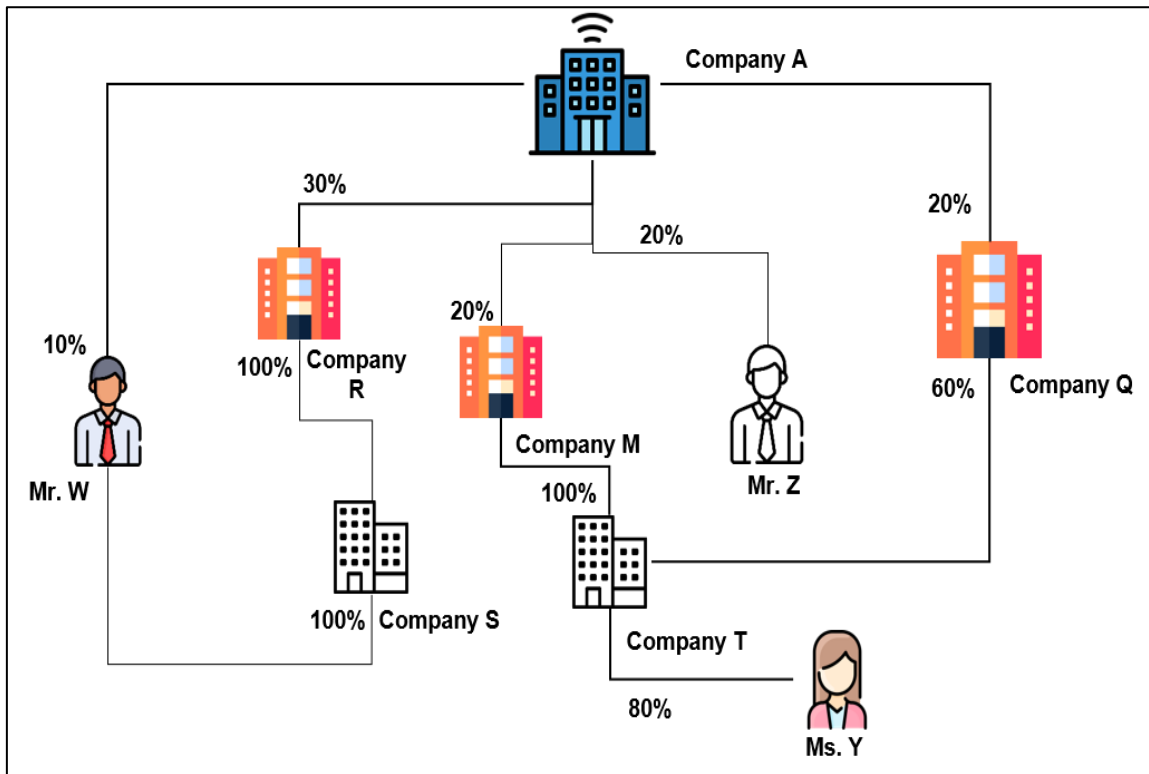
DON'T's

All records may **NOT** be:

- ✗ retained in a convoluted manner or parts of documents missing and untraceable.
- ✗ retained without records on CTC/ veracity or acknowledgement of documents and/or recorded without reference to sources.
- ✗ updated only during on-boarding, without any further review or on-going due diligence throughout the course of business relationship.
- ✗ maintained without a standard operating procedure on CDD & record keeping.
i.e. no clear procedure on verification process, frequency of updating beneficial owner's records and etc.
- ✗ removed immediately following cessation of customer's business relationship.

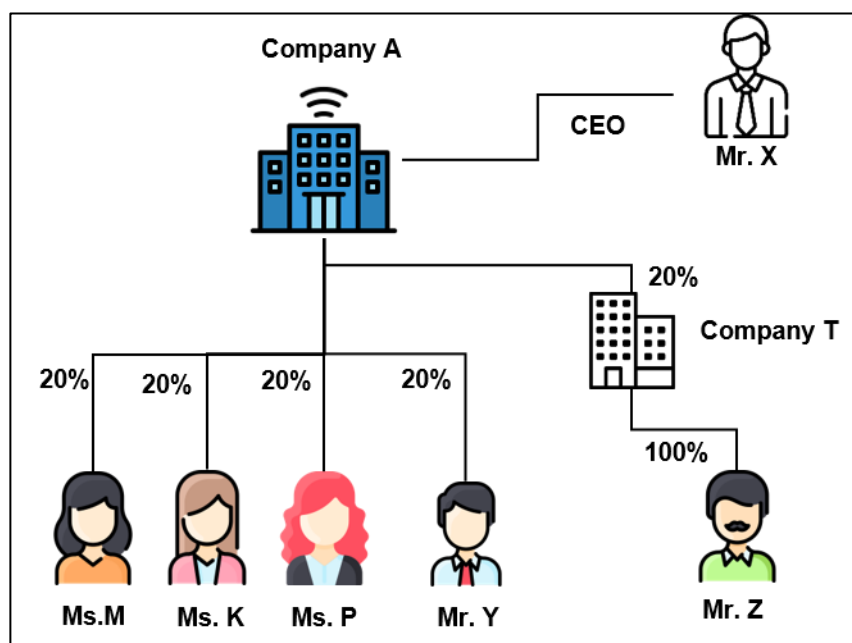
8.0 Examples of identification of beneficial owners

Illustration 8.1



From the offset, there is no direct ownership by a natural person of more than 25% of Company A's shareholding. The beneficial ownership breakdown once the complex structure is reviewed is as follows:

- A **Mr. W has 40% ownership of Company A and is a beneficial owner**
(10% direct ownership + 30% indirect ownership through Company R and Company S)
- B **Mr Z has only 20% ownership of Company A and is not a beneficial owner** (direct ownership)
- C **Ms. Y has 25.6% ownership of Company A and is a beneficial owner**
(9.6% indirect ownership through Company T and Company Q and 16% indirect ownership through Company T and Company M)

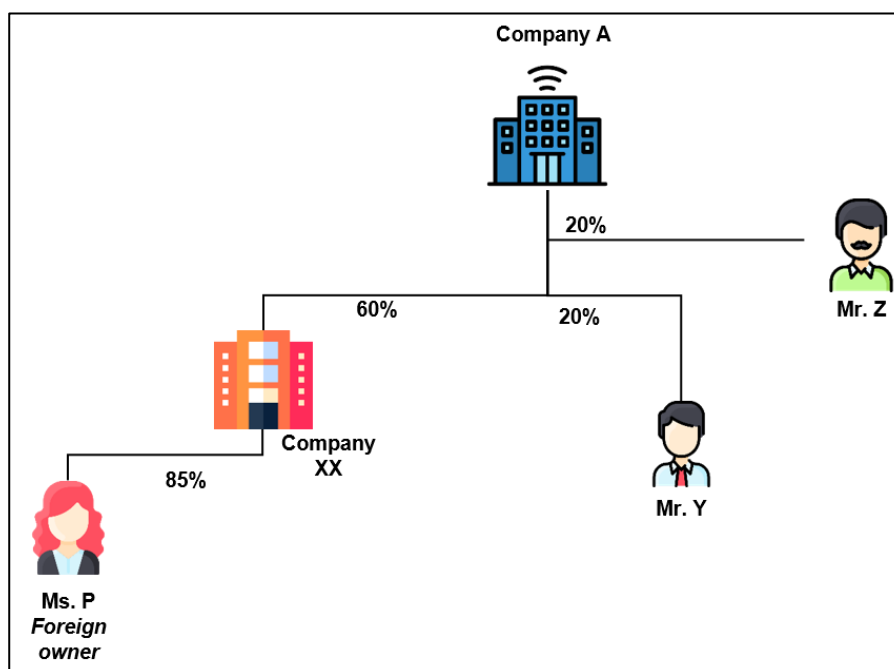
Illustration 8.2

Based on the shareholding, there is neither a beneficial owner with 25% or more shareholding nor is there any person with effective control over the company apart from the senior management. In this case, the senior management with control of decisions over Company A is Mr. X. Mr. X is considered the beneficial owner for AML/CFT requirements purposes.

Where there is any doubt on other persons having effective control, reporting institutions may take the effort to explore nature of relationship between shareholders (i.e. spousal, familial relationship, power of attorney relationship). For example, based on the above shareholding, if Ms. M is the daughter of Mr. Z, Mr. Z may have effective control over Company A even though there is no control through shareholding and may be deemed the beneficial owner.

Similarly, if Mr. Y allows Mr. Z the power of attorney over his shareholding, Mr. Z may also have effective control over Company A and may be deemed the beneficial owner.

The relationships between the relevant stakeholders can be determined and established if the reporting institution truly knows its customer, as required through customer due diligence requirement. Reporting institutions may practise best efforts basis in ensuring these information are discovered.

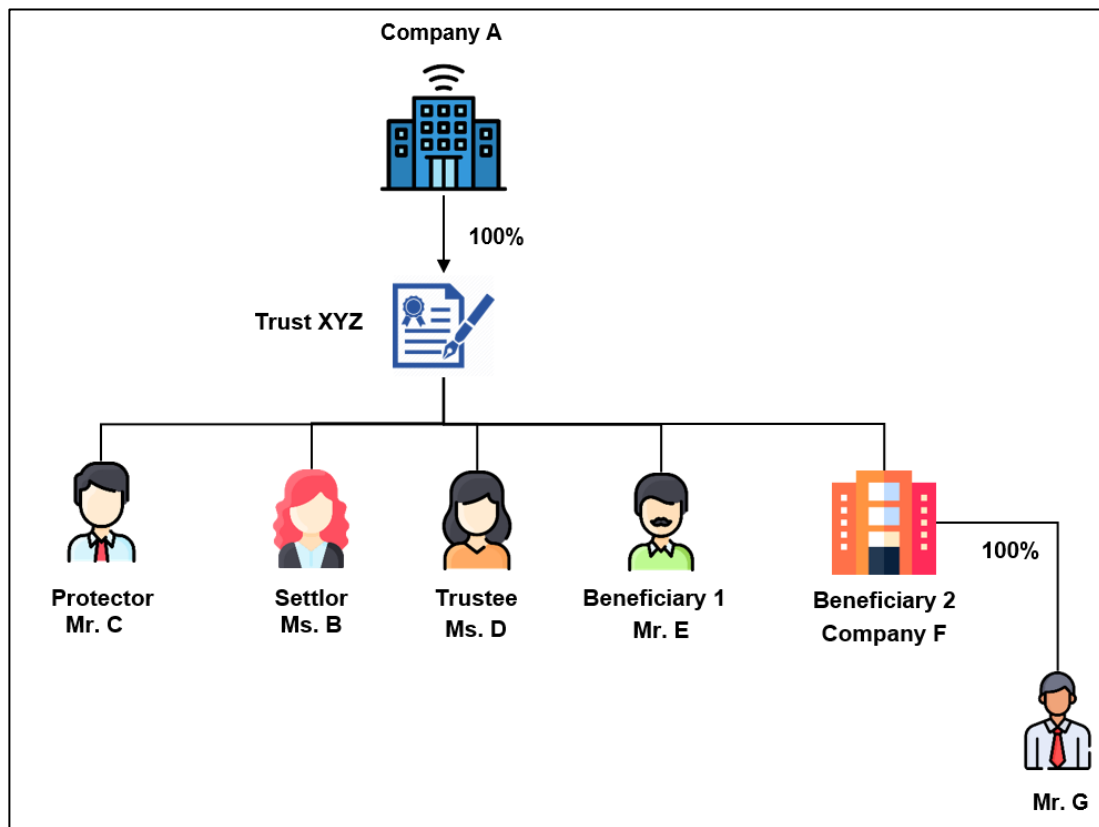
Illustration 8.3

Based on the shareholding, Ms. P is the beneficial owner of Company A, through her ownership of Company XX. The reporting institution having a banking relationship with Company A has endeavoured to obtain all necessary identification documents from Company A relating to Company XX and Ms. P. In verifying those information, the reporting institution has explored all online and offline platforms with publicly available information on Ms. P such as news outlet and websites with company profiles such as Reuters, Asian Nikkei Review etc., reflecting that verification has been conducted on a best efforts basis.

As Ms. P is a foreign beneficial owner, the reporting institution should also determine whether she is a citizen from high risk jurisdiction or whether she falls within the sanctions list. If Ms. P falls under the category of high risk customers requiring enhanced CDD, the reporting institution should also determine, among others, the sources of funds and wealth of Ms. P.

The reporting institution has the option to choose not to establish or continue business relationship with the customer if it is deemed that Ms. P is not within the reporting institution's risk appetite or if the reporting institution believe it does not have the capacity to appropriately manage the increased risk in relation to the customer/ Ms. P, in accordance with the institution's business decision.

Illustration 8.4



Trust XYZ has 100% ownership of Company A, with the trustee Ms. D holding the shares as the titled legal owner. In such scenario, the BO of Company A is not Trust XYZ, but rather the individuals that are parties to the trust (e.g. the settlor, protector, trustee and beneficiary) and any other person exercising effective control of the trust.

As one of the beneficiaries of Trust XYZ is not a natural person, i.e. Company F, the BOs of Company F shall also be identified. As such, the BOs in this case for Company A are Ms B, Mr. C, Ms. D, Mr. E and Mr. G.