

Verifying beneficial owners

Purpose of this document

1. The Accountancy AML Supervisors' Group is comprised of the thirteen accountancy professional body supervisors (PBSs) who are supervisory authorities under the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (MLR17).
2. In this document, we have set out guidance on the steps that auditors, insolvency practitioners, external accountants and tax advisers should take when verifying beneficial owners to ensure consistency in approach across the entire sector.
3. This guidance should be read alongside the AML guidance for the accountancy sector (AMLGAS).

AASG guidance on verifying beneficial owners

4. Regulation 28 of MLR17 sets out distinct steps that the relevant person must perform:
 - a) the relevant person must **identify** the beneficial owner;
 - b) the relevant person must take **reasonable measures to verify the identity** of the beneficial owner; and
 - c) if the beneficial owner is a legal person, trust, company, foundation or similar legal arrangement take reasonable measures to understand the ownership and control structure of that legal person, trust, company foundation, or similar legal arrangement.
5. All three steps include the word 'must' and are therefore mandatory
6. The second step requires some measures to be taken (for all beneficial owners), and that the extent of these measures must be 'reasonable' (ie, risk-based).

Definition of a beneficial owner

7. The meaning of a beneficial owner is set out in Regulation 5:

(5).—(1) In these Regulations, “beneficial owner”, in relation to a body corporate which is not a company whose securities are listed on a regulated market, means—

(a) any individual who exercises ultimate control over the management of the body corporate;

(b) any individual who ultimately owns or controls (in each case whether directly or indirectly), including through bearer share holdings or by other means,

more than 25% of the shares or voting rights in the body corporate; or

(c) an individual who controls the body corporate.

8. A beneficial owner, therefore, is always a natural person and the relevant person must take reasonable measures to verify the identity of the natural person that meets the definition of a beneficial owner.

Definition of verify

9. Regulation 28 (18) sets out that for the purpose of Regulation 28:

(a) [...] “verify” means verify on the basis of documents or information in either case obtained from a reliable source which is independent of the person whose identity is being verified;

(b) documents issued or made available by an official body are to be regarded as being independent of a person even if they are provided or made available to the relevant person by or on behalf of that person.

What procedures should a firm carry out?

10. The firm is seeking to verify the beneficial owner's identity, not simply that the identity in question is a beneficial owner.
11. Firms must do more than tracking the beneficial ownership through a corporate structure or trust arrangement, and gathering evidence to corroborate that a particular natural person is the beneficial owner. This is the identification of the beneficial owner.
12. To verify the identity of the beneficial owner, relevant persons should use Annex B.1.4, which sets out the sources of evidence that may be used to verify the identity of natural persons.
13. Where the firm has assessed that the client is high risk for money laundering, the firm should collect sufficient evidence from a variety of sources to mitigate the risk identified – this may include collecting additional evidence to prove the identity of the beneficial owner, if there is concern that the individual is not who they say they are.
14. In lower risk situations and in limited circumstances (eg, when the relevant person already knows and has previously verified the identity of the beneficial owner) taking reasonable measures to verify the beneficial owner may mean, for example, taking verification information from non-independent sources (eg, non-certified documents or information from reputable websites).