

## Revisions to Recommendation 24 - White Paper for Public Consultation

The Financial Action Task Force (FATF) is considering potential amendments to Recommendation 24 on the transparency and beneficial ownership (BO) of legal persons. The FATF's objective is to strengthen the international standard on beneficial ownership of legal persons so as to ensure greater transparency about the ultimate ownership and control of legal persons, providing competent authorities timely access to adequate, accurate and up-to-date beneficial ownership information, and to take more effective action to mitigate the risks of misuse.

The FATF is considering a number of potential changes to Recommendation 24, including the potential for updates in the areas set out below. FATF's work in this area is ongoing, and will benefit from hearing views from stakeholders, including companies and other legal persons, financial institutions, designated non-financial businesses and professions (DNFBPs), and non-profit organisations. In this consultation, the FATF is particularly interested in learning the views of companies and other legal persons, as many of the changes currently under consideration may impact them. The FATF would also welcome comments and data from countries with registries, as well as countries using alternative mechanisms. The FATF would welcome comments on all these proposals and in particular on the questions highlighted below:

- ***Risk-based approach for foreign legal persons*** - In light of the use of cross-border ownership structures to conceal beneficial ownership, FATF is considering whether all countries should apply measures to understand the risk posed by all types of legal person created in the country (as currently required) and also to certain foreign-created legal persons, and to take appropriate steps to manage and mitigate these risks. To manage the task regarding foreign-created legal persons which countries should understand and mitigate the risk, FATF is considering to limit the scope to foreign-registered legal persons which have sufficient links with the countries.
  1. *Should countries be required to apply measures to assess the ML and TF risks to all types of legal persons created in the country and also to at least some foreign-created legal persons and take appropriate steps to manage and mitigate the risks?*
  2. *What constitutes a sufficient link with the country? How should countries determine which foreign-created legal persons have a sufficient link with the country? Is there an alternative standard to “sufficient link” that could be used? What are the practical issues met/envisioned regarding the identification and risk assessment of foreign created legal persons?*
- ***Multipronged approach to collection of Beneficial Ownership information*** - The FATF recommends that countries use a multi-pronged approach to ensure that beneficial ownership information is available to competent authorities. FATF is

evaluating countries' experience to date of the creation and operation of beneficial ownership registries, and is considering what core elements should be included in a multi-pronged approach, and what supplementary measures should be considered for inclusion. This includes the benefits to law enforcement and other competent authorities of registries and other approaches, the costs and compliance burden associated with beneficial ownership registries to governments and companies; the value of information; the risks around the introduction of registries and other approaches, and other requirements and challenges for each of these approaches to be successful.

3. *(a) What do you see as the key benefits and disadvantages of a BO registry, and (b) what are the alternative approaches to registries, such as BO information held by companies, FIs, and DNFBPs, and their key benefits and disadvantages?*
4. *What are the key attributes and role regulators play in ensuring that a BO registry has adequate, accurate and up-to-date BO information available for competent authorities? Does this make a difference if BO information is held by a BO registry and alternative approaches to registries (e.g. BO information held by companies, FIs, and DNFBPs))?*
5. *How should the accuracy of BO information disclosed to the BO Registry be confirmed?*
6. *What role should the private sector play, if any, in ensuring that the BO information is adequate, accurate and up-to-date? What lessons should be learned from private sector use of existing registries?*
7. *What effective mechanisms (aside from a BO registry) would achieve the objective of having adequate, accurate and up-to-date BO information for competent authorities? What conditions need to be in place for authorities to rely on financial institutions and DNFBPs to hold BO information? How could BO information held by obliged entities as part of their CDD be utilised in this regard?*
8. *How can the compliance burden on low risk companies be reduced, without creating loopholes that could be exploited by criminals?*
- **Adequate, accurate, and up-to-date information** - FATF is considering how to clarify the key attributes of access to information by competent authorities, that access should be timely, and information should be adequate (to identify the beneficial owner's identity and means of ownership), accurate (i.e. verified using documents or other methods, on a risk-sensitive basis) and up-to-date (i.e. updated within a certain period following any changes).
  9. *Who should play a role in the verification of BO information? How effective is the framework on discrepancy reporting? What are the possible verification approaches that can balance the need for accuracy and compliance cost?*
  10. *Should BO registries (where they exist) follow a risk-based approach to verifying of BO information?*
  11. *How frequently should disclosed BO information be updated or re-confirmed (e.g. annually, within a set period after a change is made)?*
- **Access to information** - FATF is considering who should have access to beneficial ownership information, whether held by a registry or another mechanism, and how confidentiality or privacy should be protected.

12. *Should access to a BO registry or another mechanism be extended beyond national (AML/CFT) competent authorities (e.g. to AML/CFT obliged entities such as financial institutions and/or DNFBPs)?*
13. *What measures should be taken to address concerns relating to privacy, security and potential misuse of BO information, arising from access to BO information?*
- ***Bearer Shares and Nominee arrangements*** - FATF is considering possible measures to strengthen controls on bearer shares and nominees to prevent them from being used to conceal the beneficial owners of legal persons. This includes potential prohibition on the issuance of new physical bearer shares and a requirement for existing physical bearer shares to be immobilised or converted before any associated rights can be exercised. FATF is also considering requiring nominee directors and shareholders to proactively declare their status and (for non-regulated nominees) their nominator to the company and to a registry or financial institution.
14. *Should issuance of new physical bearer shares without any traceability be prohibited?*
15. *Should existing physical bearer shares be immobilised or converted?*
16. *With regard to nominee arrangements, what are the benefits and disadvantages of requesting nominees directors and stakeholders to declare their status? Are there alternative equivalent measures that would offer the same level of transparency?*

Please provide your response, including any drafting proposals to [FATF.PUBLICCONSULTATION@fatf-gafi.org](mailto:FATF.PUBLICCONSULTATION@fatf-gafi.org) with the subject-line “Comments of [author] on the draft Amendments to Recommendation 24”, **by 20 August 2021 (18h00 CET)**.

While submitting your response, please indicate the name of your organisation, the nature of your business, and your contact details. We will use your contact information only for the purpose of this public consultation and for further engagement with you on this issue. The FATF will not share this information with third parties without your consent.

At this stage, the FATF has not approved any draft amendments to R.24. The FATF will consider the views received and propose revisions to the text of R.24 for discussions at its October 2021 meetings.

We thank you for your kind contribution.