

# Guide:

## Beneficial ownership obligations

### Helping meet your regulatory obligations to prevent money laundering and terrorism financing

Financial advisers play a critical role as a gatekeeper to financial transactions, and your close client relationships allow you to identify potential money laundering or terrorist financing activities. To support you, we've developed this guide on **beneficial ownership obligations**, a key part of meeting your anti-money laundering and counter-terrorism financing obligations.

#### Helping you understand beneficial owners

Understanding who ultimately has control of the client entity we're onboarding helps us meet our regulatory obligations. As a bank, we have a legal obligation to ensure that we accurately determine who are the ultimate beneficial owners of the client entity we're onboarding. Once this has been determined, we then need to ensure we identify and verify those beneficial owners.

#### What is a beneficial owner?

Beneficial ownership can be through **either** legal ownership or through control, as explained below.

**Ownership** – means owning 25% or more of the client entity. This can be directly (i.e. through shareholdings) or indirectly (i.e. through another company's ownership).

Ownership can also be held through a combination of both direct and indirect holdings.

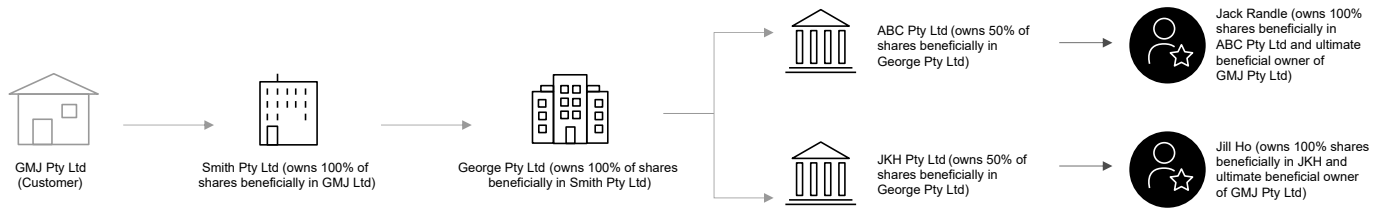
**Control** - means having control through agreements, trusts or other arrangements to determine decisions about financial and operating policies of the customer entity. For example, trustees and appointers of trust clients or directors of company clients.

#### Always drill down to a natural person

A natural person is a human.

When determining a beneficial owner of a customer entity it's important to note that a beneficial owner must be a **natural person**. Therefore, if another entity is a beneficial owner of the client, the beneficial owner (defined above) should be applied to that respective entity and so on **until a natural person or persons can be identified**.

## Here is an example:



Using the example above, the ultimate beneficial owners of GMJ Pty Ltd would be Jack Randle and Jill Ho. Stopping at Smith Pty Ltd doesn't enable us to identify the true beneficial owners. We must look at the **whole structure** to ensure we have identified all possible holders of 25% or more accumulated ownership in our client.

Tip: if there are more than three layers in the entity structure, the entity will require further investigation before onboarding is complete. On your application, it may be helpful to include an organisation structure to explain the entity ownership structure. However, please note this won't replace the requirement of providing supporting documents to verify who the ultimate beneficial owners are.

## Three key steps to complete the beneficial ownership process (for entities)

**Step 1:** For the entity (e.g. family trust, company) we're onboarding, collect the details of the ultimate beneficial owners from your client. These must be natural people (i.e. humans) who ultimately have control of the entity. Control can be through legal ownership or through other controllership arrangements (such as through a trust or partnership arrangement).

**Step 2:** Determine whether the beneficial owners disclosed by your client can be verified against allowable and reliable verification documents (for example, an ASIC extract for a company or a certified trust deed for a trust). The verification document must have been certified within the last 12 months.

If a discrepancy is identified between the information provided by your client and the information provided on the ASIC extract/certified trust deed, we'll need to investigate and resolve the discrepancy. If this is the case, we'll get in touch with you to work through the next steps.

**Step 3:** Collect the below information about each ultimate beneficial owner of the entity we're onboarding: full name, and, date of birth (DOB), or residential address.

We'll then need to verify the details of each human beneficial owner that you've collected using separate identification verification documents (e.g. original or certified passport or driver licence).

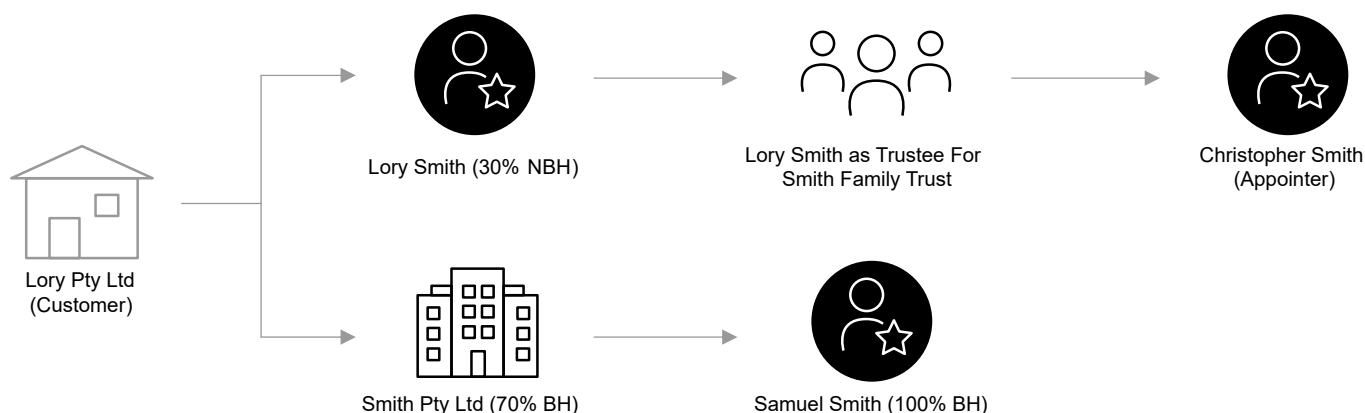
Tip: Although we only require two details from the above list, providing all three (full name, DOB and residential address) means there is higher likelihood that we'll be able to successfully verify the beneficial owner electronically.

## What if there are non-beneficially held shares?

There may be circumstances where an individual or another entity holds shares in the client through a trustee or through a nominee on behalf of another person. This is known as non-beneficially held (NBH) shares.

In these circumstances, some additional documentation is required. We've provided an example below.

**Example:** To determine the ultimate beneficial owners of Lory Pty Ltd, the following steps are taken:



### BH – Beneficially Held

### NBH – Non-beneficially Held

**Step 1:** Because Lory Smith is holding the shares in a non-beneficiary manner, we must ask who Lory Smith is holding the shares on behalf of, i.e. who is the ultimate beneficial owner of these shares. (The client confirms that the shares are held on behalf of the Lory Smith as Trustee for Smith Family Trust).

**Step 2:** We must obtain a certified copy of the relevant verification document permitted for the entity type (e.g. a certified copy of the trust deed or a signed letter on letterhead, from an accountant or solicitor for an unregulated trust) to determine who the ultimate beneficial owner of these NBH shares is. The documents must have been certified (or if a letter from accountant/solicitor, dated) in the last 12 months.

**Step 3:** We must then identify and verify the ultimate beneficial owner via individual beneficial ownership collection and verification processes. This includes collecting and verifying the beneficial owner's full legal name and either their date of birth or residential address.

## What if there are different types of share classes?

Where there are multiple classes of shares, the 25% or more threshold of share ownership relates to the **value** of shares held as a proportion of the total share capital issued (that is, the total value of the shareholding) by the company, irrespective of any other rights that attach to the shares.

### In this example:

- The total share capital issued is \$400 (\$300 of ordinary shares + \$100 of class A shares).
- Any individual who holds all issued class A shares would be a beneficial owner through 25% ownership, i.e. \$100 as a proportion of \$400, and
- If an individual holds 100 of the ordinary shares, they would also be a beneficial owner through 25% ownership i.e. \$100 as a proportion of \$400.

Share Class	Number of shares issued	Price per share	Total amount issued
Ordinary	300	\$1	\$300
Class A	2	\$50	\$100



### Need more information?

Visit our [Help Centre](#) for more information on beneficial ownership.