

# QUICK REFERENCE GUIDE FOR REGULATORY AUTHORITIES ON MARKET ENTRY AND FIT AND PROPER CONTROLS



Republic of Vanuatu

State Law Office

Financial Intelligence Unit

**This document sets out important information for market entry fit and proper controls. Supervisors must be guided by this document when conducting fit and proper checks on beneficial owners, owners, controllers, directors and managers. This document should be read in conjunction with the requirements of the relevant AML/CTF related legislations, regulations and prudential guidelines as amended.**

## **1. New Requirements for Market Entry and Ongoing Controls**

The 2017 suite of legislative reforms amend regulatory laws for sectors that are considered 'reporting entities' under the AML/CTF Act. These reforms were in response to FATF recommendations, which require that market entry controls, including fit and proper checks, be applied across financial institutions and designated non-financial businesses and professions (referred to as 'reporting entities' in Vanuatu) in order to protect the financial system against abuse from criminal elements. FATF also requires that these controls be maintained on an on-going basis. The disclosure of beneficial ownership and the application of fit and proper controls to beneficial owners, as required by FATF, also enhances transparency of the financial sector.

Note that the information in this documents focuses only on requirements stemming from FATF recommendations on AML/CTF. It is not an overarching guide on the regulation of these sectors.

## **2. What does 'market entry' refer to?**

'Market entry' refers to the point at which an individual or entity applies for a license or registration under a regulatory regime. It does not refer to the point at which that individual or entity applies for registration as a reporting entity under the AML/CTF Act. The objective is to prevent unsuitable individuals or entities from becoming licensed or registered as a financial institution or designated non-financial business or profession in the first place. Registration as a reporting entity under the AML/CTF Act is a second stage. A robust market entry process means regulatory authorities take responsibility for regulating their sectors, and that these checks do not need to occur again for registration as a reporting entity under the AML/CTF Act.

Registration as a reporting entity under the AML/CTF Act has the main purpose of enabling VFIU to maintain a list of all reporting entities and their contact details. In Vanuatu, the registration of reporting entities also serves the purpose that individuals and entities from UNREGULATED sectors, are required to undertake fit and proper checks since there is no other regulatory regime which currently governs them.

### 3. New disclosure obligations at the point of market entry

The following table lists the new obligations for disclosure of information when an individual or entity applies for a license or registration under a regulatory law. The table also lists how a regulatory authority might request this information and what documents applicants could provide in support of the disclosure obligation.

Obligation to disclose	How to request the information	Supporting documents
<p>Applicants for a license or registration are required to provide the <b>details of 'key persons'</b>.</p> <p>The reason for disclosure of key persons is so that fit and proper criteria can be applied to each of those key persons. This ensures that criminals and their associates are not entering the financial system.</p> <p>Key persons generally include: beneficial owners, owners, controllers, directors and managers. Most regulatory Acts have been amended to provide a definition of 'key persons', which captures those listed above. Each of those key persons, such as a 'controller' is also defined.</p>	<p>Application forms or information pack for potential applicants should be updated to ensure that applicants are required to provide details of key persons. In terms of what 'details' are necessary to include in the application form, the following details would be a minimum: full name, address, date of birth.</p> <p>As part of the information pack, questionnaires of controllers (owners and corporates) and individuals must be completed.</p>	<p>In order to support the applicants' claim that they have provided the details of all key persons, regulators should request the core documents of the entity. For example, if the applicant is a company, at a minimum, it should provide :</p> <ul style="list-style-type: none"> <li>• copies of license, certificate of incorporation, memorandum and articles of association;</li> <li>• company's register of shareholders; and</li> <li>• company's audited annual statements.</li> </ul> <p>If the applicant is an individual, he/she should, at a minimum provide the following:</p> <ul style="list-style-type: none"> <li>• copy of passport;</li> <li>• police clearance certificate;</li> </ul>

<p>In rare cases, such as the Mutual Funds Act, there is no definition of 'key person', however, the key persons are listed in the obligation to disclose for each type of license under that Act.</p>		<ul style="list-style-type: none"> <li>• evidence of private address; and</li> <li>• CV (employment and education/qualification history).</li> </ul> <p>The documents must be notarised where necessary.</p> <p>The applicant must reveal what persons meet the definitions of beneficial owners, owners, controllers, directors and managers.</p> <p>Similarly, for an applicant that is a partnership, the partnership agreement should reveal such details.</p>
<p>Applicants for licenses or registration are also required to provide <b>details of the source of funds</b> used to pay the capital or equity of the applicant.</p> <p>The purpose of this disclosure is to determine whether the source of funds is from legitimate sources or whether it may be the proceeds of crime.</p> <p>In the case of Foundations, the Act asks for the source of the</p>	<p>Application forms or information pack for potential applicants should be updated to ask applicants for details of the source of funds.</p>	<p>In some ways, an inquiry into the source of funds is an inquiry into the ownership or beneficial ownership of an entity.</p> <p>For example, the source of funds for a company comes from its shareholders. Therefore a list of shareholders who own or control the company will enable a regulatory authority to consider whether the source of funds might arise from criminal proceeds. In this case, the</p>

<p>initial transfer of assets to the foundation.</p>		<p>regulator would ask for the following information:</p> <ul style="list-style-type: none"> <li>• register of shareholders;</li> <li>• the company's annual audited statements as substantiation of source of funds;</li> <li>• the company's or individual's latest banks statements.</li> </ul> <p>The documents must be notarised where necessary.</p> <p>In the case of membership-based entities, such as mutual funds or credit unions, the source of funds is the contribution of every mutual fund or credit union member. However, an inquiry into every member and their source of funds would not be reasonable. Instead, regulatory authorities could seek copies of the policies, by-laws or rules relating to capital contributions.</p>
<p>Applicants are required to disclose <b>whether a beneficial owner is also the beneficial owner or owner of another regulated entity.</b></p>	<p>Application forms or information pack for potential applicants should be updated to require applicants to disclose whether a beneficial owner is also</p>	<p>The core documents of an entity (for example, a partnership agreement, trust deed, constitution etc.) will assist in revealing beneficial owners. Regulators can also obtain</p>

<p>The purpose of this line of inquiry is to reveal whether and how different regulated entities in the financial sector are connected through their ownership and control.</p>	<p>the beneficial owner or owner of another regulated entity in Vanuatu.</p>	<p>copies of other licenses/registrations and verify those against database searches.</p>
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#### 4. Determining Beneficial Ownership

Each regulatory Act as amended lists the key persons to whom fit and proper checks must be applied. Each of the ‘key persons’ is defined in the Interpretation Section of each Act. Key persons are generally: beneficial owners, owners, controllers, directors and managers.

A beneficial owner is a natural person who ultimately owns or ultimately controls an applicant for a licence or a licensee;

Owners are defined as persons (natural or legal persons) who have a legal entitlement to 25% or more of the interest in the entity by way of ownership of shares or otherwise.

A controller is a broad term that captures natural or legal persons who can influence the operational or financial policies of an entity, either directly or indirectly. They include, but are not limited to, directors and managers.

Directors and managers are specific types of controllers and therefore are specifically identified and defined in each Act and are generally given their ordinary meanings.

Determining the beneficial ownership of different types of entities can be complex. It starts with determining ownership and control and subsequently requires an inquiry into ultimate beneficial ownership. It can be useful to adopt an easy reference framework to assist in identifying beneficial ownership. A suggested **Quick Reference Guide to Determining Beneficial Ownership of Different Entities** is provided at **Attachment A**.

#### 5. Applying fit and proper criteria and assessing source of funds

The obligations to disclose key persons and the source of funds allows regulatory authorities to apply fit and proper checks as a part of the licensing or registration process. **While the obligation to disclose is a checklist exercise to gather information, assessing against fit and proper criteria requires the exercise of judgement by the regulator.** Further information may need to be gathered at this stage if required to assess fitness and propriety.

In determining whether a key person is fit and proper, each Act lists the 3 minimum criteria in the table below. The table also provides further information on what documents could be gathered or what further inquiries could be made to assess compliance with fit and proper criteria.

It should be noted that most regulatory Acts already have fit and proper criteria tailored to that sector prescribed in regulations, rules or guidelines under the Act. A few Acts also have additional criteria included on the face of the Act itself.

The fit and proper criteria should be a combination of the minimum fit and proper criteria used by VFIU under the AML/CTF Act as well as fit and proper criteria specific to the sector being regulated. For example, for financial dealers, accounting qualifications from accredited institutions may be a sector specific fit and proper requirement. The 2017 amendments to the regulatory Acts only listed a bare minimum criteria as required by FATF recommendations. It is up to regulatory authorities to develop a full list of fit and proper criteria per sector. **It is important that this full list of fit and proper criteria include the minimum criteria used by VFIU under the AML/CTF Act.**

Minimum fit and proper criteria	Information requested	Supporting documents and further searches
<p><b>Whether the key person has a criminal conviction or is subject to criminal proceedings.</b></p> <p>Regulators should note that the simple fact of having a criminal conviction or being subject to criminal proceedings does not mean that a person does not meet fit and proper</p>	<p>Application forms should be updated to ensure that a questionnaire is included for key persons to complete. That questionnaire should ask whether the person has a criminal conviction or is subject to criminal proceedings.</p> <p>The questionnaire would also ask other questions</p>	<p>Regulators could ask key persons to provide a police clearance or criminal history check. Regulators could also perform searches of court databases if available.</p> <p>In some cases, regulators may need to obtain information of criminal records from foreign jurisdictions.</p>

<p>criteria. This is not how the Act should be interpreted.</p> <p>Convictions for money laundering or terrorism financing should mean that a person does not meet fit and proper criteria. Some Acts or regulations list other specific types of criminal offences that would render a person unfit for the position.</p> <p>However, not all criminal convictions make a person unfit for the position. For example, one conviction resulting from driving offence may not render a person unfit to be the director of a financial institution.</p> <p>The number of convictions would also be a relevant consideration.</p> <p>Ultimately, regulators should have a system for assessing against this criterion.</p>	<p>relevant to the full range of applicable fit and proper criteria.</p>	<p>International cooperation mechanisms would need to be used.</p>
<p><b>Whether the key person is listed on a sanctions list of the United Nations, a foreign jurisdiction or Vanuatu’s sanctions lists.</b></p>	<p>A database search using software such as World Check One is the best way of identifying sanctions matches. While regulators can ask this question on an application form or</p>	<p>Regulators should utilise databases such as World Check to screen all key persons for sanctions matches.</p>

<p>If a key person is listed on a United Nations sanctions list or Vanuatu's sanctions list, then they would not meet this criteria.</p> <p>Aside from the United Nations, individual countries also have sanctions lists. Regulators can be selective as to which countries' sanctions lists they follow. For example, it would be prudent to follow the US sanctions lists in order to facilitate USD transactions.</p> <p>However, regulators can consider whether the sanctions lists of some other countries that have less connection with Vanuatu need to be followed. For example, Anne Smith is on Sierra Leone's sanctions list but not on a United Nations or US sanctions list or Vanuatu's sanctions list.</p>	<p>questionnaire for key persons, it is not essential.</p>	<p>Regulators should also note that it is possible under sanctions regimes for a person to obtain a permit or authorisation or have an exception to their sanction listing. This should also be taken into consideration.</p>
<p><b>Whether the key person meets other fit and proper criteria prescribed in Guidelines, Regulations or Rules under the Act.</b></p> <p>As mentioned earlier, the fit and proper criteria should include the fit and proper criteria used by</p>	<p>Application forms or questionnaires for key persons (as part of the information pack) should cover the full range of applicable fit and proper criteria.</p>	<p>Regulators may seek a range of documents to support the responses to the questionnaire. These documents could range from providing CVs, proof of educational qualifications, relevant accreditations, valid visas etc, copies of passports.</p>

<p>VFIU under the AML/CTF Act as well as sector specific fit and proper criteria.</p> <p>Apart from the requirements under our legislations, RBV also has prudential guidelines on fit and proper persons.</p>		<p>Regulatory authorities should also consider the list of available information under the heading 'verification' below.</p>
<p><b>Whether the source of funds is acceptable</b></p> <p>The objective of this assessment is to determine whether the source of funds could be the proceeds of crime.</p> <p>Note that regulators may also inquire about the amount of capital and its management for prudential reasons and financial viability.</p>	<p>Application forms and questionnaires should inquire about the source of funds.</p>	<p>In some ways, an inquiry into the source of funds is an inquiry into the ownership or beneficial ownership of an entity.</p> <p>For example, the source of funds for a company comes from its shareholders. Therefore a list of shareholders who own or control the company will enable a regulatory authority to consider whether the source of funds might arise from criminal proceeds. In this case, the regulator would at first instance ask for the register of shareholders and the company's annual statements as substantiation of source of funds.</p> <p>However, if the owner or beneficial owner of the company is another company, the regulator may also ask for the</p>

		<p>owner-company's audits and other documents that show whether and how that owner-company generates profits or its source of funds.</p> <p>Bank accounts in the name of the shareholder (individual or corporate) is another reliable check.</p> <p>In the case of membership-based entities, such as mutual funds or credit unions, the source of funds is the contribution of every mutual fund or credit union member. However, an inquiry into every member and their source of funds would not be reasonable. Instead, regulatory authorities could seek copies of the policies, by-laws or rules relating to capital contributions and would then need to assess whether they provide sufficient rigor in on-boarding and on-going knowledge of its members.</p> <p>Assessing whether the source of funds is acceptable requires the exercise of judgement. Take the following example. Anna Jones was</p>
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		<p>a hairdresser for 10 years. Anna then started a foundation. She transferred \$3 million dollars as the initial assets of the foundation. On the application form for the foundation, the source of funds was listed as Anna Jones' profits from her hairdressing businesses. In this case, does it seem reasonable that the line of business (hairdresser) has resulted in \$3 million of assets? If not, then the regulator would need to make further inquiries to understand the source of funds.</p>
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## 6. Identifying Politically Exposed Persons

Regulators should identify whether persons to whom fit and proper controls apply, including beneficial owners, are Politically Exposed Persons (PEPs). This may impact on the risk associated with the entity and the regulator's supervisory response to such risk.

Vanuatu's AML/CTF Act defines 'Political Exposed Person' or PEP as follows:

*An individual who is or has been entrusted with prominent public functions such as the Head of State, the Prime Minister, Ministers, senior politicians, senior Government officials, judicial or military officials, senior executive members of state owned corporations or international organisations and officials of a political party.*

Resources such as World Check One can assist in identifying whether a person is a PEP. Where a 'key person' is identified to be a PEP, an inquiry into the source of funds of the PEP is important.

## 7. On-going disclosure obligations

Where a change to information provided at the point of market entry occurs, licensees/registered bodies must provide the regulatory authority with updated information, generally within 14 days. Failure to do so is a criminal offence under each regulatory Act and is also grounds for revocation of the license or registration. Upon receipt of the updated information, the regulatory authority, must ensure that fit and proper criteria continue to be met.

While licensed/registered entities have obligations to disclose information, regulators also have the ability to request information from, and perform on-site inspections on, licensed/registered individuals and entities. Criminal penalties apply for providing false information to regulatory authorities. A regulatory authorities' prudential supervision program will determine/will outline the type of supervision necessary and how periodically such supervision takes place.

### **8. Identification and verification of different entity types**

Most regulatory Acts and application forms have a minimum set of requirements for identifying different types of persons and entities, such as natural persons, companies, partnerships, trusts and associations. In the sections above and in the Framework for Beneficial Ownership at Attachment A, key supporting documents have been identified for the updated market entry controls. In most cases, these documents are already requested as part of existing application processes.

In addition to documents to be requested from applicants for licenses registration, Regulators also have multiple sources of information that can be useful in verifying information provided by applicants.

Regulators should consider whether the following sources of information are available:

- register of births, deaths and marriages
- companies registry
- records/databases for other regulatory licenses or registrations
- immigration records
- drivers license records
- passport checks
- credit history
- water, electricity or other essential services records
- public medical registrations
- criminal conviction or civil suite records.

Regulatory authorities should ask themselves the following questions:

- How can we obtain access to this information domestically?
- What are the avenues for obtaining this information from foreign government agencies where necessary?
- If individuals have to obtain a police clearance or criminal history check, is there a standard form and process for individuals and the police to follow?

Regulatory authorities may also find it useful to have access to databases such as **World Check One**, which enables a search to be performed on individuals, organisations and vessels to determine whether they are any sanctions concerns, whether an individual is a Politically Exposed Person, whether there are Interpol notices relating to them, and what persons and entities they are associated with.

**SWIFT KYC** is another database that can provide valuable information to support fit and proper checks.

RBV has access to the following online data base:

- **Thomson Reuters Accelus Screening Online**  
<https://screening.complinet.com/account/login>
- **Egmont Group:**  
<https://egmontgroup.org/en>
- **International Criminal Police Organization- INTERPOL:**  
<https://www.interpol.int/>

VFIU also has access to the following Sanctions List:

- **United national Sanction List**  
<https://www.un.org/sc/suborg/en/sanctions/un-sc-consolidated-list>
- **DFAT Sanction List**  
<http://dfat.gov.au/international-relations/security/sanctions/pages/consolidated-list.aspx#lml>
- **US Office Of Foreign Assets Control Sanctions List**  
<https://www.treasury.gov/resource-center/sanctions/SDN-List/Pages/consolidated.aspx>

## **9. Applying simplified procedures or enhanced procedures (risk-based approach)**

Regulators should consider simplified procedures for low risk applicants and enhanced procedures for higher risk applicants. While there should be a standard procedure, regulators may allow simplified procedures where the risk is low. For example, a very small agriculture cooperative may not have complex ownership and control structures but rather be comprised of individuals undertaking low risk activities. This would be very different to a large company seeking to be licensed as a financial institution. Another example is where certain individuals may not have birth certificates or other common forms of identification, however, the risks associated with their activities is low.

Regulators should take a risk-based approach to market entry checks that allows for simplified and enhanced procedures to be applied in appropriate circumstances.

## Attachment 1: Quick Reference Guide to Determining Beneficial Ownership of Different Entities

A beneficial owner is a person who ultimately owns or controls a person or entity. The reference to 'ultimately' requires you to lift the corporate veil and follow the chain of ownership structures until you can identify the ultimate natural person who has ownership or control. This means that, in complex cases, an inquiry into the beneficial ownership of a trust, for example, may require a further inquiry into the beneficial ownership of a company which is the trustee and so on.

### Defining 'Beneficial Owner'

Under Vanuatu's regulatory laws governing reporting entities, the concept of '**beneficial owner**' and its constituent parts is generally defined along the following lines:

*Beneficial owner means a natural person who ultimately owns or ultimately controls an applicant for a licence or a licensee. Ultimately owns or controls include circumstances where ownership or control is exercised through a chain of ownership or by a means of indirect control that may not have legal or equitable force, or be based on legal or equitable rights.*

The reference to '**ownership**' in the above definition is further defined as:

*A person who has a legal entitlement of 25% or more of the applicant or licensee by way of ownership of shares or otherwise.*

The reference to '**control**' in the definition of beneficial owner is further defined as:

*A person who exercises influence, authority or power over decisions about the applicant's or licensee's financial or operating policies, including as a result of, or by means of, a trust, agreement, arrangement, understanding or practice.*

### Example 1:

Big Corp Ltd applies for a license. Mega Corp owns 55% of the shares of Big Corp Ltd. No person or entity owns 25% or more of the shares of Mega Corp. However, Anna Jones owns 20% of the shares of Mega Corp and has veto rights over financial and

operating policies. Anna Jones is therefore the ultimate beneficial owner of Big Corp Ltd.

The concept of beneficial ownership has a slightly different focus when applied to membership-based entities, such as credit unions and cooperative societies, and other entities such as foundations. The drafting of the definition has been slightly altered to reflect the greater emphasis on control by persons in senior management positions rather than ownership. For membership-based entities, we need to look at the beneficial owners of persons in senior management positions, not the beneficial owners of the licensed/registered entity. This is because, in practice, beneficial ownership of these types of entities is unlikely to be established by way of ownership of an interest in the entity. For example, every member of a credit union has an equal interest in the credit union. So long as there are more than 4 members of a credit union, this means that no member will satisfy the ownership test of 25% or more interest in the credit union. Therefore, the definition of beneficial owner for these types of entities is generally formulated along the following lines:

- (1) *A “beneficial owner” is a natural person who ultimately controls a person or entity.*
- (2) **Control** means exercising influence, authority or power over the person or entity, and includes circumstances where the person is acting as a nominee or proxy on behalf of another person or entity.
- (3) *If a person is acting as a nominee or proxy on behalf of an entity (whether corporate or unincorporate), the natural person who ultimately controls the entity is the natural person who:*
  - (a) *has a legal entitlement to 25% or more of the entity by way of ownership of shares or otherwise, including ownership exercised through a chain of ownership; or*
  - (b) *otherwise exercises control, directly or indirectly, over the entity.*

#### Example 2:

Jane Smith holds a senior management position in Cooperative Society A by virtue of being a member of its committee. However, Jane Smith acts in that position as the nominee of Cooperative Society B. The Registrar of Cooperatives must therefore look at the beneficial owner/s of Cooperative Society B to identify an ultimate beneficial owner.

#### Example 3:

Jane Smith holds a senior management position as a councillor on the board of councillors of Foundation A. However, Jane Smith acts in that position as the nominee

of a company called Management Co. The Vanuatu Financial Services Commission must therefore look at the beneficial owner/s of Management Co. to identify an ultimate beneficial owner. This inquiry reveals that Adam Booth owns 60% of the shares of Management Co. Adam Booth therefore would be an ultimate beneficial owner.

Determining Beneficial Ownership			
	Ownership of 25% or more of shares or other interest	Control	
		Direct or Indirect (if ownership cannot be established)	Senior Management Position (if ownership and direct/indirect control by other means cannot be established)
<b>Company</b>	<p>A natural or legal person that has 25% or more shares in the company.</p> <p><u>Key documents:</u>  <i>Certificate of incorporation and annual statement should provide information. Also consider company constitution, members register and/or shareholder agreement.</i></p>	<p>Shareholders who have a power of veto or can otherwise exercise voting power.</p> <p><u>Key documents:</u>  <i>Company constitution, members register and/or shareholder agreement should provide information.</i></p>	<p>Beneficial ownership is most likely to be determined through ownership of shares or direct/indirect control of voting power.</p> <p>However, if beneficial ownership cannot be determined by these means, then directors, managers and other persons who have senior management</p>

			<p>functions would fulfil the 'control' element of beneficial owner.</p> <p><u>Key documents:</u> Company's annual statement should provide information.</p>
<b>Partnership</b>	<p>25% or more of interest in the partnership.</p> <p><u>Key documents:</u> Partnership agreement should provide information.</p>	<p>A partner may be appointed particular financial and/or operational control.</p> <p><u>Key documents:</u> Partnership agreement should provide information.</p>	<p>It is likely that beneficial owners will be determined through the ownership and direct/indirect control elements. If this is not possible, then beneficial owners will be persons in senior management positions.</p> <p><u>Key documents:</u> Partnership agreement should provide information.</p>
<b>Associations, cooperatives and other entities</b>	N/A	<p>A member of a membership-based entity may potentially be a beneficial owner by their exercise of control through some arrangement. This is not often likely to be the case.</p>	<p>Each regulatory Act identifies a number of 'key persons' who have senior management functions within the entity.</p> <p>Persons in senior management</p>

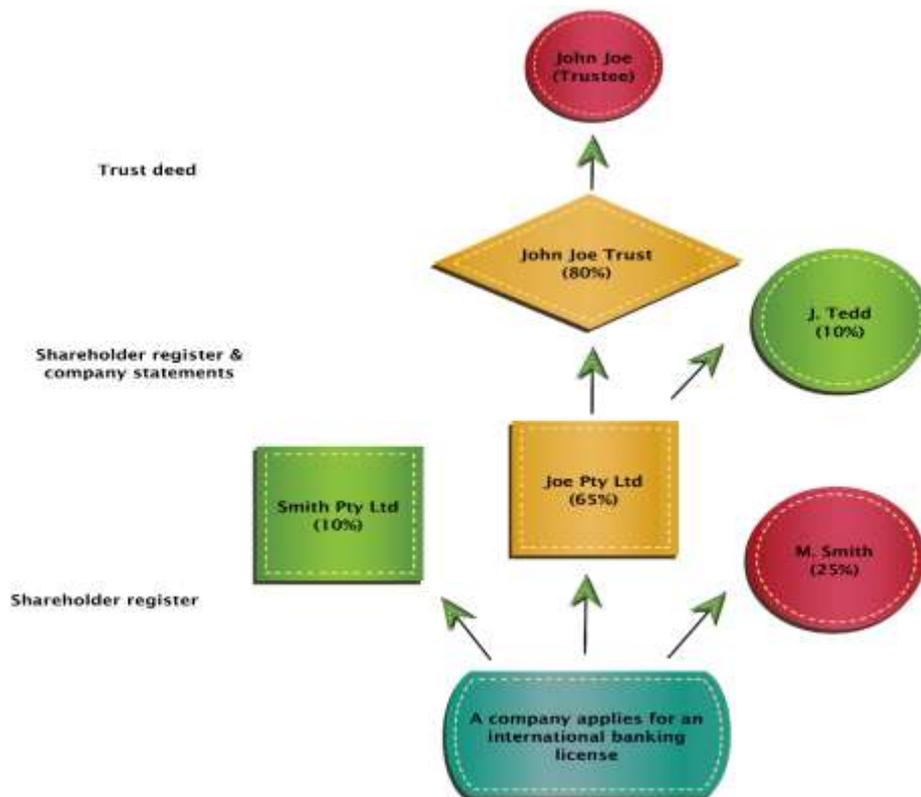
		<p><u>Key documents:</u>  <i>Certificate of incorporation, articles of association, constitution of association, charter of a foundation, by-laws etc.</i></p>	<p>positions are generally natural persons. However, some entities may allow another entity to hold a senior management position. In such cases, a natural person may hold the senior management position as the proxy or nominee of the entity and acts on behalf of the entity. For example, a company, trust or cooperative society may hold a senior management position and be represented in that position by their nominee who is a natural person.</p> <p>In these cases, the regulatory authority must determine the ultimate beneficial owner of the entity that holds the senior management position. This means that proxies and nominees must first be disclosed.</p> <p><u>Key documents:</u>  <i>Certificate of incorporation, articles of</i></p>
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			<i>association, constitution of association, charter of a foundation, by-laws etc.</i>
<b>Trust</b>	Generally not applicable. However, note that in the case of unit trusts, a beneficiary is similar to a member with an interest in the trust and therefore may be a beneficial owner depending on their unit interest.	Trustees will be beneficial owners. Note that a company may be a trustee, in which case the beneficial owner of that company needs to be identified.  If there is an 'appointer' of a trust who has the power to appoint/remove trustees or beneficiaries, the appointer will also be a beneficial owner.  <u>Key documents:</u> <i>A trust deed will provide information.</i>	N/A
<b>Natural person</b>	N/A	The natural person (the applicant) is the beneficial owner unless there are reasonable grounds to suspect otherwise. For example, if you suspect that the person is acting on behalf of another person, then you	N/A

		need to identify that other person.	
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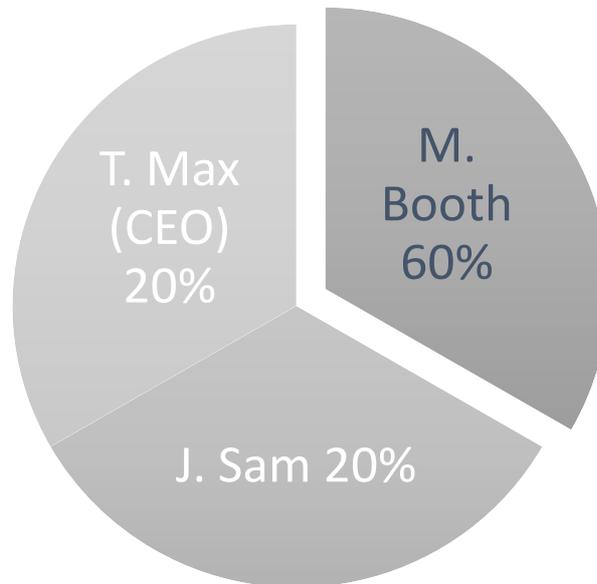
### Example: Ultimate Beneficial Ownership

The definition of ‘beneficial owner’ requires an inquiry into chains of ownership and control to ascertain the ‘ultimate beneficial owner’. Where there are many layers of ownership, a complex inquiry to find the ultimate beneficial owners may be necessary. The below example demonstrates this. In this example, M. Smith and John Joe are the ultimate beneficial owners to whom the fit and proper criteria must be applied.

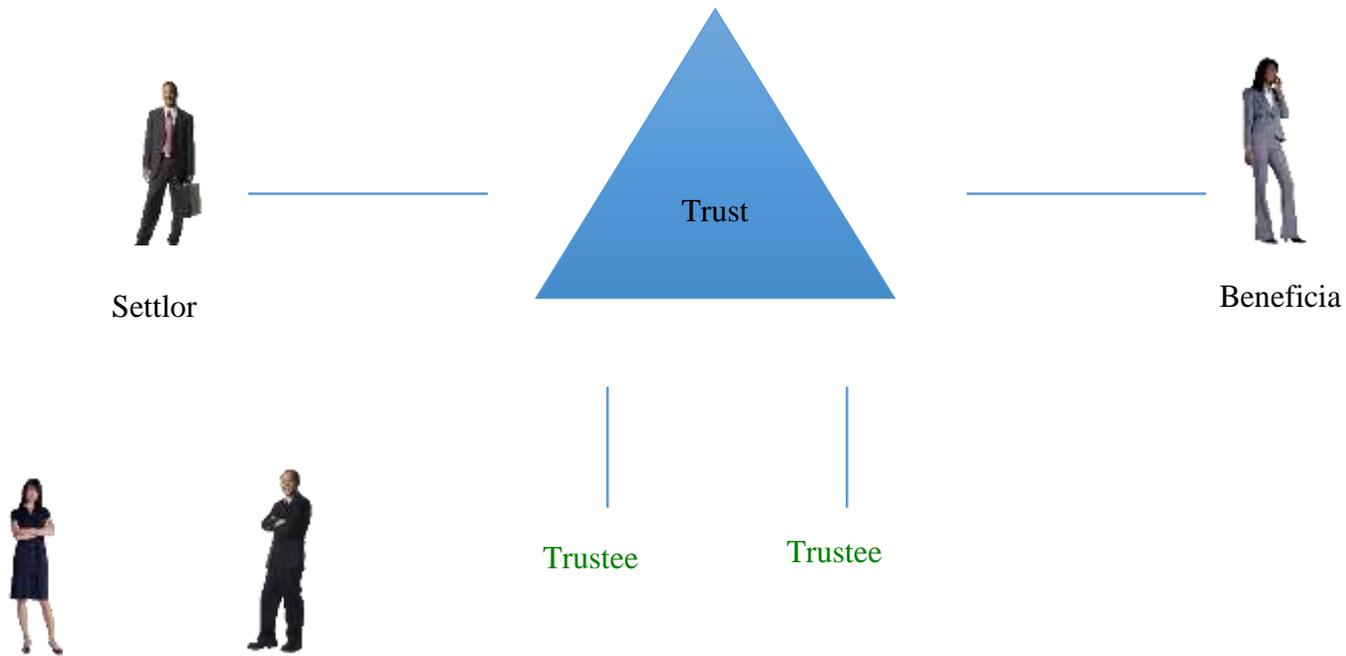


### Example: Company Structure

M. Booth is the beneficial owner since she owns 60% of the shares in the company, even though T. Max is the CEO.



**Example: Trust Structure**  
The trustees are the beneficial owners.



## Example: Partnership Structure

S. Wren and B. Smith are the beneficial owners since they both own 25% or more of the interest in the partnership.



S. Wren  
55%



B. Smith  
25%



A. Jones  
20%

