

SIC Circular 24

Addressed to the Parties and Individuals mentioned in Article 5 of Law 44 of 24 November 2015

Defining and Identifying the "Beneficial Owner"

Pursuant to Law 44 of 24 November 2015 (Fighting Money Laundering and Terrorism Financing), particularly Articles 5 and 6 thereof;

Whereas the parties and individuals mentioned in Article 5 of Law 44, of which insurance companies, are required to comply with the stipulations of Article 4 of that Law and with the regulations and recommendations issued by the SIC for the purpose of implementing the provisions thereof;

Pursuant to the FATF recommendations and the relevant interpretive notes; and

Pursuant to the Decision of the SIC, taken in its meeting of 14 June 2018,

The following is decided:

Article 1: The following expressions shall mean:

- 1- Customer: any natural or legal person, whether a company or a partnership of any type, or any legal arrangement (e.g. a trust), or any body, organization or non-profit organization (mutual funds, cooperatives, welfare centers, charities, clubs, etc.).
- 2- Beneficial Owner: any individual who ultimately owns or who exercises ultimate effective control, whether directly or indirectly, over the Customer and/or the natural person on whose behalf a transaction is carried out.

Indirect ownership and/or control include the situations where the ownership and/or control is exercised through a chain of ownership or by means of control other than direct control.

This expression shall also apply to the beneficial owner of the beneficiary of a life insurance policy or of any other Unit-Linked Investment and Capitalization insurance policies.

Article 2: With respect to the Customer that is a legal person, the Beneficial Owners shall be identified and reasonable measures taken to identify them in the following manner:

- 1- Identify each natural person who holds, whether directly or indirectly, 20% or more of the capital of the legal person.
- 2- In case of doubt as to whether the natural person (s) identified pursuant to Subparagraph 1 above is (are) the Beneficial Owner(s), or when no natural person holds 20% or more of the Customer's capital, the natural person who exercises control over the legal person through other means (e.g. holding a majority of voting rights or the rights to appoint or dismiss the majority of the administrative or regulatory body at affiliated entities...).
- 3- When no natural person is identified pursuant to Subparagraphs (1) and (2) above, reasonable measures shall be taken in order to identify and verify the identity of the persons holding senior management positions.

Article 3: With respect to Customers that are legal arrangements, the Beneficial Owners shall be identified and reasonable measures taken to identify them, in the following manner:

- 1- With regard to trusts, each of the persons below shall be identified:
 - The Settlor
 - The Trustee
 - The Protector
 - The Beneficiary; and if the latter's identity is not determined or verified, then the class of beneficiaries in whose favor the legal arrangement was established.
 - Any other natural person exercising an effective control over the trust through direct or indirect ownership or through other means.

The definitions stated in the glossary attached to the FATF 40 Recommendations shall be adopted to identify the persons mentioned in this Subparagraph 1.

- 2- With respect to other types of legal arrangements, including those arrangements similar to trusts, the persons holding positions similar to the positions specified in Subparagraph 1 of this article, shall be identified.

Article 4: The concerned parties and individuals shall, as far as each is concerned, apply the due diligence measures which are specified in AML/CFT Law 44 of 24 November 2015, and which must include verifying the identity of each of their permanent and transient customers, whether resident or non-resident, and determining the nature of their business; understanding the ownership structure and/or control over the legal person, the purpose and nature of the business relation and/or the account opening; identifying the Beneficial Owner and the source of funds; and ensuring the ongoing control of operations.

These parties and individuals are required to verify the identity of the Beneficial Owner before or during the course of establishing a business relationship or of conducting transactions for transient customers. They are also required to check that any person purporting to act on behalf of the customer is so authorized, and to identify and verify the identity of that person.

Article 5: Upon identifying the "Beneficial Owner", the same Due Diligence measures applicable to "Customers" shall apply, including those issued by the Special Investigation Commission.

Article 6: This Circular shall be published in the Official Gazette and shall enter into force upon its issuance.

Beirut, 14 June 2018
The Governor of Banque du Liban,
Chairman of the Special Investigation Commission
Riad Toufic Salamé