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## Ultimate Beneficial Ownership What You Need to Know

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You are probably aware of restricted party screening and end user screening. But what do you know about Ultimate Beneficial Ownership (UBO) screening? We'll walk you through the basics and why your company should check UBO's before establishing a relationship with the related business.

### What is an UBO?

An UBO is an individual not recorded as a shareholder of the company but who has actual power and authority to direct the company and reap their profits. Governments have required banks to check UBO's because they are sometimes affiliated with money laundering and terrorist financing. The UBO legislations goes all the way back to 1933 U.S. Securities Act. The Financial Action Task Force (or FATF) was created by thirty nations in 1989. FATF is an organization tasked with outlining advice and regularly assessing the processes to counter and prevent money laundering and terrorist financing. Now governments are recommending companies of all types to screen for UBOs not just banks or financial institutions.

FATF defines a UBO as an individual person who:

- Holds minimum 25% equity in the legal entity's capital;
- Can exercise, directly or indirectly, minimum 25% of the voting rights at the general meeting of shareholders of the legal entity; or
- Is the indirect beneficiary of minimum 25% of the legal entity's capital.
- Banks will indeed retain a 10% threshold compared to the 25% one provided by the regulations.

### Reasons for the UBO check:

The reasons to perform a UBO check along with your restricted party screening are;

1. The UBO check provides transparency into who is really pulling the strings behind a company. Would you do business with a company knowing they are controlled by money launders? You've probably heard of the OFAC's 50% Rule. OFAC's 50 Percent Rule states that the property and interests in property of entities directly or indirectly owned 50 percent or more in the aggregate by one or more blocked persons are considered blocked. This information is not always easy to obtain. Similar in nature, the UBO screen will allow your company to make educated decisions about the nature of the company you are about to do business with.
2. UBO checks allow you to more readily identify "Red Flags". If a company fails a UBO check, there are probably other red flags that should be considered such as shipment diversion or prohibited End Uses such as using your products to develop chemical/biological weapons, missile systems, nuclear related use or any WMD development.
3. There are several restricted party screening tools that allow a company to perform a UBO check. If you are already using a restricted party screening tool, adding UBO content is the best way to begin performing this extra check. Restricted party screening tools are the most practical way to get a handle on this daunting task and consolidate all of screening history under one system of record.

Hopefully we've shed some light on this hot topic. Let BPE Global know if we can help you with any of your trade compliance needs. BPE Global is a global trade consulting and training firm. Julie Gibbs is a Director of BPE Global. You can reach Julie by email at [julie@bpeglobal.com](mailto:julie@bpeglobal.com) or by phone at 1-415-595-8543.