



Direct Ownership and Ultimate Beneficial Ownership

What do you mean by Ownership?

Ownership is act, state or right of possessing something. In the business context of an entity (company or firm), ownership refers to the person or entity who either controls or enjoys the benefits from the activity of the firm.

Ownership of an entity can be either direct, where the shares/units/percentage holding is directly held by the parent person or entity, or indirect, where the shares/units/percentage holding is through additional entity(ies). The latter is prevalent in large corporate groups.

For KYC purposes, there are 2 types of ownership which needs to be understood and documented. This is "Direct Ownership" and "Ultimate Beneficial Ownership".

What is Direct Owner?

Direct owner refers to individuals and entities who directly own shares or are partners in any legal entity. E.g. If you own 10% of the shares in a particular entity, you become a direct owner. A direct owner need not necessarily be an individual (natural person) and can also be another entity as in the case where the parent company is a direct owner in its direct subsidiary.

Indirect ownership is also possible. A person X can be an indirect owner, if other entities, in which he has shares, owns the entity e.g. if you own 50% shares of company A which owns 20% shares of company B then you are an indirect owner of company B.

What do you mean by Beneficial Owner (UBO)?

According to the Financial Action Task Force on Money Laundering (FATF), "**beneficial owner**" refers to the natural person who ultimately **own or control** a legal entity and/or the natural person on whose behalf a business is being conducted.

It also includes those persons who exercise ultimate effective control over a legal entity or who ultimately enjoy a share of its profits. A UBO must always refer to a natural human. A UBO has to be a person and cannot be a legal entity, and follows the ownership chain upwards till all persons having the ownership have been identified.

The terms 'ultimately owns or controls' and 'ultimate effective control' refer to situations in which ownership/control is exercised through a chain of ownership or by means of control other than direct control.

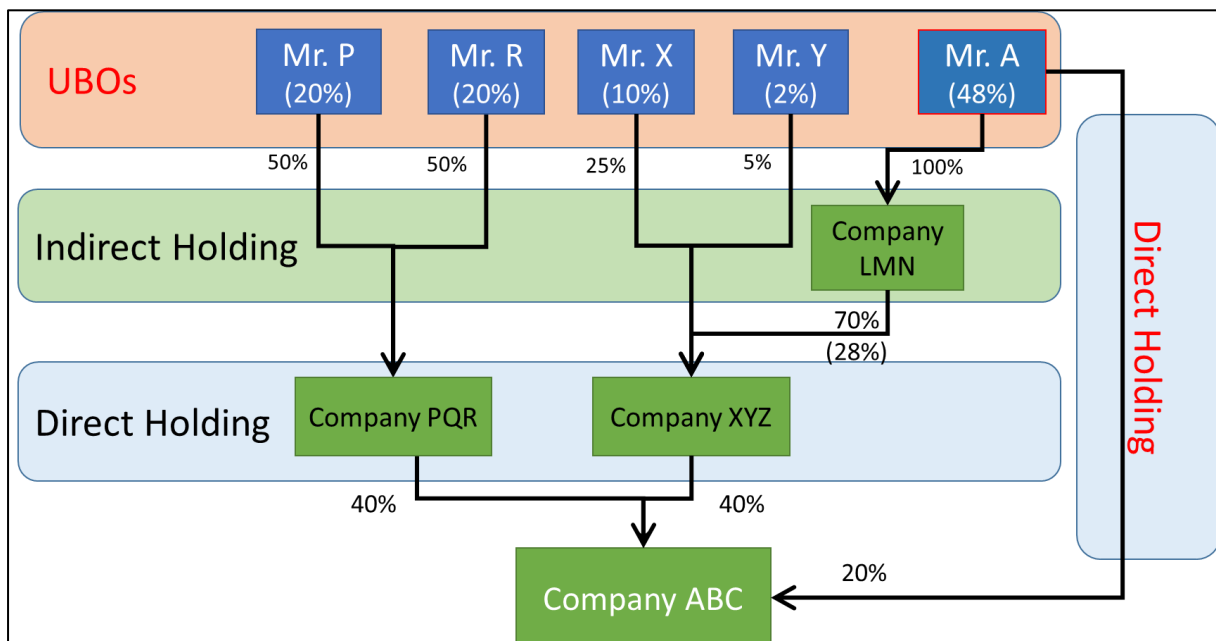
In the above mentioned case, X is an indirect owner of company B. Based on ownership, he is also an Ultimate Beneficial Owner of company B and has a 10% holding (i.e. 50% of 20% holding).

Why is it relevant to the Gems & Jewellery Industry?

According to World Bank and The Financial Action Task Force (FATF) (FATF is an intergovernmental organization founded in 1989 and is responsible for developing policies to combat money laundering and terrorist financing.) had identified our sector (Dealers in Precious Metals and Stones) as a DNFBP (Designated Non-Financial Business or Profession). And FATF has recommended following measures for DNFBPs:

- Customer due diligence is mandatory (including beneficial owner)
- Implement a AML/CFT program with a risk based approach
- Enhanced due diligence based on risk assessment & country risks
- Transactions to be scrutinized regularly and reporting of suspicious & cash transactions

How do I Determine Direct and UBO Holdings



In above structure, the ultimate beneficial ownership is as follows

- Mr. X 10% shareholder in ABC via company XYZ [25% of 40%],
- Mr. R 20% shareholder in Company ABC via Company PQR [50% of 40%]
- Mr. P 20% shareholder in Company ABC via Company PQR [50% of 40%]
- **Mr. A is a highest shareholder with 48%** (i.e. 20 % Direct in ABC + 28% via Company PQR & XYZ), hence he is an UBO.

MyKYC Bank Requirements

UBOs, Direct and Indirect Owners holding 10% and above will need to be declared. And their Identity and Address proof (both) will need to be provided as supporting document. (See overleaf)

For reporting of the UBO holding percentage, the following may also be considered

- In cases where the control of the entity is different from the shareholding, effective control will take precedence over shareholding in the reporting
- In cases where shareholding or profit sharing can be varied from year to year, the UBO holding percentage may be calculated equally, or on a pro-rata basis for reporting purposes

To be printed on Company's Letterhead
(DO NOT EDIT ANY CONTENT)

To,
G&J KYC Information Centre,
AW 1010, Tower A, Bharat Diamond Bourse,
Bandra Kurla Complex,
Bandra (E), Mumbai 400051

Sub: Self-declaration for nature of incorporation and identification of Ultimate Beneficiaries of Private Limited Company

We the undersigned are authorised to sign and hereby certify that the abovementioned firm is a Private Limited company and following persons are Ultimate Beneficial Owners holding respective % stake as mentioned below.

| Name | Date of Birth | Nationality | Designation | Direct Holding % | UBO Holding % | Is a PEP? |
|-------------|---------------|-------------|----------------|------------------|---------------|---------------------------|
| Company PQR | 16-Aug-47 | India | Parent Company | 40 | - | |
| Company XYZ | 16-Aug-47 | India | Parent Company | 40 | - | |
| Mr. A | 1-Jan-71 | Indian | UBO, Director | 20 | 48 | |
| Mr. P | 1-Jan-81 | Indian | UBO, Director | - | 20 | |
| Mr. R | 1-Jan-91 | Indian | UBO, Director | - | 20 | |
| Mr. X | 1-Jan-92 | Indian | UBO, Director | - | 10 | |

**Information in table not applicable for Public Listed Company where no single Person holds more than 10% stake. *PEP Politically Exposed Person.*

We are also responsible to inform you in reasonable time about any future changes in constitution, ownership and/or any other details provided as part of our KYC.

| | |
|--|--|
| For <Company Name>, _____ <Name>, Authorised Signatory/Director (Signature & Stamp) | For <Company Name>, _____ <Name>, Authorised Signatory/Director (Signature & Stamp) |
|--|--|

**At least 2 Authorised Signatories/Directors need to Sign*

Place: _____

Date: _____

| Name/Company | Date of Birth/ Incorporation | Nationality | Designation | Direct Holding % | UBO Holding % | Is a PEP? |
|--------------|------------------------------|-------------|----------------|------------------|---------------|---------------------------|
| Company PQR | 16-Aug-47 | India | Parent Company | 40 | - | |
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| Mr. A | 1-Jan-71 | Indian | UBO | 20 | 48 | Yes |
| Mr. P | 1-Jan-81 | Indian | UBO, Director | - | 20 | |
| Mr. R | 1-Jan-91 | Indian | UBO, Director | - | 20 | |
| Mr. X | 1-Jan-92 | Indian | UBO | - | 10 | |

In case of further query, please contact support@mykycbank.com