

Public Statement on revisions to R.24



Paris, 4 March 2022 - The Financial Action Task Force today adopted amendments to Recommendation 24 and its Interpretive Note which require countries to prevent the misuse of legal persons for money laundering or terrorist financing and to ensure that there is adequate, accurate and up-to-date information on the beneficial ownership and control of legal persons.

These amendments represent the outcomes of the two years of work in reviewing the standards. They strengthen the international standards on beneficial ownership of legal persons, to ensure greater transparency about the ultimate ownership and control of legal persons and to mitigate the risks of their misuse. This will significantly strengthen the requirements for beneficial ownership transparency globally, while retaining a degree of flexibility for individual countries to go further in refining individual regimes.

These changes respond to the significant misuse of legal persons for money laundering, terrorist financing, and also for proliferation financing in a number of jurisdictions. FATF Mutual Evaluations show a generally insufficient level of effectiveness in combating the misuse of legal persons for money laundering and terrorist financing globally, and that countries need to do more to implement the current FATF standards promptly, fully and effectively. Both the evolving money laundering risks and the widely publicised failures to prevent misuse of legal persons show that the current standards need to be updated.

These stronger standards are an important first step, but tackling the abuse of legal persons will need constructive and sustained effort by all countries to effectively implement the new standards and respond to risks.

The amendments to R24 explicitly require a multi-pronged approach, i.e. to use a combination of different mechanisms, for collection of beneficial ownership information to ensure it is available to competent authorities in a timely manner. Countries should require companies to obtain and hold adequate, accurate and up-to-date information on their own beneficial ownership and make such information available to competent authorities in a timely manner. Countries should also require beneficial ownership information to be held by a public authority or body functioning as beneficial ownership registry or may use an alternative mechanism if such a mechanism also provides efficient access to adequate, accurate and up-to-date beneficial ownership information by competent authorities. Moreover, countries should apply any additional supplementary measures that are necessary to ensure the determination of beneficial ownership of a company. These additional measures include holding beneficial ownership information obtained by regulated financial institutions and professionals, or held by regulators or in stock exchanges.

The revisions to Recommendation 24 will require countries to follow a risk-based approach and consider the risks of legal persons in their countries. They must assess and address the risk posed by legal person, not only by those created in their countries, but also by foreign-created persons which have sufficient links with their country. The changes also specify that access to information by competent authorities should be timely, and information should be adequate for identifying the beneficial owner, accurate - based on verification - and up-to-date. Furthermore, the revisions require countries to ensure that public authorities have access to beneficial ownership information of legal persons in the course of public procurement. Finally, the changes include stronger controls to prevent the misuse of bearer shares and nominee arrangements, including prohibiting the issuance of new bearer shares and bearer share warrants and conversion or immobilisation of the existing ones, and more robust transparency requirements for nominee arrangements.

In the course of amending Recommendation 24 and its Interpretive Note, the FATF has held two rounds of public consultation to collect stakeholders' views on the key policy areas and proposals. The FATF is thankful for their significant contributions. These contributions indicated strong support for FATF's work to strengthen standards on beneficial ownership and transparency. They also highlighted the need for further Guidance to assist countries and the private sector in meeting these obligations. These responses will inform the FATF's upcoming work to immediately commence the development of comprehensive Guidance to assist countries in implementing the standards.

To facilitate countries' implementation of beneficial ownership registries, the FATF will also analyse the growing practical experience of implementing beneficial ownership registries, with a view to identifying best practices and supporting implementation by countries.

The adopted changes to Recommendation 24 will significantly strengthen the global response to tackling concealment of beneficial ownership of legal persons. The FATF will also begin the process of revising its Methodology for assessing these new obligations. The FATF is, in parallel, reviewing Recommendation 25 on beneficial ownership of legal arrangements, with a view to ensuring consistent where relevant and appropriately tailored beneficial ownership standards and smooth implementation. As part of a phased approach, the FATF will begin assessing jurisdictions for implementation of the revised requirements at the start of the next (fifth) round of mutual evaluations, to allow time to put the necessary domestic measures in place. In the meantime, the FATF will continue to work with the global network to provide the necessary technical assistance and training to help countries meet the prevalent standards, raise awareness of the new obligations, enhance understanding of registries and alternative mechanisms, and improve effectiveness of their implementation.

The FATF expects all countries to take concrete steps to implement these new standards promptly, and to determine the appropriate sequence and timeframe for implementation at national level.