

**Guidance for Insurance Sector on the Best Practices for  
Anti-Money Laundering and Countering the Financing of  
Terrorism (AML/CFT) Compliance  
(Subject: Identification and verification of a legal person’s  
beneficial owner(s))**

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**Foreword:**

The best practices guidance is provided for the reference of insurance companies in undertaking anti-money laundering and countering the financing of terrorism (AML/CFT) operation. It is not meant to be mandatory. An insurance company may, based on the nature and size of its business and in consideration of the results of risk assessment in the areas of geographic locations, customers, products and services, transactions and delivery channels, select the most appropriate best practices to prevent or reduce money laundering and terrorist financing (ML/TF) risks.

**Identification and verification of a legal person’s beneficial owner(s)**

I. Threat and weakness analysis

(I) Source of threat and analysis

Advancement and information technology and changes in the international trade environment have contributed to newer and more advanced criminal offenses through organized operations. Among these offenses include money laundering, tax evasion, massive transfer, and concealment of funds through the use of legal persons or associations which have attracted the attention of the international society. To prevent such occurrences, understanding and confirming the beneficial owners of legal persons or associations have become the most urgent tasks.

Public companies are applicable to the Securities and Exchange Act and they are obligated to announce and report various

general and material information. In addition, such companies are also required to upload and disclose their financial reports or annual reports that have been audited by their CPAs and they thus exhibit a certain degree of information transparency. Therefore, the Regulations Governing Anti-Money Laundering of Financial Institutions expressly provides that the identification and verification of the beneficial owners may be exempted for customers who are publicly-listed companies in the R.O.C. or their subsidiaries. However, the identification and verification of beneficial owners of non-public companies, other civil associations and groups, or foreign corporate shareholders for determining the natural persons with actual controlling rights over legal persons or groups pose the highest threats to transactions with legal persons and group customers.

(II) Weakness analysis

The biggest challenge in the identity verification of legal person or group customers is “information opacity” and the “information asymmetry” with financial institutions. Information on the actual owners and individuals with actual controlling rights of legal persons or groups, regardless of whether they obtain such rights through shares held, capital contribution, actual control over personnel or decisions, or service as senior managers, are internal information of the legal persons or groups. Such “internal information” pose a certain degree of information opacity and information cannot be easily reviewed or verified by financial institutions. It therefore contributes to the “information asymmetry” that prevents comprehensive and effective KYC and identification of beneficial owners.

As a result of the aforementioned weaknesses derived from “information asymmetry”, financial institutions have often relied

excessively on customers' statements. In reality, the veracity of statements cannot be positively determined even if statements are signed by the authorized signatories of legal persons or groups. Therefore, according to Article 3, Subparagraph 7 of the Regulations Governing Anti-Money Laundering of Financial Institutions, insurance companies shall use the following information to identify the beneficial owner(s) of the customer and take reasonable measures to authenticate the identity of such persons. In addition, Article 4, Subparagraph 8, Item 1 of the Model Guidelines Governing Anti-Money Laundering and Countering Terrorism Financing of Life Insurance Companies also stipulates: "Life insurance companies may, in accordance with its own operational procedures, ask the legal person, group, or representative thereof, to issue a statement regarding the information of the beneficial owners, but it is required that at least a portion of the information specified in the statement be verifiable by other reliable documents or sources of information such as documents evidencing company registration or company annual reports."

Therefore, even if the customer's statement is adopted as the method for verifying the identity of the beneficial owners, insurance companies may not rely excessively on the unilateral statements of the customer and they must adopt necessary verification measures for the statements and the contents therein to verify the identity of the beneficial owners. However, the verification of customers' statements and the identity of the beneficial owners may differ due to the customer type (companies, associations, foundations, and various non-legal person associations such as partnerships, temples, cram schools, firms, trade (union) associations, management committees, etc.). They may lack official or public information which can be used

as the basis for information verification. Therefore, a set of consistent and effective practical practices has not yet been formed. Therefore, financial institutions are actually excessively reliant upon customers' statements when faced with the threat of "information asymmetry" and they lack effective verification platforms and methods. There are undeniable weaknesses exhibited in the difficulty for verifying the veracity of statements regarding beneficial owners.

## II. Practical references

- (I) Related rules regarding procedures for identifying beneficial owners have been established in the Template of Directions Governing Anti-Money Laundering and Combating the Financing of Terrorism.
- (II) As for non-natural persons, it is advisable to obtain their establishment and registration certification documents, company change registration table, and other documents sufficient for identity verification. In addition, individual certification documents shall be obtained in accordance with the organization type. For instance, registration/establishment/permit licenses, company change registration table, or other registration/establishment, business/operation approval form issued by competent authorities shall be required for companies limited by shares, limited companies, small and medium enterprises. After obtaining the certification documents, financial institutions shall verify their veracity based on public information such as the Market Observation Post System, company and business registration inquiries on the MOEA website, for-profit business inquiries on the website of the Ministry of Finance, civil association registration inquiries on the website of the Ministry of the Interior, or other information inquiry services announced by other competent authorities (e.g.

Bureau of Education of local governments). It is advisable to print the search results of public information and save them for future reference.

(III) Target and timing of identification:

1. Proposer: The proposer is a party to the insurance contract. As the proposer is a customer of the insurance company, it is advisable to request the proposer fill out the “Beneficial Owner(s) Identification Statement” when filling out the insurance application documents.

2. Beneficiary: Although the beneficiary is not a party to the insurance contract, it is the ultimate recipient of the insurance payment and the ultimate beneficiary. If the beneficiary is not a natural person, the identification of its beneficial owner(s) shall still be required. However, if the beneficiary is requested to fill out the “Beneficial Owner(s) Identification Statement” when it applies for insurance payment and the beneficiary refuses to cooperate, it remains difficult for the insurance company to directly refuse to perform its obligations for insurance payment. Therefore, it is advisable to request the beneficiary to fill out the “Beneficial Owner(s) Identification Statement” when designating a non-natural person as the beneficiary or changing a specific non-natural person as the beneficiary. When the beneficiary applies for insurance payment, the insurance company may request a statement based on actual conditions to verify whether there are changes in the beneficial owner(s).

(IV) The following procedures are recommended for the verification of the identity of beneficial owners of proposers or beneficiaries who are not natural persons:

1. Identify shareholders who hold more than 10% of shares in corporate customers in accordance with Article 22-1 of the

Company Act.

2. Principles: Submit the “Beneficial Owner(s) Identification Statement”

(1) Verify natural-person customers who directly or indirectly hold more than 25% of the company’s shares and request them to provide photocopies of shareholder registers or other shareholding certification documents and the companies’ articles of incorporation to verify the veracity of the statement filled out by corporate customers regarding shareholders with more than 25% of shares and whether issuance of bearer shares is permitted.

(2) If the customer states that it has no natural-person shareholders who hold more than 25% of direct or indirect shares, it is advisable to request the customer to fill out the individuals with actual controlling interest in the legal person (e.g. president, chief executive officer, and chief operating officer are considered as individuals with actual controlling interest). If there are no other methods to exercise controlling interest in the customer, it is advisable to verify the identity of senior executives (e.g. chairman, general manager, chief financial officer are considered as the senior executives). If the veracity of the identity of the beneficial owner cannot be verified through public information, it is advisable to request the proposer to provide photocopies of such beneficial owners or other identity verification information.

(3) If the customer is a legal person or an association that is a non-company organization which has no shareholder or capital contributor, it is advisable to directly request the customer to fill out information on the identity of the individual with controlling interest or the senior executive

as its beneficial owner.

(4) It is advisable to include the name, date of birth, nationality, and number of identification documents (e.g. national ID card or passport number) in the scope of identity information of beneficial owners for comparison in the name verification system.

(5) The “Beneficial Owner(s) Identification Statement” shall be signed by the customer, related business personnel, and the supervisor who shall be held accountable for the contents.

3. Example: Government authorities, public companies, state-owned enterprises, and financial institutions are may be exempted from filling out the “Beneficial Owner(s) Identification Statement” but it is advisable to request a statement and fill out the basic information. For special conditions (e.g. entities from high-risk countries or those that have issued bearer shares), it is advisable to fill out the “Beneficial Owner(s) Identification Statement”.

4. In addition to using the shareholding structure for the identification of beneficial owners, the following methods are also recommended:

(1) The legal person financial information, credit information, and other related documents can be used to obtain information on individuals with high levels of dependency in economic interests with the company and those with actual controlling interest in the company (e.g. individuals who serve as joint guarantors or provide collateral, or individuals with high levels of fund transactions with the company or specific shareholders as disclosed in financial reports).

(2) Public information on the Internet can also be used to obtain

information on the legal person or association customer to learn whether there are individuals with high levels of dependency in economic interests with the company and those with actual controlling interest in the company.

(V) Measures for verifying beneficial owners:

1. Information on corporate customers' directors, supervisors, managerial officers, and shareholders who hold more than 10% of issued shares or total capital in corporate customers obtained from the information platform specified in Article 22-1 of the Company Act can be used as reference for verifying the identity of beneficial owners.
2. Insurance companies may obtain information on legal persons in Taiwan from the MOEA Commercial Industrial Services Portal and they may use the registered shares held by directors and supervisors to facilitate a preliminary verification of whether there are natural-person shareholders who hold more than 25% of shares.
3. They may also request shareholder registers and verify whether the shareholding structure and shareholding ratios are valid and accurate.
4. If the customer is a company listed on TWSE, OTC, emerging stocks, or a public company, it is advisable to inquire on the Market Observation Post System to verify the veracity of the information.
5. If the customer is a company listed in a foreign country or its subsidiary, it is advisable to request the full name of the issuing company and the stock exchange code and inquire the listing information of the company at the foreign exchange house.
6. In addition to filling out the "Beneficial Owner(s) Identification Statement", if the beneficial owner, individual



with controlling interest, or senior executive cannot be verified through company registration and certification documents, company change registration table, financial reports, annual reports, registered information inquiries provided the MOEA or competent authorities, or other credible documents or source of data, insurance companies are advised to obtain at least the photocopies of the identity documents.

7. Where the beneficial owners cannot be verified through the aforementioned method or where the information provided by the customer is in doubt (e.g. the information provided by the customer is inconsistent with public information and the customer cannot provide a reasonable explanation), it is advisable to decline the insurance application.

(VI) Verification of the identity of legal representatives of underage proposers or insured individuals

If the proposer or insured natural person is an underage individual and the insurance policy is signed by the legal representative, the insurance company shall regard the legal representative as the individual with actual control over the value of the policy and the policy owner. Where such conditions apply, the legal representative field in the insurance application form shall require the personal signature of the legal representative and it is also advisable to fill out information such as the legal representative's name, nationality, date of birth, or identity document number for comparison in the name screening system. It is also advisable to fill out the legal representative's name, nationality, date of birth, or identity document number in the solicitor's report.

(VII) Beneficial owner information changes and updates

Within one year of the completion of the aforementioned identity

verification for the beneficial owner of a non-natural-person proposer by the insurance company, if the proposer purchases other insurance products from the same company, it is advisable to request the proposer to verify whether there are changes to the identity information of the beneficial owner. If there are no changes, it is advisable to obtain a statement stating that there are no changes to the beneficial owner; if there are changes, it is advisable to request the proposer to fill out the “Beneficial Owner(s) Identification Statement” and execute the aforementioned verification procedures in accordance with the filled-out content.

(VIII) Effects of name screening after identity verification

The beneficial owners of non-natural persons and legal representatives of natural persons shall be identified and verified through the name screening system. Where the beneficial owner is an individual designated for sanctions in accordance with the Counter-Terrorism Financing Act, the insurance company shall decline the insurance application. Where the beneficial owner is a confirmed domestic or foreign PEP, an individual involved in adverse news, or an individual on law enforcement lists, necessary enhanced review shall be implemented in accordance with the risk assessment results.