



Companies and Intellectual  
Property Commission  
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## **MEDIA RELEASE**

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### **CIPC TO IMPLEMENT A BENEFICIAL OWNERSHIP REGISTER FOR COMPANIES**

The CIPC is pleased to announce that it is planning to establish and implement a Beneficial Ownership (BO) register to be released upon approval of the Regulations, pursuant to the commencement of the General Laws Amendment Act, 2022, that was signed into law by the President of the Republic of South Africa on 29 December 2022.

The aim of the beneficial ownership register is to establish a repository/register of natural persons who owns or exercise control over legal entities; to assist law enforcement with relevant information when it comes to their investigations of who the ultimate owners of an entity are; and to mitigate the risks identified in the national risk assessment where legal persons were identified as vehicles prone to abuse for money laundering and terror financing activities.

With the implementation of the BO register, customers will be required to report to the CIPC, information with regards to beneficial owners of companies. Guidelines and FAQ's will be published in advance.

A beneficial owner is deemed to be any natural person who holds 5% or more interest in a legal entity; or a person who exercises effective control of an entity. Beneficial interest, when used in relation to a company's securities, means the right or entitlement through ownership, agreement, relationship or otherwise.

One of the eight (8) areas of strategic deficiencies identified by the Financial Action Task Force (FATF) requires South Africa to ensure that competent authorities have timely access to accurate and up-to-date Beneficial Ownership information on legal persons and arrangements and applying sanctions for breaches of violation by legal persons to BO obligations.

The CIPC as the registrar and regulator of companies, administers about 2.1 million active entities, comprising of Public Companies, Private Companies; Non-Profit Companies; External Companies and more. Currently, the CIPC holds record of legal owners and management of entities in the form of members (close corporations) and directors (companies). As it stands, no record of company shareholders and beneficial owners is recorded by the CIPC. As such, the CIPC recognises its responsibility as one of the key role players in safeguarding the integrity of our regulatory environment in South Africa and integrally placed to manage the risks associated with money laundering, proliferation and terror financing activities. It is with this responsibility in mind that the CIPC is establishing the BO register. The CIPC is also expected to verify the information and adopt a risk based approach in investigations and enforcement by using triangulated data from both local and international authorities. Companies need to be mindful of their responsibilities in terms of filing accurate, complete and up to date information with the Commission.

The following were some of the key findings related to the reasons for developing a BO register:

- a. There are serious international challenges in obtaining BO information on companies, trusts and partnerships..
  - i. The authorities rely primarily on obtaining BO information from Accountable Institutions (AI's), but the measures in place are not sufficient to ensure that AI's are able to provide adequate, accurate, up-to-date, and verified BO information in a timely manner.
- b. Where such information is available, it takes Law Enforcement Agencies too long to obtain it.
- c. The measures which South Africa has put in place to promote transparency and BO of legal persons and arrangements address only to a limited extent the main vulnerabilities that allow abuse of legal persons and trusts for ML/TF.
- d. Competent authorities only have a general understanding that legal persons and trusts are exposed to ML/TF but have not properly identified or assessed the specific ML or TF vulnerabilities that lead to that exposure.
- e. Companies are abused for ML and used regularly to facilitate corruption in the awarding of government tenders and laundering of proceeds thereof.
- f. Company Service Providers (CSPs), when selling and transferring shell companies to new ownership, are not subjected to anti-money laundering and counter terror financing measures.
- g. Not all CSPs are AIs which limits the availability of BO information on companies.
- h. The authorities could not demonstrate that they applied effective, proportionate, and dissuasive sanctions for failure to comply with information requirements

Based on the immense work undertaken over the past months, the CIPC is confident that the BO register will be implemented soon, pending the publication of the Regulations by the Minister of Trade,

Industry and Competition. The Companies Act, Act 71 of 2008 as amended, would need to introduce legal provisions in support of the collection of beneficial ownership information on registration; periodically when changes occur; annually as well as cater for the disclosure regulation and enforcement regime.

The CIPC Commissioner Adv. Rory Voller, says the CIPC is committed to working with other regulators and financial institutions to mitigate against risks. With the implementation of the BO register, we will enable greater transparency on who the owners of an entity are; go a long way in preventing abuse of our corporate vehicles for nefarious purposes; and assist South Africa to comply with the FATF requirements.

“We will continue to work closely with other key stakeholders, including the South African Reserve Bank (SARB), and the National Treasury, to strengthen its oversight of anti-money laundering (AML) and counter-terrorism financing (CTF) risks in the financial sector. With the promulgation of the applicable regulations, the CIPC will implement the BO register and support the relevant stakeholders in mitigating against deficiencies identified by the FATF; and to help expedite the country’s exit from the grey list.” He said.

ENDS

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