

## Alert

2 January 2019

### **After New Year legal persons have an obligation to disclose beneficial ownership information**

Dear All,

Please find below the information about the amendments of the Republic of Lithuania Law on the Prevention of Money Laundering and Terrorist Financing that came into force on 1<sup>st</sup> January 2019 (hereafter – Law) which imposes an obligation for legal persons to identify their beneficial owners and register information about them in the Information System of the Members of Legal Entities (hereafter – JADIS). Legal persons will be able to fulfil their obligation to disclose the required information after JADIS adopts the amendments of relevant provisions of its regulations and adapts the Information System for registering of such data. Despite the fact that the Law establishes an obligation to register the beneficial owners of legal persons as of 1<sup>st</sup> January 2019, actually such obligation will arise only after the relevant changes to the JADIS system are made. The changes to the system and in the procedures laid down in the regulations of the Information System are expected in the first semester of 2019, for this reason it is recommended to start collecting data required by the Law in advance and be prepared to submit it to the administrator of JADIS.

#### **Data of beneficial owners**

All legal persons established in the Republic of Lithuania, except for legal persons whose sole member is the state or a municipality, must obtain accurate information on their beneficial owners.

Information about beneficial owners that must be obtained, updated and stored:

- Name, surname;
- Date of birth;
- Personal number;
- The state which issued the identity document;
- Place of residence;
- Ownership rights held by them and their scope (the number of shares expressed as a percentage and the number of voting rights expressed as a percentage) or other rights of control (the chair of the board, board member, director, senior manager, other position and the number of transferred voting rights expressed as a percentage).

The above-mentioned information will have to be submitted to the administrator of JADIS not later than within 10 days from the date of change in the data.

### **Who is a beneficial owner of a legal person?**

Beneficial owner is any natural person who ultimately owns or controls the customer and/or the natural person on whose behalf a transaction or activity is being conducted, and includes:

- Direct owner of a legal person – a natural person who holds 25% plus one share or an ownership interest of more than 25% in the customer;
- Indirect owner of a legal person – a natural person who controls an undertaking(s) which holds 25% plus one share or an ownership interest of more than 25% in the customer;
- The natural person who controls a legal person through other means, including through bearer shareholdings, other than public limited liability companies whose securities are traded on regulated markets that are subject to disclosure requirements consistent with the European Union legislation or subject to equivalent international standards. The natural person controls a legal person through other means, if he:
  - a) has a majority of the voting rights in an undertaking;
  - b) has the right to appoint or remove a majority of the members of the administrative, management or supervisory body of an undertaking and is at the same time a shareholder in that undertaking;
  - c) has the right to exercise a dominant influence over an undertaking, pursuant to a contract entered into with that undertaking or to a provision in its memorandum or articles of association.
- The natural person who holds the position of senior managing official is considered a beneficial owner, if no person is identified as a beneficial owner, or if there is any doubt that the person identified is the real beneficial owner. Senior managing official is an officer or employee with sufficient seniority, possessing sufficient knowledge of the institution's or undertaking's money laundering and/or terrorist financing risk exposure and responsible for taking decisions affecting its risk exposure. In most cases such person will be the CEO or other legally authorized representative.

### **Legal consequences of failure to comply with the requirements**

Non-compliance with the above-mentioned obligations imposed by the Law will result in a fine in the amount of EUR 500 up to EUR 1,800 for persons, and from EUR 2,000 up to EUR 3,500 for heads of legal entities. Such offence committed repeatedly will incur a fine in the amount of EUR 1,500 up to EUR 5,200 for persons and a fine of EUR 3,500 up to EUR 5,800 for heads of legal entities.



Please note that if the head of a legal entity is fined in the amount of no less than EUR 1,500, in accordance to the amendments to the Republic of Lithuania Law on Tax Administration which came into force on 1<sup>st</sup> January 2019, the legal person will be held non-compliant with the minimum criteria for reliable taxpayers and will be included in a public list of unreliable taxpayers for a period of one year. A taxpayer who does not comply with the criteria for reliable taxpayers will be eliminated from public procurement procedure in accordance to the provisions of the Republic of Lithuania Law on Public Procurement.

**Note:** this summary is compiled for informational purposes only and cannot be treated as a binding advice.

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