

## **Proposals on the Measures to Identify Beneficial Owners of Legal Persons at Commercial Registries in Japan**

*Presented by the Independent Experts to the Ministry of Justice of Japan*

The independent experts' group made proposals to Director General of Civil Affairs Bureau, the Ministry of Justice of Japan on **the new measures to record and certify information regarding beneficial owners of legal persons at the commercial registries.**

1. **The FATF Recommendation 24, “Transparency and beneficial ownership of legal persons”** states that ‘countries should ensure that there is adequate, accurate and timely information on the beneficial ownership (BO) and control of legal persons that can be obtained or accessed in a timely fashion by competent authorities’.<sup>1</sup>

2. In Japan, to comply with this recommendation, two measures have been taken. Firstly, financial institutions (FIs) and designated non-financial business and professions (DNFBPs) shall undertake customer due diligence, including the identification of BO when they conduct specified transactions, such as the establishment of business relationship, with their customers, which are legal entities by Japanese law. Secondly, articles of incorporation of newly established stock companies shall be certified by notaries, and they check the identity of the person who is to be beneficial owners of the companies and record such information in their database. **The notaries’ practice is highly appreciated in the FATF paper ‘Best practices on beneficial ownership for legal persons’ published in 2019<sup>2</sup>. However, the practice on beneficial ownership of legal persons can be improved further in accordance with the international expectation by way of establishing a centralized system in which updated beneficial ownership information of legal persons on-going basis, reflecting changes after their establishment, is recorded at the commercial registries and accessed by competent authorities.**

3. Having regard to the need for such improvement, **the experts’ group made following proposals.**

1) There should be **a new system in which certificates on the beneficial ownership of legal persons are issued at the commercial registries** upon application by the legal persons (the “System”). Under the System:

a) To make the application, legal persons shall declare the identity of their beneficial owners and submit supporting documents to the commercial registries so that the

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<sup>1</sup> Source: The FATF Recommendations, June 2019, page 20

<sup>2</sup> Source: Best Practice On Beneficial Ownership For Legal Persons, the FATF, October 2019, page 35

commercial registries can verify the declared information.

b) **The declared information is recorded in the centralized database of the commercial registries and the commercial registries issue certificates of the information to the legal persons.**

c) Legal persons are expected to use the certificates issued at commercial registries when they are required to verify their beneficial owner in the course of commercial transactions. **The verification process becomes more efficient and reliable by the use of the certificates.**

2) **This proposal is expected to improve the due diligence practice on beneficial ownership of legal persons by adopting the registry approach and is also expected to effectively increase transparency of legal persons in Japan.**