



CIRCULAR NO: 02 of 2025

(Issued under Section 12B (2)(g) of the Capital Markets Act)

December 31, 2025

To: All Capital Market Intermediaries

RE: CIRCULAR ON BENEFICIAL OWNERSHIP (BO)

1. Introduction

The Capital Markets Authority (CMA) issues this circular to reinforce compliance with the Anti-Money Laundering (AML), Counter Financing of Terrorism (CFT), and Counter Proliferation Financing (CPF) regulatory frameworks. Market intermediaries are reminded of their obligation to **identify, verify, and maintain accurate and up-to-date information on the beneficial owners (BOs)** of all customers and one-off transactions.

A **Beneficial Owner** refers to a natural person who ultimately owns or controls a client or on whose behalf a transaction or activity is conducted. This includes individuals who exercise significant influence over a customer's activities, whether or not they hold legal ownership. The requirement extends beyond legal documentation (e.g., CR12, partnership deeds) to ultimate beneficial ownership.

2. Regulatory Definitions

2.1. Companies

Under **Regulation 3(2)** of the Companies (Beneficial Ownership Information) Regulations, a beneficial owner is an individual who:

- i. Holds, directly or indirectly, **at least 10% of shares** in the entity;
- ii. Exercises, directly or indirectly, **at least 10% of voting rights**;
- iii. Has the right to appoint or remove a majority of the board of directors; or
- iv. Exercises significant influence or control over the company.

2.2. Limited Liability Partnerships (LLPs)

Regulation 3(2) of the LLP (Beneficial Ownership Information) Regulations, 2023 defines a beneficial owner as an individual who:

- i. Holds a right to share in **at least 10% of capital contribution or profits**, directly or indirectly;
- ii. Holds **at least 10% of voting rights** in management;
- iii. Has the right to appoint or remove any partner or manager; or
- iv. Exercises significant influence or control over the LLP.

2.3. Trusts

The beneficial owners of a trust include:

- i. The **settlor** (donor of assets);
- ii. The **trustee(s)** (custodian of assets);
- iii. The **protector or enforcer** (an intermediary between the settlor and trustee);
- iv. The **beneficiaries** or classes of beneficiaries; and
- v. Any other person exercising effective control or influence.

3. Identification and Verification Requirements

The requirements of **FATF Recommendation 24** apply to all legal persons, including companies, foundations, LLPs, and foreign-created entities. Market intermediaries must:

- a. Conduct risk assessments for money laundering and terrorist financing associated with different legal structures.
- b. Investigate **nominee arrangements** where listed shareholders act on behalf of another individual;
- c. Obtain information as outlined in **Regulation 22(3)** of the Proceeds of Crime and Anti-Money Laundering Regulations, 2023;
- d. Request access to the **e-Citizen BO Verification Platform** from the Business Registration Service (BRS) via email: registrar@brs.go.ke.
- e. Maintain BO records for **at least five years** after dissolution or cessation of business relationships

4. Additional Reference Information

To ensure full compliance with the Anti-Money Laundering (AML), Countering the Financing of Terrorism (CFT), and Counter-Proliferation Financing (CPF) regulatory framework, market intermediaries are strongly encouraged to consult the following official resources:

- a. **Financial Reporting Centre (FRC)**: Provides the most current Kenyan legislation, regulations, and guidance relevant to AML/CFT/CPF compliance.
- b. **Financial Action Task Force (FATF)**: Offers the FATF Forty Recommendations, implementation guidance, and internationally recognized best practices for combating money laundering, terrorist financing, and proliferation financing.
- c. **Capital Markets Authority (CMA)**: Provides guidelines and circulars issued by the CMA on AML/CFT/CPF obligations applicable to capital market intermediaries.
- d. **The Business Registration Service (BRS) Kenya website (brs.go.ke)**: provides essential tools for CMA licensees to comply with beneficial ownership requirements. Key services include:

- i. Access to entity details for verification of ownership structures.
- ii. Downloadable statutory forms (e.g., CR2, CR3) required for regulatory filings.
- iii. Guidelines for linking businesses to eCitizen for online submission of beneficial ownership information.
- iv. The platform also outlines the BRS mandate, which includes maintaining the Companies Registry, a critical source for accurate and up-to-date ownership data relevant to AML/CFT compliance.

These resources should be reviewed regularly to remain informed of updates and emerging global standards.

5. Enforcement and Effective Date

This circular is enforceable under Section 12B (2)(f) of the Capital Markets Act. Failure to adhere to this circular will result in regulatory intervention and enforcement action. All market intermediaries' staff must ensure strict compliance and report any suspicious activity promptly. This circular takes effect immediately.

Contact Information

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