ULTIMATE BENEFICIAL OWNERSHIP RULES IN QATAR (2020)

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Qatar Corporate Alert

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On 18 April 2021, the Ministry of Commerce and Industry (MoCI) announced the enforcement of certain provisions of Law number (1) of the year 2020 and its executive regulations issued by the Council of Ministers' decision number (12) of 2020 (collectively, the Regulations). The Regulations concern the Unified Economic Register and the need to disclose information about the ultimate beneficial owner (UBO) of entity. The MoCI has stated that it is now a compulsory requirement for applicants who submit a request for a new, renewed or amended commercial registration (CR) to provide details of the UBO for the relevant entity.

In light of the MoCI's announcement, disclosure of the UBO must be submitted together with the CR application form within 10 days of the date of application otherwise the application will be rejected. Applicants are also required to maintain a register of its UBO, keep all details of the UBO regularly updated and disclose any amendment to such details to the competent department within the MoCI.

The creation of a Unified Economic Register will help promote an even more transparent business environment, make information as to the ultimate beneficiaries more readily accessible to third parties and ensure compliance with best international practice in respect of know-your-client, anti-money laundering and anti-corruption regulations.

THE UBO

The identity of the UBO is determined based on the constitutional documents of a legal entity or arrangements entered into with respect to that entity.

An UBO is defined under the Regulations as:

- a natural person or natural persons who, whether directly or indirectly, owns or controls not less than (20 per cent) of the share capital of a legal entity or the voting rights therein;
- a natural person who, whether directly or indirectly, exercises legal or actual supervisory or controlling powers over the executive bodies or the general assembly of a legal entity or the performance of such entity; or
- a natural person who, in accordance with the applicable laws, holds a legal representation authority to act on behalf of a legal entity.

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WHAT INFORMATION MUST BE CONTAINED IN THE REGISTER?

The register, which each entity must maintain, should include, among other information, the following:

- name of each UBO as provided in his/her official identification documents (i.e. Qatari identification or passport);
- date and place of birth;
- nationality;
- address as provided in the official documents;
- expiry date of the identification or passport;
- date on which he/she became an UBO; and
- the shareholding percentage.

WHICH LEGAL ENTITIES ARE REQUIRED TO COMPLY?

Under the Regulations, all forms of legal entities are required to disclose details of any UBO. This includes the following:

- individual establishments;
- commercial companies;
- natural or legal persons who carry out commercial agency businesses;
- branches of companies or agencies provided that such branches hold the same commercial registration number of the unified economic register of such company or agency; and
- legal arrangements such as:
  - charity organizations;
  - non-profitable organizations; and
  - free professions (i.e. professions governed by their own regulations such as engineering offices, security services and health services).

EXEMPT ENTITIES

- a listed public company or any of its subsidiaries in which the listed company owns a controlling share
- a company owned by the state or a governmental entity;
- foreign branches; and
- a joint venture company (pursuant to article 53 under the Commercial Companies Law).

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SANCTIONS IMPOSED FOR FAILING TO MAKE DISCLOSURE

The competent department within the MoCI may impose any or all of the following sanctions against those who violate the Regulations:

- order the violating company to submit regular reports on the remedial action taken;
- order the violating company to comply with certain instructions;
- suspend the managers, the board directors, the secretaries of the legal arrangement, the executive officers or administrators for a period not exceeding one year;
- suspend the business of the violating company for a period not exceeding one year; or
- revoke the commercial registration of the violating company.

In light of these requirements, we urge all our clients and contacts in Qatar (or companies looking to do business in Qatar) to take advice regarding the UBO requirements so as to avoid falling foul of the penalty regime that exists.

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