



REPUBLIC OF NAMIBIA

**Statement by Hon Verna M. SINIMBO
Deputy Minister of Industrialization and Trade**

**ON BENEFICIAL OWNERSHIP REQUIREMENT FOR BUSINESS ENTITIES
AND ASSOCIATED PENALTIES**

Hon. Prof Peter Katjavivi, Speaker of the National Assembly.

Distinguished Hon. Members of Parliament.

It is my honor to stand before this August house and the Namibian people, to deliver this statement, pertaining to the requirement of Beneficial Ownership and associated penalties.

The Ministry of Industrialization and Trade is entrusted with the mandate of industrialization and facilitating trade and commerce, aimed at promoting Namibia's competitiveness and innovativeness to stimulate income generation for all Namibians and sustainable and inclusive economic growth. We are seized with the burden to make it easy for entrepreneurs to start and do businesses, conducive for creators and innovators to create intellectual assets, and make Namibian market attractive and a preferred choice for exchange of products. We are also seized with the mandate to create an enabling space for business community to answer the call to eradicate unemployment, poverty and economic stagnation, through policies and legal framework which stimulate Growth, Growth at home.

It is with this burden that I stand before you to address this August house, as representatives of the various constituencies of the Namibian house, with respect to the introduction of the Beneficial Ownership requirement as part of the business registration implemented by the Business and Intellectual Property Authority (BIPA).

Hon. Speaker

Hon. Members of Parliament

Let me start with a brief history of the Beneficial Ownership requirement. You would recall the Amendments to the Companies Act, 2004 (Act No. 28 of 2004) and the Close Corporations Act, 1988 (Act No. 26 of 1988), which were passed by this August house last year and came into effect in July 2023. Those Amendments form the legal basis for Beneficial Ownership requirement for legal persons or Companies. The Business and Intellectual Property Authority (BIPA) operationalized these provisions from 7 August 2023.

A beneficial owner is a person who ultimately owns or controls a legal entity or arrangement, such as a company, a trust or a foundation. This is a natural person who may have more than 25% of a company's shares or voting rights, or exercise substantial control over the entity or its management.

It is important to note that the issue of beneficial ownership is part of the larger national drive of the Mutual Evaluation Report, led by the Financial Intelligence Centre and the National Taskforce. As a member to the UN, Namibia is subject to the requirements under the Financial Action Task Force, which is the global anti-money laundering watchdog. Namibia has undergone a number of peer review assessment done by assessors from the Eastern and Southern African Money Laundering Group, which has ultimately led to Namibia being grey listed on 23 February 2024 by the FATF Plenary.

Ultimately, the FIC has led all efforts regarding beneficial ownership over the last few years and remains the focal point for Namibia on the subject matter, in consultation with the Minister of Finance and Public Enterprise.

Hon Speaker

Hon. Members

I will dwell on the background of beneficial ownership requirement, with the view of providing the accurate historical context. The amended Acts empower the Registrar (BIPA) to impose sanctions on non-compliant entities. These sanctions include:

- i. Inactive List: BIPA places companies and close corporations failing to comply with BO requirements on the "inactive list," restricting their ability to conduct certain business activities.
- ii. Administrative Penalties: BIPA may impose administrative penalties of up to N\$50,000 for non-compliance, with daily penalties of up to N\$1,000 for continued non-compliance.
- iii. Deregistration of Entities: BIPA must deregister a company which remains non-compliant, six months from the date the company was listed on the inactive list. To date, no entity has been deregistered because of non-compliance of BO Requirements. Deregistration is anticipated as from October 2024 (6 months from date of being listed on the inactive list).

While the legislation allows for significant penalties, in keeping with the mandate to create an enabling environment for doing business in Namibia, BIPA has adopted a more measured approach, which entails education and sanctions. The sanctions are required to be punitive in nature, so as to dissuade companies from non-compliance. The approach which BIPA has adopted is aimed at encouraging compliance through a balanced approach of education and deterrence.

Hon Speaker

Hon. Members

BIPA has a total of 221, 338 legal entities currently recorded in the business register. In the absence of a risk assessment, all these entities are required to comply to the BO requirements. To date a total of 64, 356 entities have submitted their beneficial ownership information which accounts for less than 30% compliance rate as at 30 June 2024. However, according to the Financial Action Task Force requirements under Immediate Outcome 5, Namibia should report no less than 90% compliance by May 2025. Therefore, I am calling on the business community to cooperate with BIPA to submit the beneficial ownership information in order to meet the 90% threshold. BIPA alone cannot attain this. We need the cooperation of all players in the business fraternity.

Now I will briefly speak to the thorn in our flesh, namely, the penalties, which has caused an outcry in the nation.

Despite having started the operationalization of BO in August 2023, BIPA only started imposing penalties for non-compliant entities on 12 March 2024. As at the end of May 2024, a total of 127, 240 entities have been sanctioned through penalties, including having received the daily penalty.

My Ministry and BIPA are acutely aware and alert to the implication of these penalties on the business community and Namibia's compliance to Financial Action Task Force requirements. It is our position that existence of one is not necessarily the exclusion of the other, but it is incumbent upon us to strike the magic balance between the interest of the business community and interest of the nation to comply.

After having weighed these interests, my Ministry and BIPA have resolved to redouble our efforts to improve compliance of beneficial ownership filings through targeted education and awareness initiatives.

It is our informed view that imposing penalties on their own do does not increase compliance, therefore, our efforts would be invested in ensuring compliance.

BIPA has laid the foundation for the public education campaign. BIPA held a number public engagements to sensitize the business community and those directly affected by BO on what was to come. BIPA has also issued notices to the entities through emails and SMS. This initiative started in February 2024 and remains ongoing.

I wish to remind us all, that the introduction of BO requirements in Namibia represents a significant step towards promoting transparency and fighting financial crime. By complying with their BO filing obligations and cooperating with BIPA, companies and close corporations can contribute to a more transparent and secure business environment in Namibia.

Hon. Speaker

Hon. Members of Parliament

BIPA remains focused on creating an enabling environment for entrepreneurship and innovation while promoting compliance.

As I close, I wish to remind the Namibian people, that this is your Government, MIT is your Ministry and BIPA is your entity. We exist because of you and for you. Therefore, the legal frameworks and policies are intended to serve you and for your prosperity. Because your prosperity is Namibia's Prosperity.

It is from that place that my Ministry and BIPA leadership have considered the **implications of penalties, and after weighing the varied interests, I am happy to announce that BIPA has resolved to exercise its discretion not to impose penalties for the next two months, while we focus on public education campaigns.**

In the meantime, I wish to call on the business community to file their beneficial ownership information with BIPA in order to increase our national compliance. Also , keep an eye on the education and awareness campaign on the beneficial ownership to empower yourselves to do business better.

During this time, BIPA will also review the penalties amount in keeping with the realities of our society. The Nation, through this August house will be informed when BIPA will resume to impose the said penalties.

I thank you for your attention