

MITIGATING BUSINESS VERIFICATION COMPLEXITY WITH THE KYB IN **MENA** **REGION**



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Introduction

After modification in trade hierarchy, from natural resources to advanced technology, the MENA region is now the center of attention for many global investors. This transition in the economic landscape, developed new opportunities for this region but also few challenges for the investors. The Kingdom of Saudi Arabia reported a Gross Domestic Product (GDP) of **US\$ 1,108 billion** in 2022. Additionally, the United Arab Emirates (UAE) ranks among the top countries globally with a GDP of **US \$509B**. Such a huge figure of GDP is making the MENA region pivotal for global partnerships and business relationships.

Businesses require conducting a due diligence on counterparties to foster mutual trust and ensure compliance with AML regulatory laws. This due diligence process typically includes verifying the counterparty's business, including but not limited to its name, registration date, address, and current status, performing AML for Business checks, identifying shareholders, and UBOs while screening them against sanctions, PEP lists, and watchlists. KYB helps to perform these checks at scale, facilitating streamlined business onboarding. However, verifying businesses in the MENA region without the assistance of a mature KYB solution is not a straightforward process. This white paper incorporates key challenges faced by businesses to verify companies in the MENA region, along with techniques and strategies employed by our solution to overcome those challenges.

“ The **UAE** government is making considerable efforts to attract foreign direct investments, by providing many incentives and benefits to foreign investors, noting that the UAE is a vital gateway for international companies to enter new markets in the MENA region.

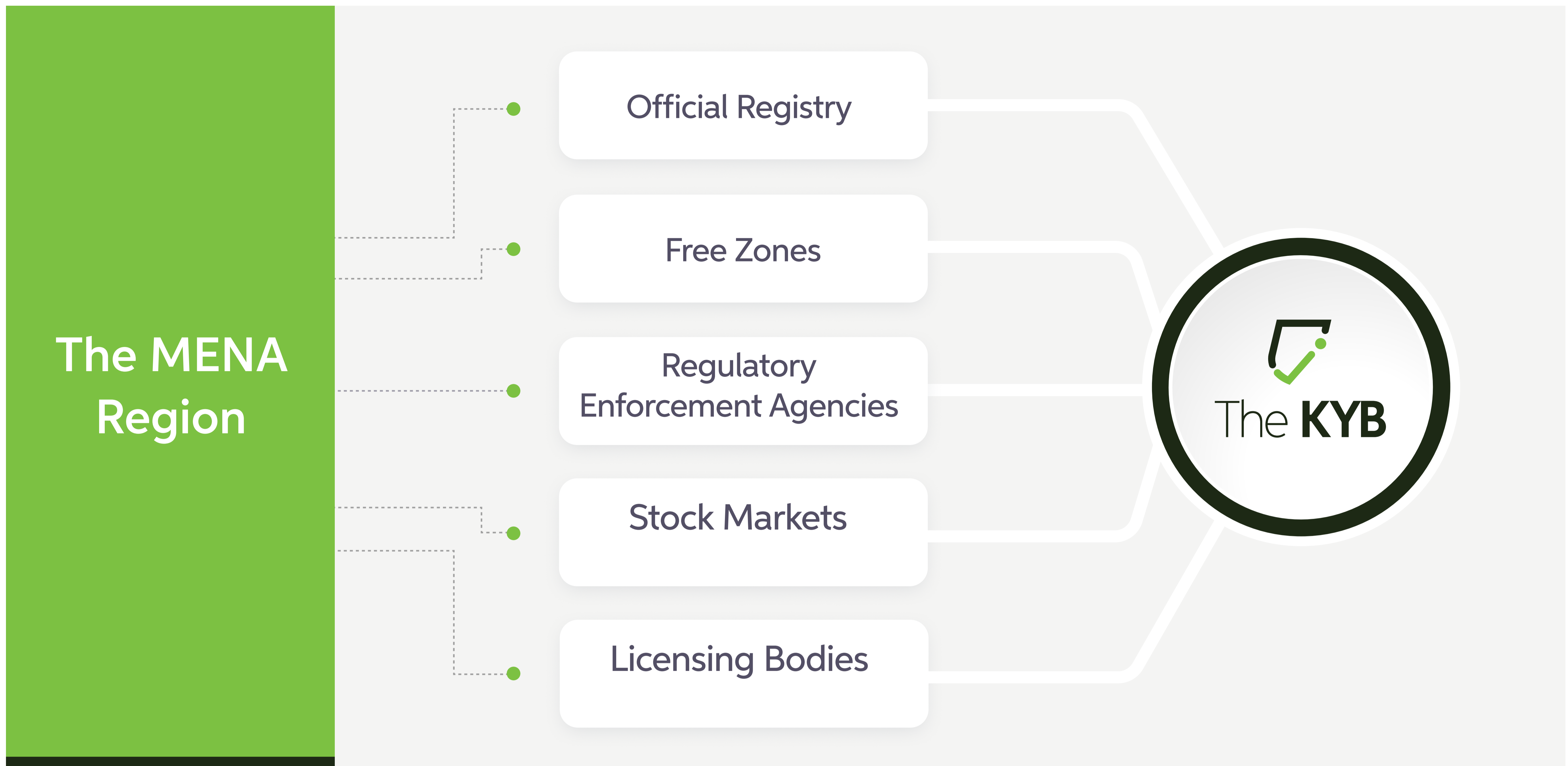
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Business Verification Challenges In The MENA Region

Onboarding a business for the **MENA region** poses unique challenges that are a hindrance for global clients looking to secure partnerships and it needs a proactive approach to address. As compliance professionals, they must comply with internal policies and external regulations while providing a prompt and efficient service to new business partners and stakeholders. Unfortunately, this often leads to a lengthy and cumbersome corporate due diligence process, causing delays in the organisations' earning potential and, in the worst-case scenario, potential loss of business. Few of major issues along with unique solution offered by The KYB are discussed below:

01 Data In Silos

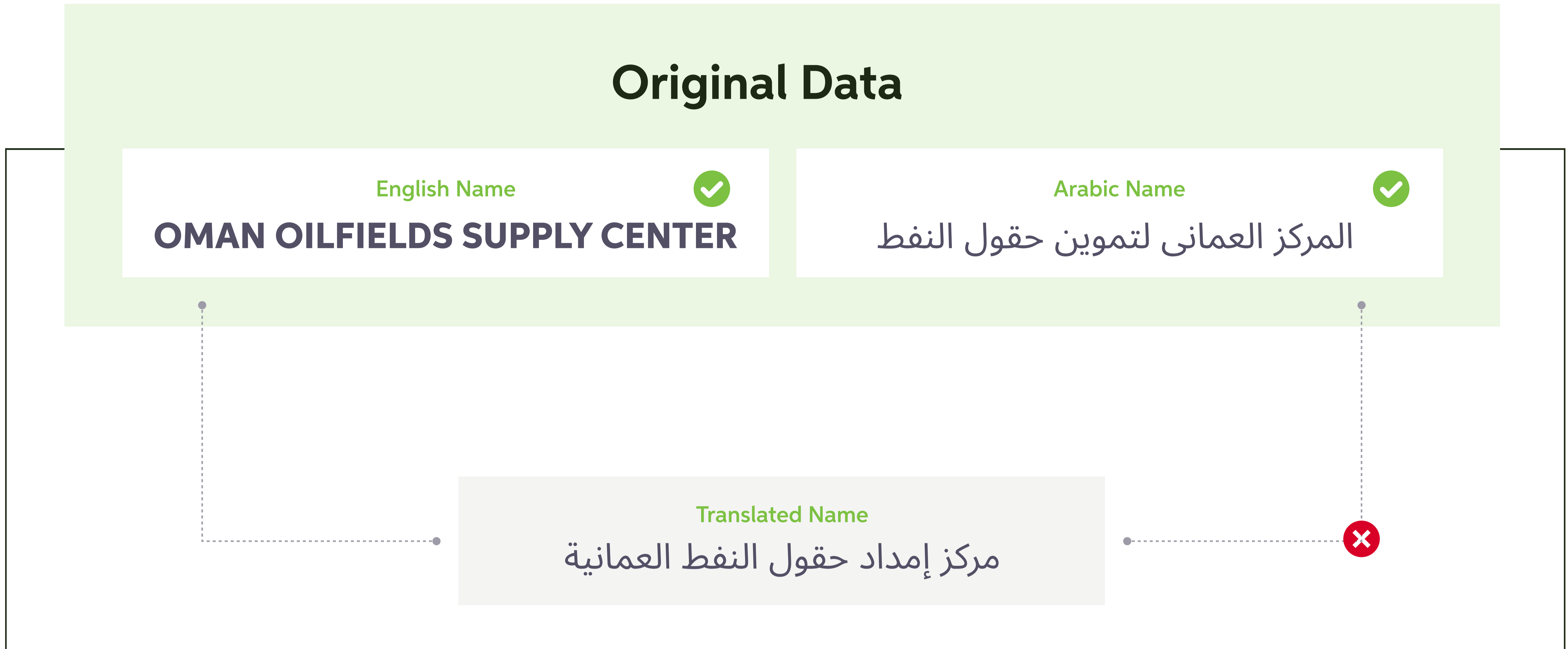
Access to authentic data is essential for conducting thorough KYB checks to ensure the legitimacy of a business. In the MENA region, official registries are dispersed across multiple registration entities based on the type of business, ranging from LLCs to free zone businesses, foreign branches, partnerships, joint stock companies, sole establishments, etc. Records of some business types are maintained by a national business registry, such as the National Economic Register (NER) of UAE, while other business types have to be verified through decentralised bodies such as Dubai International Financial Center (DIFC), Abu Dhabi Global Markets (ADGM), etc. to name a few from the UAE. The list of all data sources from MENA region is extensive, but The KYB has integrated all such official global data sources into one comprehensive database, simplifying access to information for clients through a single platform.



02 Language Barriers In Retrieving Company Information

The **MENA region** consists of **60+** official languages ranging from Arabic, Persian, Hebrew, Turkish, etc. which affects the business verification process as most of the firms have business names in their local languages. When a business fills an onboarding form, they use english equivalents of their official name despite the lapse that the english name is not officially registered with the government. Thus, when an analyst tries to look for a business in MENA using their english name, they are not able to source credible information which results in lack of trust and disparity in the onboarding process. Even if an analyst translates the name to the regional language, it still does not match the official records due to linguistic variations between native meaning and translated versions of a business name.

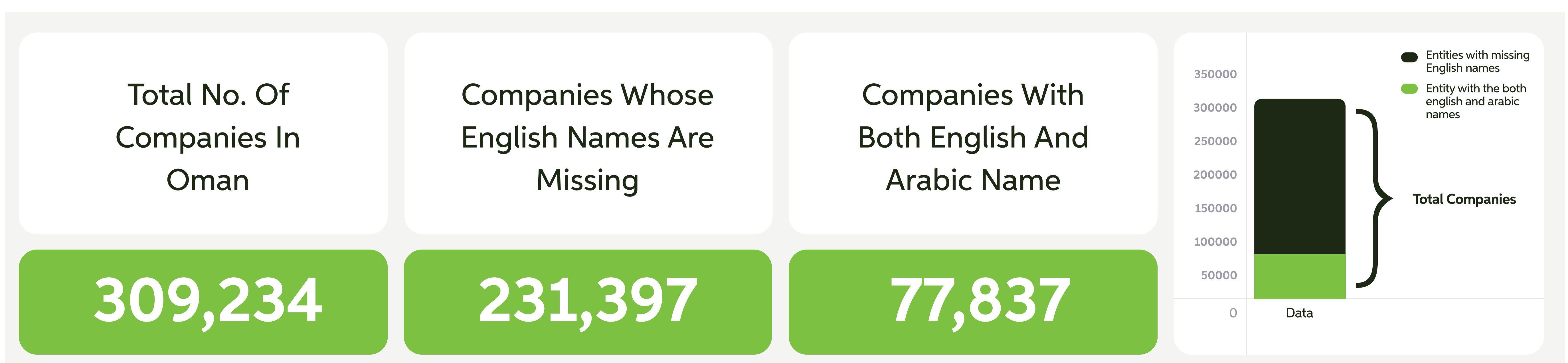
One such example of such a linguistic nuance is as follows when an English name translated to Arabic using internet tools does not correspond to the original Arabic name registered with Oman’s official business registry.



The KYB allows fuzzy name searches in different languages to cater to this problem. Furthermore, apart from a real-time registry check, the solution also maintains a fresh database with translated business profiles so a name match with a translated name can be found.

Furthermore, documents sourced from official registries are also in region’s native language that need to be translated to be understood by a non-native analyst. The KYB not only helps purchasing official documents from registries but also translates them in real-time. Businesses that utilise a single KYB platform for an end-to-end business onboarding process report faster time to onboard a new business while cutting overhead costs associated with due diligence.

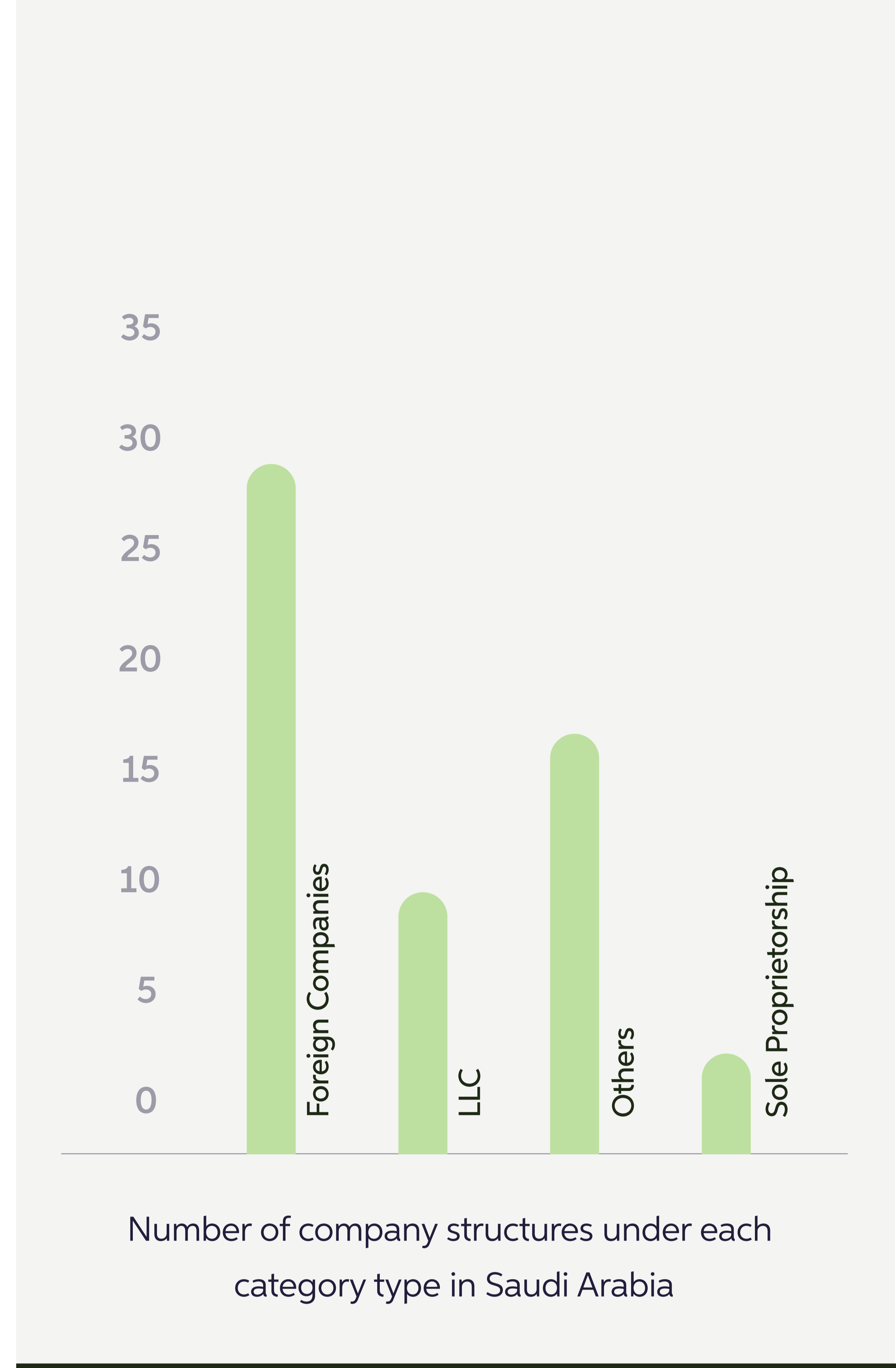
One such case is evident in Oman, where The KYB's database indicates that nearly 75% of businesses only possess Arabic business names without official English equivalents. This effectively implies that when analysts attempt to verify businesses in Oman using an English business name, they’ll be unable to verify the company in 75% of cases without a centralised business verification solution like The KYB.



03 Indefinite Corporate Structures

The corporate structures in the MENA region are dissimilar in the structures across the globe. The central issue is that corporate structure is entitled and indistinct that businesses outside this region do not understand it. Other than the complexity in nomenclature of registry structures, the functionality of these structures are vague. There is no standard definition to know the purpose of operations for the prevailing indefinite corporate structures.

As an example, the table below shows the detailed list of all corporate structure types being used in Saudi Arabia.



Foreign Companies

- A branch of a foreign company, a simple recommendation
- A branch of a Gulf joint-stock company
- A foreign executive contracting with the government
- Branch of a foreign company limited
- Branch of a foreign company Simple recommendation
- Branch of a Foreign Company with Simple Recommendation
- Branch of a Foreign Individual Establishment
- Branch of a foreign joint stock company
- Branch of a foreign joint-venture company
- Branch of a foreign limited company
- Branch of a foreign sole proprietorship
- Branch of a Gulf Joint Stock Company
- Branch of a Gulf joint-venture company
- Branch of a Gulf limited company
- Branch of a Limited Gulf Company
- Branch of a Solidarity Foreign Company

- Contribution with Gulf capital
- Foreign consultant with a temporary license
- Foreign contribution
- Foreign executive contracting with the government
- Foreign Limited
- Foreign Stock
- Gulf Capital Recommendation
- Gulf Capital Stock
- Limited with Gulf capital
- Recommendation for Gulf capital
- Simple recommendation with foreign capital
- Solidarity with foreign capital
- Solidarity with Gulf capital

LLC

- A company limited by shares.
- Holding
- Holding Company
- Limited liability
- Mixed joint stock company
- Mixed Limited Liability
- Mixed limited liability company
- Professional Limited Liability
- Professional limited liability company

Sole Proprietorship

- Limited to one person
- Sole proprietorship

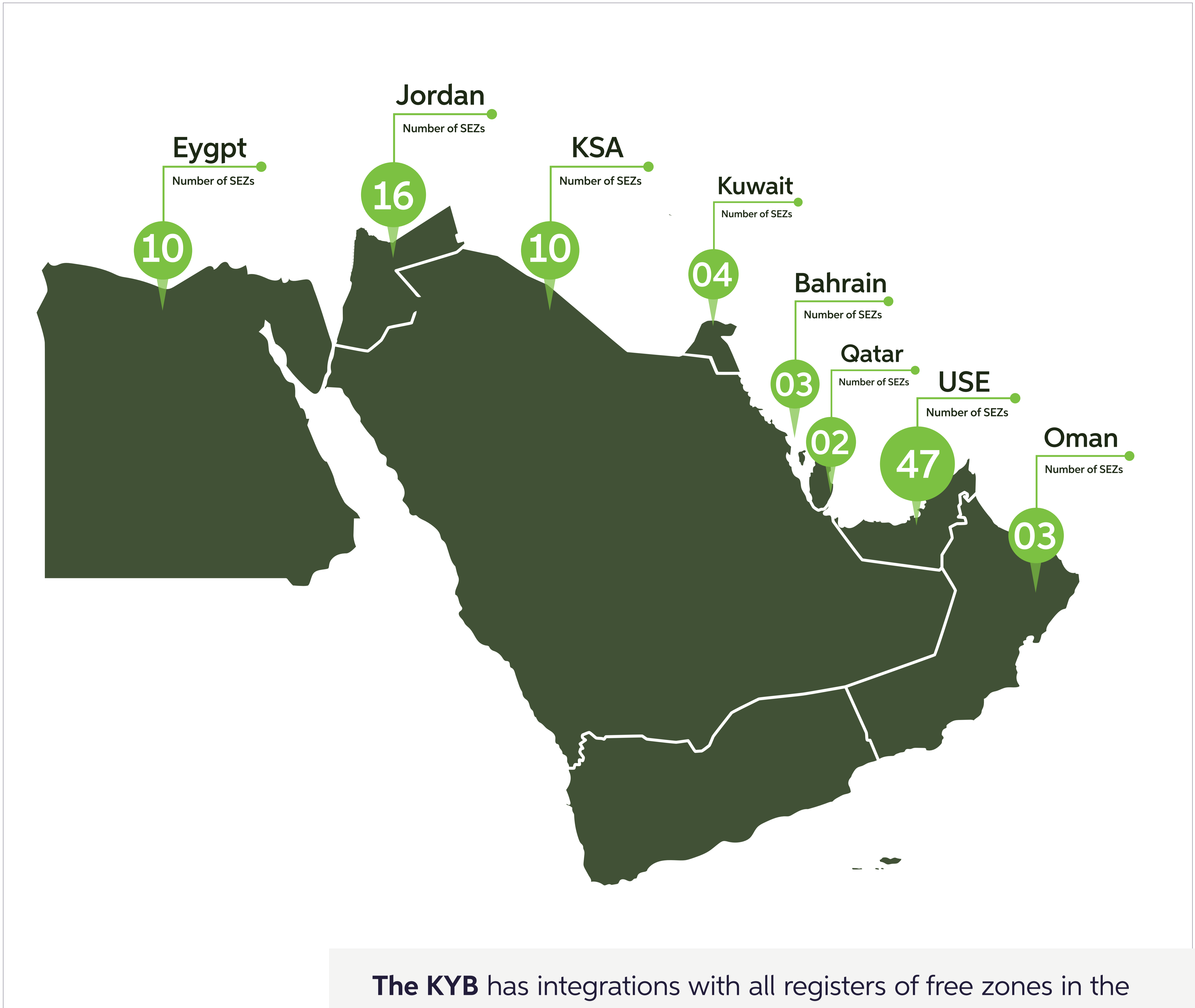
Others

- A simple recommendation
- Arab contribution
- Contribution
- Individual Establishment
- Input
- Joint Stock Company
- Mixed Capital Solidarity
- Mixed Professional Solidarity
- Professional Simple Recommendation
- Professional solidarity
- Scientific and technical offices
- Simple Recommendation
- Simple recommendation with mixed capital
- Simple, professional recommendation
- Solidarity
- Solidarity with mixed capital
- With mixed professional responsibility
- (blank)

04 Decentralized Registries Via Free Zones

The MENA region boasts numerous multidisciplinary free zones designed to attract foreign development investments. There are over 95 free zones in the MENA region, offering enticing benefits such as 100% foreign ownership, exemptions from customs duties, export benefits, and various corporate tax structures. These strategic zones feature decentralized regulatory bodies and business registries to monitor operational companies within them, each operating under its unique regulatory framework. For instance, Cabinet Resolution 58 in the UAE mandates the disclosure of Ultimate Beneficial Ownership (UBO) to free zone authorities.

However, the dispersion of data sources and diverse regulatory frameworks create challenges for business verification. Analysts must navigate through multiple data sources to retrieve company details, resulting in inefficiencies and potential inaccuracies.

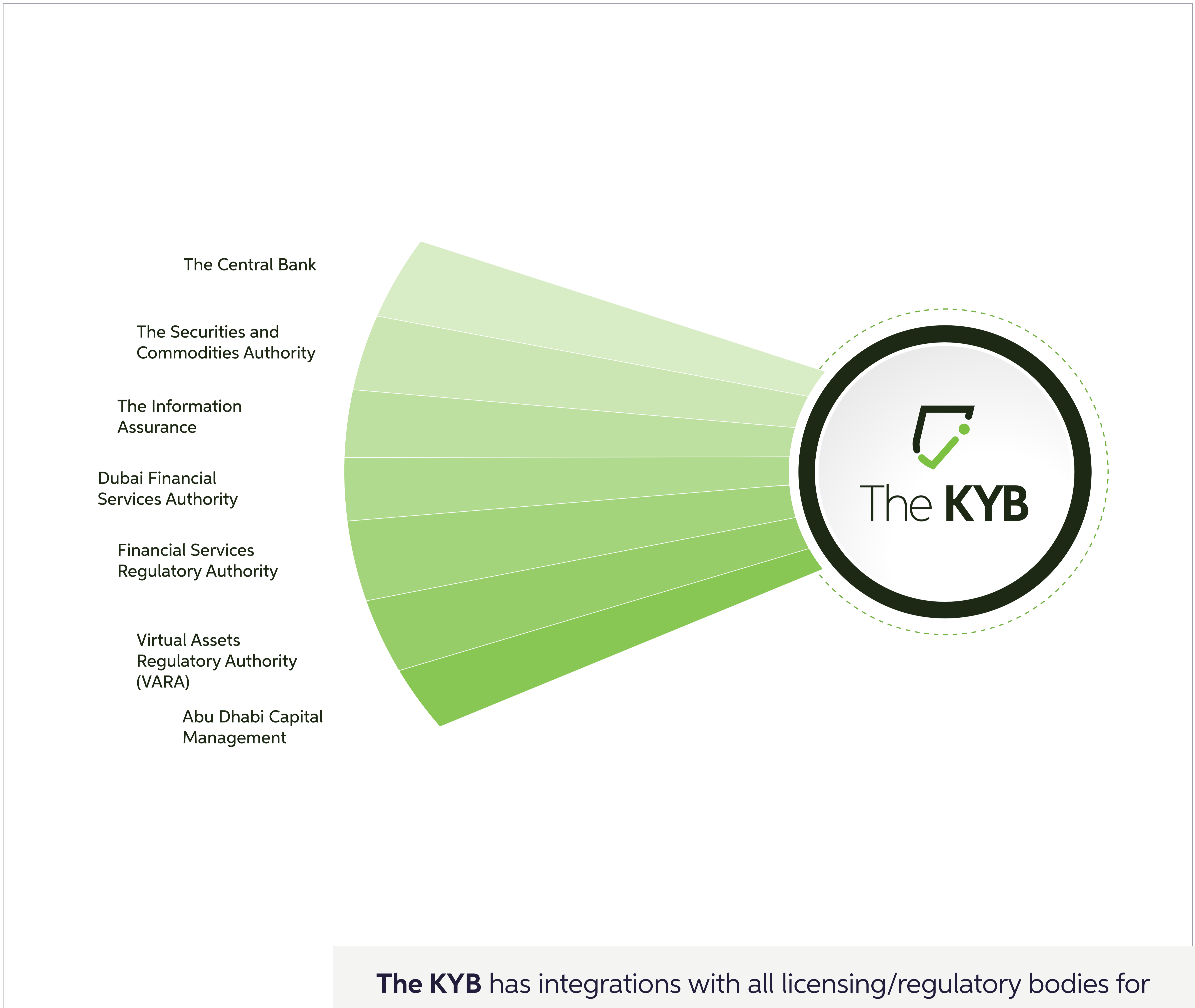


The KYB has integrations with all registers of free zones in the MENA region facilitating access to a wide regional coverage.

05 Multiplicity Of Regulatory Authorities

Another significant challenge arises from the extensive regulation of industries in the MENA region, overseen by numerous decentralised government authorities. For example, verifying the licensing status of a fintech company in the UAE requires checking with multiple bodies across various regions to access all relevant data sources. Furthermore, a counter party has to verify regulatory enforcements from all such diverse bodies to ensure adherence to legal liabilities.

This process can be time-consuming and complex for clients seeking quick verification process.



The KYB has integrations with all licensing/regulatory bodies for verifying companies in regulated industries.

06 Disparity of Advancement

In the MENA region, varying levels of technological advancement across different areas pose challenges for compliance efforts. For instance, in Egypt, a country with a population exceeding 100 million, many companies still lack a digital infrastructure for real-time electronic retrieval of company registers.

Such technological limitations significantly hinder the compliance processes due to lack of adequate data points, complicating and prolonging procedures. The KYB still allows conducting AML screening on the business and performing enhanced due diligence with available data points upon request, ensuring comprehensive compliance measures despite technological disparities.

07 Screening Common Person Names

During due diligence processes in the MENA region, screening shareholders and Ultimate Beneficial Owners (UBOs) often encounters challenges due to the prevalence of common names due to a shared cultural heritage. For example, names like Muhammad, Syed, Sayed, Alsayed, and last names such as Abdul Rehman are widespread among UBOs of companies in the region. Screening shareholders/UBO names may yield multiple false positives, necessitating manual review of each hit, or worse, false negatives, resulting in non-compliance.

The KYB integrates a best-in-class Anti-Money Laundering (AML) name screening solution that minimizes false positives and has an extensive AML dataset. This solution fetches additional unique identifiers for each person, such as date of birth, country of origin, etc. to refine the search results and add it to The KYB's case management system.

WAYFORWARD

The growth of the MENA region makes it a lucrative market to expand into, however, businesses must practice caution to stay compliant with AML regulations. Furthermore, clients must ensure that no potential business partner is lost due to lapses in KYB data. The KYB is a consolidated solution to evade the possible complexities imposed while verifying companies in the MENA region, The KYB not only helps in verifying business of all corporate structure types but also facilitates enhanced due diligence, official documents retrieval, and UBO identification process. The distinctive feature of perpetual KYB overrules the need for conducting tedious periodic KYB checks.





READY TO SECURE TRUSTWORTHY BUSINESS RELATIONSHIPS WITH COUNTERPARTIES BASED IN THE MENA REGION?

Get a free demo of our powerful platform to experience automated business verification and adequate corporate due diligence integrated seamlessly into your processes.

About The **KYB**

The KYB serves as a leading data source for verifying businesses across more than 250 countries and states. Our real-time KYB data supports banks, payment processors, fintech firms, law firms, global trading entities, and orchestration platforms in achieving KYB compliance, conducting thorough corporate due diligence, and streamlining business onboarding processes.

With the most extensive geographical coverage available, The KYB provides real-time integrations with official registries, ensuring access to 100% authentic data. We work with clients across all scales and volumes.

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