

BIS 50% Beneficial Owner Rule ("Affiliates Rule")

Practical Guidance for Compliance & Export Control Teams

The U.S. Department of Commerce's Bureau of Industry and Security (BIS) has introduced the 50% Beneficial Owner Rule, also known as the Affiliates Rule, which significantly expands the scope of U.S. export control restrictions. Under this rule, any foreign entity owned 50% or more directly or indirectly by one or more parties on the Entity List or Military End User (MEU) List is now automatically subject to the same export license requirements and prohibitions as those entities already listed.

This change closes ownership loopholes and prevents restricted parties from accessing U.S. goods, software, or technology through affiliates or layered corporate structures.

Key Provisions

Automatic Affiliation

Entities meeting the 50% threshold are treated as "listed by association," even if not explicitly named by BIS.

Aggregation Rule

Ownership stakes held by multiple listed entities are combined to determine control.

Indirect & Layered Ownership Covered

The rule captures indirect control, including through holding companies, joint ventures, or cross-border investment chains.

Affirmative Due Diligence Duty

Exporters and intermediaries must proactively investigate ownership structures if there is reason to believe that a listed entity may hold an interest.

Practical Guidance for Compliance Teams

1. Go Beyond Surface-Level Screening

Move past direct shareholder checks - include multi-layered, cross-jurisdictional, and offshore structures.

2. Escalate Based on Risk Signals

Trigger enhanced review for entities involving opaque jurisdictions, sovereign wealth funds, or undisclosed investors.

3. Maintain Audit-Proof Evidence

Document ownership assessment efforts and update internal approval frameworks to reflect the new affirmative duty.

4. Strengthen Screening Infrastructure

Ensure data providers update Entity/MEU linkages rapidly, supplement with OSINT to cover gaps.

5. Align With Legal & Export Control Teams

Embed this rule into supplier onboarding, licensing determinations and distributor/channel partner oversight.

Strategic Takeaway

The BIS 50% Rule shifts ownership screening from a static tick-box to a dynamic investigative responsibility. Compliance teams must now prove reasonable effort, not just perform a basic name or entity-level match.

This means regulators will expect:

- **Evidence of investigation** - not just screening results, captured in an auditable trail
- **Escalation logic explicitly documented** - explaining when and why deeper due diligence was triggered
- **Continuous monitoring** - not one-time onboarding screening, monitor to catch evolving ownership movements

Neotas operationalizes all three - proactively, continuously, and at an intelligence-grade standard.

How Neotas Supports Compliance Excellence

Neotas helps organisations see beyond surface-level ownership to understand the true control and risk behind every entity.



Beneficial Ownership Mapping

Deep tracing of direct + indirect owners across multi-layered, cross-border structures.



OSINT-Enhanced Affiliation Discovery

Detection of hidden relationships, proxy ownership and aggregated risk via advanced open-source intelligence.



Automated Risk Intelligence

Continuous monitoring of counterparties, integrated directly into existing compliance workflows.



Regulator-Ready Reporting

Deliverables include visual ownership charts + defensible audit reports for internal regulatory preparedness.

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APPENDIX A

**Ownership Risk Red Flags That Should
Trigger Enhanced Review**

Use the BIS 50% Rule criteria as a risk activation filter, not just a screening threshold. These signals do not automatically imply sanction or illegality but they are intelligence-led triggers for enhanced scrutiny, not safe-to-pass indicators.

The following signals should automatically escalate a case for deeper investigation:

1. Opaque or High-Risk Jurisdictions

- Ownership routed via Cayman Islands, BVI, Mauritius, UAE free zones, Luxembourg etc.
- Frequent restructuring activity or layered holding companies across secrecy jurisdictions

2. State-Linked or Strategic Capital

- Sovereign wealth funds, military-linked investment arms, or politically exposed family offices
- Investment entities with partial historical ties to Entity List / MEU countries

3. Deliberate 49–50% Split Ownership Patterns

- Identical minority stakes held by multiple entities at suspiciously precise split thresholds
- Signs of coordinated control via nominee directors or silent influence networks

4. Rapid/Recent Ownership Turnover

- Sudden change of beneficial owners in the last 6–18 months
- Previously “clean” parent now replaced with newly incorporated offshore SPV

5. Proxy / Indirect Influence Structures

- Individuals or family offices repeatedly appearing across multiple connected entities
- No clear commercial justification for cross-holding or multi-jurisdiction layering

APPENDIX B

What Regulators Expect in Your Audit Trail (Post BIS 50% Rule)

To meet the new “affirmative duty to investigate” standard, regulators will expect your audit trail to show proof of judgement, not just proof of database screening.

This is the standard against which “reasonable effort” will increasingly be judged, not whether an initial screening returned a clean result.

Your audit log should clearly include:

1. Ownership Investigation Notes

- Documented search path covering both direct and indirect ownership layers
- Explicit acknowledgement of offshore / layered jurisdictions if encountered
- Mention of whether OSINT or alternative intelligence sources were used

2. Escalation Trigger Justification

- Written explanation of why a case was escalated or cleared
- Reference to internal policy - not an informal / uncontrolled decision
- Evidence this is consistent with a repeatable compliance framework

3. Evidence of Monitoring Frequency Logic

- Defined logic for how often ownership is re-evaluated (e.g. quarterly, event-trigger, post-transaction)
- Notation that monitoring is continuous for flagged entities

4. Timestamped Decision Trail & Accountability

- Timestamped records for each review or escalation step
- Named reviewer(s) and escalation authority - clear ownership responsibility
- No generic or system-generated “no match” logs without human evaluation note