

Guideline for Using and Analyzing Beneficial Ownership Data

Workshop 12

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STEP 1 Getting information about company's BO

Using state registries, company's public statements get any available information regarding company's BOs or shareholders/corporate structure.

STEP 2 Analyzing available information

The following factors may indicate that published BO information may be considered suspicious or may suggest that BO information is false (red flags):

1. A company did not submit the BO information or indicated that it is impossible to determine such information.
2. Indicated BO is a citizen of offshore or low-tax jurisdiction (e.g., Cyprus, BVI, Vanuatu).
3. Indicated BO is a company's director and shareholder at the same time. Also, this person may be a director and a shareholder of several companies, which are not connected either through business activities or are not located in the same region.
4. Indicated BO is a close associate of Politically Exposed Person (e.g., indicated BO used to be an assistant to a minister or a MP, worked as director or financial officer for other company associated with PEP).
5. Indicated BO holds significant market/industry share, but he/she does not have a business history.
6. Shares of a company are divided the way that each shareholder is another company which owns up to 24,99% of shares; such companies cannot be traced to any BO.

7. A company has 5 /11 or more shareholders, and each shareholder owns the amount of shares below the reporting threshold (which varies between 25% and 10% depending on state or type of company).

STEP 3 Finding a real BO

There is no way to verify or establish the BO information using only publicly available data without access to internal company's documents and financial reports. However, it is possible to get some clues from the business activities of a company that may help to indicate the alleged real BO of a company:

1. The internal *governance* structure of company disclosed in the public registers or *audit reports* may indicate the real BO of the company. This person may not have direct control of shares, but in fact, controls the business activities of a company.

2. *Address of a company* may indicate its affiliation with a certain individual or business group. Certain business groups use the same addresses for registration of the all companies of the group (excluding large business centres, the cases of mass registration or post box addresses).

3. *"Package" incorporation* of the companies at the same or close dates at the same address or with the similar name.

4. Affiliated companies have *similar corporate structure* and the *same shareholders*.

5. *The management of the company* may indicate BO. Usually, during the same period, certain managers work for the same business groups. Thus, their employment history may indicate affiliation with certain BO.

6. Membership in *small business associations* or *lobbying groups* controlled by one person or business group.

7. Companies share *the services of the same boutique law firms, attorneys, auditors, etc.* Usually, these service providers are not widely known on the market and provide services to the limited scope of the clients.

8. A company pays *sufficient share of its income as royalty payment* for intellectual property rights (trademark, patent, etc.). The owner of those rights is individual with no credible track record of creating the IP object.

9. There was a *rapid sale* of a company without any further changes of business activities, management, etc, so presumably a real BO can be found among previous owners.

Case study

✓ *Nadragasvydobuvannya LLC* was registered in August 2015. In April 2016, it received the gas extraction license. Miresentio Trading LTD, the owner of the *Nadragasvydobuvannya LLC*, was registered in August 2015, three days before Ukrainian company was incorporated. Dmytro Hursky (born in 1948) is indicated as BO of *Nadragasvydobuvannya LLC*. His career is closely connected to Eduard Stavytskyi, former Minister of Environmental Protection. Hursky was a deputy head of the Board of the NJSC *Nadra Ukrayny*, at the same time Eduard Stavytskyi was its Head of the Board. Dmytro Hursky was a Deputy Minister of Environmental Protection from 2008 until 2010. Then he has a gap in his political and business career, once Stavytsji leaves the office.

✓ *C-N-G LLC* was registered in March 2016 received gas extracting licence in Transcarpathian region slightly after incorporation. It is owned by Dutch company CNG Holdings Netherlands. *C-N-G LLC* did not submit information on its BO. The company is registered at the same address as *Tysagaz LLC*. Additionally, the companies have the same CEO, Mykhailo Vuksta. BO of *Tysagaz LLC* is Mykhail Afendikov. He is also mentioned as an administrator of the CNG Holding Nethelralnd B. V. The owner of *Tysagaz LLC* and CNG Holdings Netherlands is Cub energy Inc., Canadian Company, in which Mykhail Afendikov is a CEO. Moreover, in the recent public financial report Cub energy Inc. indicated *C-N-G LLC* as company of Cub Energy Group.