



Early impacts of public registers
of beneficial ownership:

Ukraine

Impact Story

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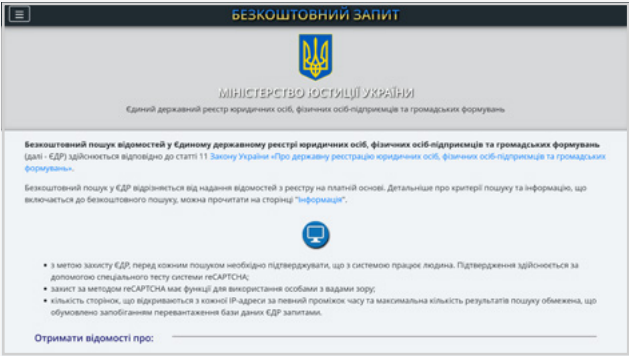


Summary

Ukrainian president Victor Yanukovich was unseated in February 2014, following the Revolution of Dignity.^a It soon became clear that he had been systematically looting hundreds of millions of dollars from his own country.¹ Yanukovich was not the only one. In the 1990s and early 2000s, Ukraine was repeatedly referred to as a kleptocracy.² In October 2014, a combination of pressures, including Ukrainians’ demand for change, conflict with Russia, and conditions on international support, led Parliament to pass a series of anti-corruption laws.³ These included a commitment to creating a central, publicly accessible beneficial ownership (BO) register for all legal entities in its economy. This made Ukraine one of the first countries to commit to beneficial ownership transparency (BOT), a policy reform that is now widely viewed as fundamental for preventing legal persons and arrangements from being used for tax evasion, money laundering, corruption, and other financial crimes.⁴

In 2015, Ukraine became the first country in the world to launch a public register of the beneficial owners of corporate entities registered in the country.⁵ It was also the first to commit to integrating the data in its register into the Open Ownership Register (OO Register), which links information from multiple countries’ BO registers and allows anyone to search it.⁶ Ukraine’s early commitment to and delivery of a BO register was groundbreaking, and today the register is still exemplary for its accessibility. For comparison, a 2021 analysis showed that a year after the European Union (EU)’s Fifth Anti-Money Laundering Directive (AMLD5) deadline of January 2020 to make BO registers public, nine EU countries still did not have public registers in place, and many that do have paywalls, registration requirements, or search parameters that effectively

Unified State Register of Legal Entities, Individual Entrepreneurs, and Civic Formations



Established	2015
Scope	Legal entities, natural persons (entrepreneurs), public and not-for-profit organisations, and trusts
Beneficial owners registered	705,792
Companies registered	1,876,082 ^b
Data on the Open Ownership Register	Yes

As of February 2022. Accessible via: <https://usr.minjust.gov.ua/content/free-search>

^a Also called the Euromaidan Revolution of 2013–2014, the Revolution of Dignity began in protest of then-president Yanukovich’s pivot away from signing an Association Agreement with the European Union, but evolved into a revolution aimed at overthrowing Yanukovich. See: William Jay Risch, “Remembering Ukraine’s Revolution of Dignity”, openDemocracy, 18 February 2020, <https://www.opendemocracy.net/en/odr/remembering-ukraines-revolution-of-dignity/>.

^b 511,130 of these have reported at least one beneficiary.



limit access.⁷ Ukraine's open register has enabled organisations outside the government to use and evaluate the quality of the BO data being collected and to combine it with other datasets to achieve insights that support the anti-corruption agenda. Nevertheless, progress in Ukraine remains fragile, and momentum on full implementation and verification of BO data must be sustained if Ukraine's ambitious commitment to BOT is to deliver its intended policy impact.

“We set the ambitious goal to ensure transparency and openness of all processes of our country... Creating [a global] register is a true breakthrough in transparency and the fight against corruption in business.”

Pavlo Petrenko, Former Minister of Justice of Ukraine, 2017^c

^c In reference to Ukraine's commitment to including its data in the Open Ownership Register. See: Tom Mayne and Zosia Szykowski, “Improving beneficial ownership transparency in Ukraine: Review and recommendations”, Open Ownership, March 2018, 8, <https://www.openownership.org/resources/improving-beneficial-ownership-transparency-in-ukraine/>



Ukraine's pioneering approach

1. Commitment to a central and public register

The 2014 Law of Ukraine, “On State Registration of Legal Entities, Individual Entrepreneurs and Public Associations,” requires all companies to submit information about their beneficial owners to the Unified State Register of Legal Entities, Individual Entrepreneurs, and Civic Formations (the “USR”).⁸ The USR was officially established in September 2015 after some delays in the initial reporting process. The Ukrainian Ministry of Justice is the designated body responsible for establishing, providing, and maintaining technical support for the register, along with enforcing compliance. Data is available online for bulk download and through an application programming interface (API) on a dedicated website hosted by the Ministry of Justice,⁹ as well as on Ukraine's Unified State Portal of Open Data^d and the OO Register.^e

2. Ongoing revisions to the register

Multiple updates to Ukraine's BOT legislation have taken place since the USR was established. The most significant of these was a new requirement for all reporting entities to resubmit their BO information between July and October 2021 and to provide greater detail.^f This followed the passing of new anti-money laundering (AML) legislation in April 2020 that broadened the definition of an ultimate beneficial owner to any individual exerting decisive influence or control over a company's activities. It required the nature and extent of BO to be reported, including information about an owner's benefits, interests, and influence.¹⁰

Companies must provide a schematic representation of all persons who directly or indirectly own a legal entity, either independently or jointly with other persons.¹¹

However, practical reporting challenges have caused a delay in implementation, and the deadline for submission was extended to July 2022.¹² The use of a paper form has led to long wait times in queues and has affected compliance. In light of these challenges, the government of Ukraine considered narrowing the scope of the register to exclude entities such as not-for-profit organisations. This narrowing of the scope of the legislation seems to have been avoided, in part thanks to organised resistance from civil society, though businesses continue to challenge the law on the grounds that the new requirements present an unreasonable burden and invasion of privacy.¹³

3. Strengthening verification and data structure

Despite being an early adopter of BOT reform, Ukraine's BO platform and data suffer from significant quality issues. The register has been called “hard to access and poorly managed,”¹⁴ and the data “of very poor quality.”¹⁵ The new filing process aims to ameliorate these issues. It requires certified copies of beneficial owners' passports, whether foreign or domestic,¹⁶ which will introduce the possibility of the public register including unique identifiers. This will also strengthen authorities' ability to verify the identity of individuals reporting information to the USR and of the reported beneficial owners. Previously, the Ukrainian legislation did not provide for the submission of documents

^d See: “Unified State Register of Legal Entities, Individual Entrepreneurs and Public Associations”, Transparency and Accountability in Public Administration and Services Program, n.d., <https://data.gov.ua/dataset/1c7f3815-3259-45e0-bdf1-64dca07ddc10>.

^e See: “Open Ownership Register”, Open Ownership, n.d., <https://register.openownership.org/>. Data for Ukraine is currently only available up to mid-2020, and up-to-date data will again be regularly imported into the register starting in the first quarter of 2021.

^f The new guidelines are called the “Regulation on the Form and Content of an Ownership Structure”. See: “Ukraine issues new guidance on beneficial ownership reporting”, Wolters Kluwer, 3 August 2021, <https://www.wolterskluwer.com/en/expert-insights/ukraine-issues-new-guidance-on-beneficial-ownership-reporting>.



confirming the beneficial owners' identities, and lacked unique identifiers, which constrained its integration with other datasets.

In addition, information on the “ultimate beneficial owner” has been separated into its own data field. Previously, BO information was entered by registrars together with a company's “founders” as free-text within a single field (here, “founders” refers to any current shareholders in the business), making them difficult to distinguish. Separating beneficial owners clearly from other types of stakeholders will improve usability, making it easier to identify beneficial owners within the data.¹⁷

4. Expanding coverage and detail

After the new reporting window closes in July 2022, the register should include more entities and better detail about their ownership structures. Publicly held companies will no longer be exempt from BO reporting, and all reporting entities will need to provide a diagram or table detailing their direct and indirect ownership structures. The ownership diagram must show connections between individuals, legal entities, and legal arrangements, such as trusts within a company's ownership structure, as well as the nature of each actor's influence.¹⁸ BO information must be updated annually within a 14-day period, and any changes to the ownership structure or owner details must be reported within 30 days.¹⁹ Compliance challenges notwithstanding, these recent revisions to Ukraine's BO legislation together represent a continuation of the country's iterative approach to BOT reform.



Case studies

Fighting corruption from every angle

Like other countries in the region, Ukraine suffered from elite capture and neopatrimonial governance following the dissolution of the Soviet Union.²⁰ An oligarchic system emerged from the limited access order inherited from the Soviet system and earlier governance traditions.²¹ Successive governments have taken action to combat corruption in Ukraine, with pressure and support from civil society, but given the deeply entrenched and systemic nature of corruption in its governance system, reforms in the 1990s were largely perfunctory.²² It has been noted that dismantling corruption is essential for the Ukrainian state to overcome its “oligarchic essence.”²³

Following the Revolution of Dignity, the provisions of the State Anti-Corruption Policy of Ukraine for 2014-2017 set out to solve the problem of corruption as one of the priorities for Ukrainian society. This agenda included BOT as one means of ensuring transparency in doing business and economic relations.²⁴ To date, the reforms appear to be having an effect. Ukraine climbed from a global rank of 142 in 2014 to 117 in 2020 on Transparency International's Corruption Perception Index, and its score has improved by seven points in that time.²⁵ This is an indication that corruption may have reduced in prevalence, though significant room for improvement remains. Moreover, Ukraine's hard-won progress remains under threat due to the lack of sanctions enforcement, elite resistance to implementation (including legal challenges from pro-Russian political actors),²⁶ and a possible escalation of conflict in the east of the country.²⁷

Organisations fighting corruption in Ukraine have emphasised that it is the synergy between different public datasets that makes it possible to have a significant impact. Beyond BOT, the 2014 anti-corruption reforms also included

measures such as an integrated electronic declaration system for government officials to declare their assets and income, along with greater procurement transparency. All public procurement is now carried out through ProZorro, an open electronic procurement system, which reportedly saved more than USD 3.4 billion in budgetary funds from 2016 to 2020.²⁸ Furthermore, public registries have been published according to open data standards.²⁹

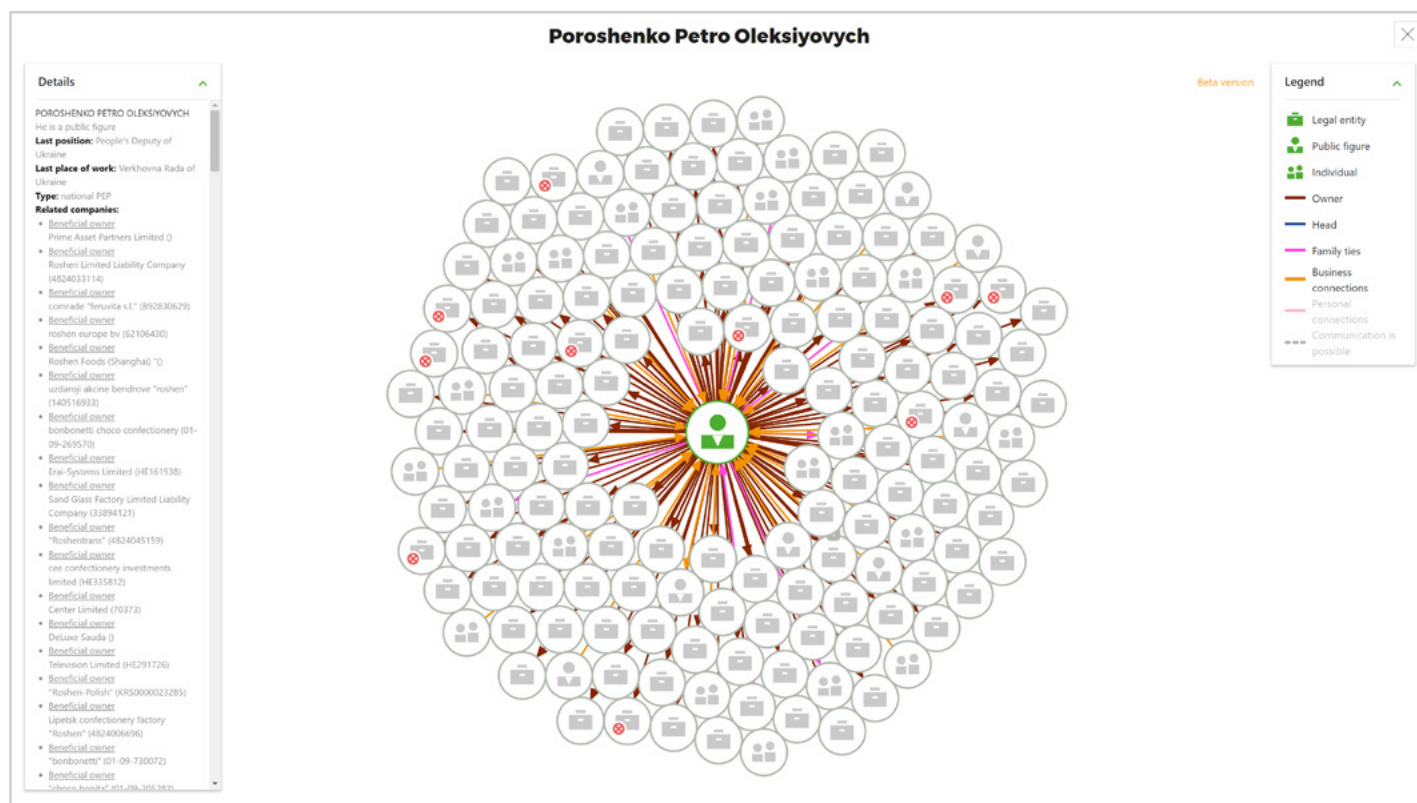
A civil society organisation (CSO) called the Anti-Corruption Action Centre (AntAC) has integrated BO data into an online platform that includes information on over 47,000 politically exposed persons^g (PEPs).^h The platform visualises connections between PEPs, and provides information about their registered assets and BO (Figure 1). Data is updated automatically and in real time through APIs on the government registers. The platform has been endorsed by the Ukrainian Central Bank for financial institutions to use in due diligence checks, and PEPs on the register have noted increased scrutiny of their financial flows from banks both at home and abroad.³⁰

^g Politically exposed persons (PEPs) are persons who perform or have performed certain public or political functions of the state, or are or have been close associates of such persons.

^h See: “Public register of politically exposed persons of Ukraine”, Anti-Corruption Action Centre, n.d., <https://pep.org.ua/en/>.



Figure 1. Public register of politically exposed persons of Ukraine



Source: Screenshot from the Anti-Corruption Action Centre's PEP register (<https://pep.org.ua/en/>), visualising Ukrainian PEP former President Petro Poroshenko's connections to legal entities and public figures. The platform uses BO data to visualise links between PEPs, assets, and other individuals. Note: the platform is currently only available in Ukrainian. Translation to English was provided using Google Translate and may contain errors.

Moreover, having a public register means that investigative journalists now use Ukraine's BO data along with other public registers as part of their standard operating procedure. In a conversation with Open Ownership (OO), one journalist noted that acquiring company ownership data for an investigation used to be like "rocket science", but now is as simple and routine as "brushing one's teeth". The independent media and anti-corruption investigation organisation Bihus.info have referenced the USR for nearly 50 projects they have launched since 2015, some of which have resulted in legal action.ⁱ

For example, in a multi-stage investigation into Ukrainian MP Ilya Kyva, Bihus.info used Ukraine's asset register in combination with the USR to examine the source of 1.2 million hryvnias (nearly USD 42,000) in annual rental income Kyva had declared. They found that the source of the reported income was the leasing of an abandoned agricultural waste pit with little apparent value.³¹ The rental

income for the pit was reported to have been paid by the Sikvel Company. Using the USR, Bihus.info found that the Sikvel Company changed beneficial owners frequently, which is a red flag that a corporate entity may be a shell company.³² The journalists also contacted the two most recent beneficial owners of the company, as indicated in the register. The current beneficiary stated that he was unaware of the company's activities and had been offered to be the registered beneficial owner for a few dozen US dollars.³³ The High Anti-Corruption Court of Ukraine also investigated this case, and ruled in 2021 that the income was illegitimately acquired and should be confiscated.³⁴

ⁱ See: Bihus.info homepage, <https://bihus.info/>.



Adding value with imperfect data

In 2019, the AntAC partnered with the global investigative journalism network the White Collar Hundred to carry out an in-depth analysis of the data that is in the USR. It concluded that of the 1,672,576 legal entities in the register at that time, fewer than one in four (21.6%) had submitted the required information about their beneficial owners.³⁵ Of those who did report a beneficial owner, 22% named a legal entity or said a beneficial owner was absent or impossible to identify. Around half of the total registered entities (51.2%) were owned by individuals or groups of people who were exempt from the reporting requirement,^j and about a quarter (27.2%) failed to disclose any BO information despite being required to do so.

Proxy and nominee ownership

Beyond documenting these serious data quality issues, the report also illustrates that even incomplete and unverified BO data has some utility. In analysing the 21.6% of BO disclosures that were made, one of the key findings is that oligarchs were less likely to appear in the register as beneficial owners than would be expected. As oligarchs are individuals who gain wealth and influence using their connections to government and control over large parts of a major industry,³⁶ the names of known oligarchs should appear in the USR in connection with companies they control. Instead, the AntAC found that proxy or nominee owners are likely being named in ownership structures associated with oligarchs instead, such as company managers, known affiliates, and individuals who have likely sold their identities.^k Using the data in the register, they identified cases where an individual reported as a beneficial owner is more likely to be a proxy or nominee owner, for example, when one individual is listed as a beneficial owner for more than ten companies. As of 2019, this type of owner was listed for more than 34,600 companies.³⁷

Identifying patterns that point to the possible reporting of nominee or proxy owners in place of beneficial owners can help investigators and analysts identify entities that are failing to comply with BO disclosure legislation, and raise red flags that point to cases in which misreporting may be intentional. This can be a useful approach to verifying BO data after submission.³⁸ For example, an individual may facilitate misreporting to avoid being classified as an oligarch – legislation passed in September 2021 includes “beneficial ownership of a monopoly” as one of its four criteria.³⁹ This utility is further enhanced when data can be

analysed across multiple countries. As noted in the AntAC report, “comparative analysis of the beneficial owners disclosed in the different registers allows identifying the submission of inaccurate data, to confirm the filing of a proxy as a beneficial owner, and to obtain additional information about the beneficiary such as the existence of another citizenship or residence abroad.”⁴⁰

Anti-corruption analysis

Furthermore, the report shows the utility of such data in identifying potential relationships between entities and individuals that could be a source of risk or undue influence. Anti-corruption analysis does not always require knowledge of precisely who controls a company; rather, the aim is often to establish “sufficiently strong relatedness” between entities to suggest that they are not independent of one another and merit further investigation for possible coordination or common control via BO.⁴¹ The availability of BO data from multiple registers enriches this process because it allows investigators to use data from multiple jurisdictions to identify links that may have otherwise gone undetected. For example, independent financial crime investigators combined data from Ukraine and UK registers to trace links between the UK registered company that bought the ammonium nitrate involved in the 2020 explosion in the port of Beirut, Savaro Ltd, and a number of other entities, including companies registered in Ukraine and sanctioned individuals.⁴²

Another example is the case of investigations into the possible business interests of multimillionaire Volodymyr Halanternik. Nicknamed the “grey cardinal” of Odessa, Halanternik has been referred to by journalists as the city’s unofficial mayor and its shadow owner.⁴³ In October 2021, the National Anti-Corruption Bureau of Ukraine (NABU) brought organised crime and abuse of power charges against Halanternik. He is suspected of being involved in the illegal acquisition of land in Odessa, embezzlement,⁴⁴ and money laundering.⁴⁵ A total of 16 suspects are implicated in the case, including Odessa Mayor Hennady Trukhanov, with whom Halanternik is closely associated; other government officials; and organised criminals.⁴⁶ The damage is estimated at more than half a billion hryvnias (roughly USD 17.5 million).⁴⁷ In December 2021, the NABU arrested Halanternik in absentia.⁴⁸

Despite his well-known wealth and influence in the business and political life of Odessa, Halanternik’s name is notably absent from the USR. Nevertheless, the AntAC

^j For example, because the company was listed on a public stock exchange or was a state or municipal enterprise.

^k Nominee owners who allow their identity to be falsely disclosed as beneficial owners for a fee often include people with no business history or members of vulnerable populations, such as students, unemployed people, or homeless people.



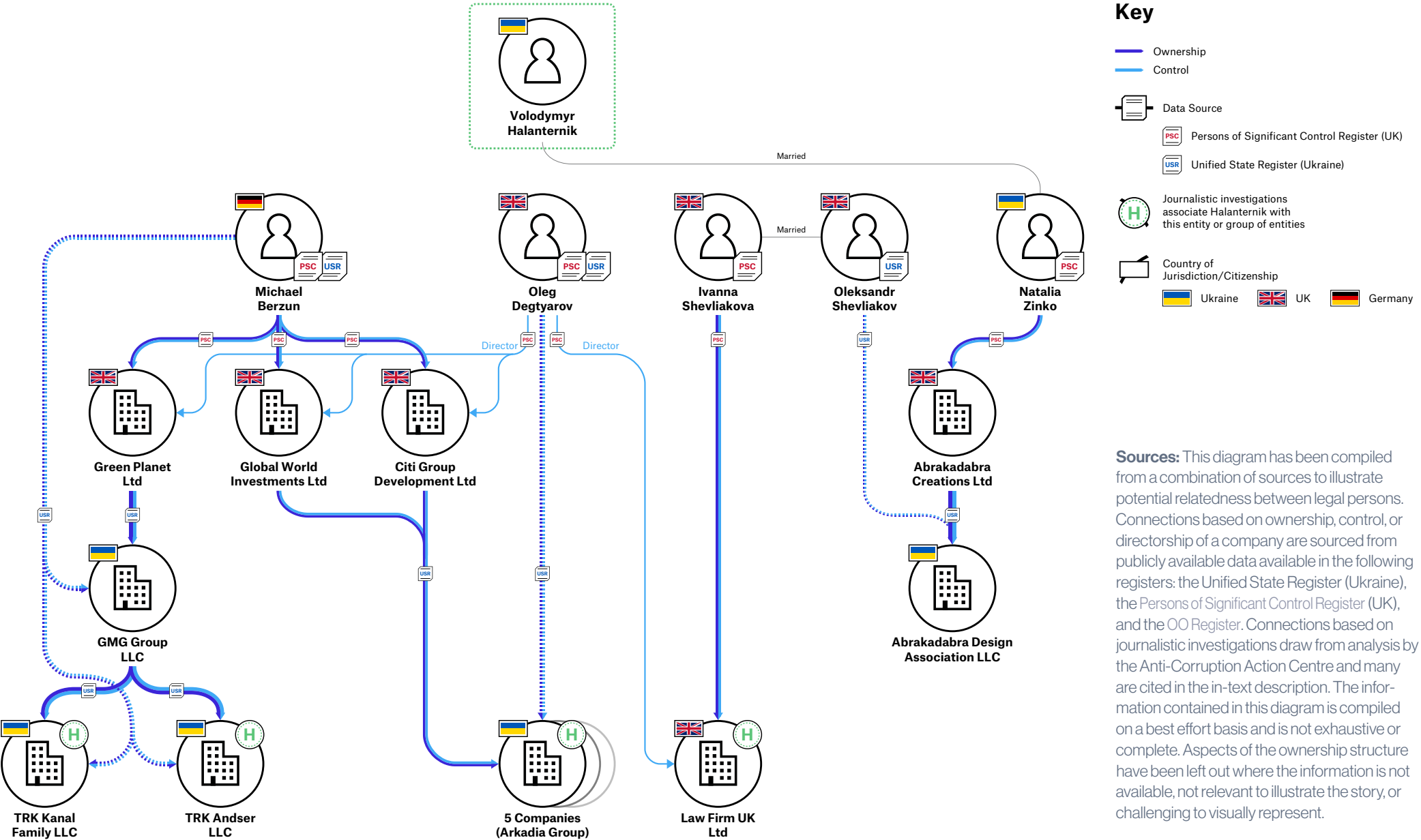
used BO data from Ukraine's USR and the UK's persons of significant control (PSC) register,⁴⁹ along with independent media reports, to visualise Halanternik's possible "business empire".^l They found that his name does not appear in disclosures for several companies with which he is popularly associated. However, relationships between individuals and entities associated with Halanternik emerged from the data that could shed some light on his activities in Odessa (Figure 2).^m The AntAC also identified inconsistencies that appear between the two countries' registers in the names of the beneficial owners who are disclosed for companies that are part of an ownership chain with links in both countries.

^l Halanternik has significant ties to the UK, where his family reside. See: "Галантернік Володимир Ілліч", Anti-Corruption Action Centre, n.d., <https://pep.org.ua/uk/person/34981#reputation>.

^m Anti-Corruption Action Centre, "Beneficial owner: What is inside Ukrainian business register", n.d., https://project.liga.net/projects/beneficiar/index_en.html.



Figure 2. Visualisation of relatedness between business entities associated with Volodymyr Halanternik





For example, Green Planet Ltd⁵⁰ is a UK-registered company that, according to journalists, controls Halantarnik's media business.⁵¹ Green Planet Ltd is listed in the Ukrainian register as owning 100% of the shares of GMG Group LLC,ⁿ which currently owns at least two Odessa-based media channels^o whose control is popularly associated with Halantarnik.⁵² Michael Berzun, a German national, is listed in the registers as the beneficial owner of all four of these companies. At the same time, Berzun is the beneficial owner listed in the UK register for Global World Investments Ltd⁵³ and Citi Group Development Ltd.⁵⁴ These companies are registered to the same address in Odessa and, according to the Ukrainian register, own controlling shares in the Arkadia group of companies.^p Journalists also closely associate Halantarnik with the control of this group of companies.⁵⁵

In the Ukrainian register, the beneficial owner of the companies in the Arkadia group is listed as Oleg Degtyarov, the UK-registered director of Green Planet Ltd, Global World Investments Ltd, Citi Group Development Ltd, and Law Firm UK Ltd. The latter, Law Firm UK Ltd,⁵⁶ is a UK-registered company that serves as corporate secretary for the former three companies and also has indirect connections to Halantarnik. The firm reportedly services British companies affiliated with him,⁵⁷ and its declared beneficial owner is Ivanna Shevliakova, whose husband, Oleksandr Shevliakov, has been listed in the Ukrainian register as the beneficial owner^q of Abrakadabra Design Association LLC.^r UK-registered firm Abrakadabra Creations Ltd⁵⁸ owns 100% of the shares in the Ukrainian company Abrakadabra Design Association LLC, and its beneficial owner is Natalia Zinko, Halantarnik's wife. Oleksandr Shevliakov was also once listed as director of Green Planet Ltd.^s

Whilst the NABU's formal investigation into Halantarnik is still in its early stages, Ukraine's public BO register, when combined with data from the UK register and independent media investigations, has begun to make it possible to visualise relationships that exist between legal persons and entities with which he is associated. The AntAC's work has

also raised red flags about reporting inconsistencies and patterns that may suggest the use of proxy owners. In this case, it is possible that Berzun and Degtyarov are nominal owners rather than beneficial owners of the companies in this analysis, and Halantarnik is the true beneficial owner.⁵⁹ Law Firm UK Ltd is listed as the corporate secretary of over 75 other companies,⁶⁰ and Degtyarov is listed as the director of at least eight companies not included in this analysis.^t Whilst not evidence of wrongdoing, ownership or influence over a large number of entities can be indicative of shell companies.

No conclusions can be drawn from BO information alone, and this analysis is far from being comprehensive. Nevertheless, the data reveals the relatedness between these entities, which offers potential insights into Halantarnik's business relationships, and possible avenues for investigation as authorities seek to identify those involved in facilitating the crimes for which he has been charged. However, as the AntAC's analysis also clearly demonstrates, data quality remains a significant challenge. Having a larger volume of more reliable information in the USR would greatly expand the opportunities for civil society to conduct such analyses in support of Ukraine's anti-corruption agenda.

Business transparency and data verification

Beyond civil society, Ukraine's BO data is also adding value in the private sector. A Ukrainian company committed to business transparency has developed an "analytical system for compliance, market analysis, business intelligence, and investigation" called YouControl. YouControl collects and aggregates data from 180 reliable sources, including the USR for BO, as well as some of its own analysis to provide company profiles with a substantial amount of information, including anything that should raise red flags: unpaid taxes, pending lawsuits, failure to file returns, etc. YouControl charges the private sector for its services, but provides it for free to civil society and non-governmental organisations, as well as to universities.

ⁿ USR company number: 36044524.

^o USR company names and numbers: TRK Andser LLC (24542639) and TRK Kanal Family LLC (35640650).

^p USR company names and numbers: Arkadia-City LLC (37812482); Arkadia City LTD (39198809); IV-Immobilie LLC (36435543); PE "Interinveststroy-2007" (34931064); and PE "Storm-57" (337221271).

^q Anti-Corruption Action Centre, "Beneficial owner: What is inside Ukrainian business register". Note: this was the case at the time of the report's publication (2019), and there is currently no beneficial owner listed for Abrakadabra Design Association LLC.

^r USR company number: 35178203.

^s This assumes that "Alexander Shevlyakov" is an alternate spelling for the same individual's name. See: "Alexander Shevlyakov", Companies House PSC register, n.d., <https://find-and-update.company-information.service.gov.uk/officers/lu8yygUZCD5wifQvLzkTC7ky3Nw/appointments>.

^t This assumes that "Oleg Degtyarev" is an alternative spelling for the same individual's name. See: "Oleg Degtyarev", Companies House PSC register, n.d., <https://find-and-update.company-information.service.gov.uk/officers/6Kf8A9Prtetdo4QiSMxydDCLBt8/appointments>.

A number of case studies on the website provide examples where companies have saved hundreds of thousands of dollars by using YouControl to identify fraudulent businesses before entering into business with them.⁶¹ At times, YouControl customers report irregularities to the authorities, and the company also provides advice and input to the government about the register. However, customers are generally more trusting of data from public than private sources, and as a rule YouControl assumes the USR data should be correct. This highlights the importance of Ukraine continuing to make progress on verification mechanisms in public registers.

YouControl is a promising and innovative example of how third parties can use BO registers if they are made public, open, and free to use; however, the AntAC's research exposes the many flaws in the register, which YouControl is heavily dependent on. Strengthened verification of the data will be crucial to realise the full range of benefits from such a service, and for BO disclosure across its many other applications and potential user groups (for example, for small- and medium-sized businesses to be able to easily vet potential business partners or service-providers for free).

Improved verification is also a priority under the most recent Open Government Partnership (OGP) Initiative action plan, approved in August 2021.⁶² YouControl has collaborated with the OGP and others, including the Ukrainian Cabinet of Ministers and Council of Europe, to produce a set of recommendations on verification to the Ukrainian government based on a review of global best practice.⁶³ Recommendations call for changes, for example, in the creation of an online filing system and the detection of “critically negative information”, such as checking if a registered person is deceased.⁶⁴ In addition, the OGP has worked with the Cabinet and international partners to develop an online course in Ukrainian and English on determining ultimate beneficial owners.⁶⁵ OO is likewise supporting the Ukrainian government and CSOs to develop effective verification mechanisms suitable for the country's legal, economic, and technical context.

Improving natural resource governance

The Ukrainian energy sector received global attention in 2019 due to the allegations of corruption surrounding



Mariupol, Ukraine . Photo by Viktor Hesse on Unsplash

the appointment of Hunter Biden to a Ukrainian energy company's board.⁶⁶ This highlights some of the issues the country and the register still face.⁶⁷ Research by the AntAC in 2018 using USR data showed that at that time a quarter of all oil and gas special permits in Ukraine were owned by eleven PEPs, including a Russian oligarch with ties to Yanukovich.⁶⁸ The latter is especially problematic, as US sanctions intended to make Ukraine less dependent on Russian energy. None of these PEPs were designated as beneficial owners in the USR. Furthermore, a 2019 evaluation by the Extractive Industries Transparency Initiative (EITI) found that only a small number of extractives companies had reported natural persons as their ultimate beneficial owners in the USR, whilst the majority had listed a company, reported “no beneficial owner”, or had no information available.⁶⁹

Ukraine has been a member of the EITI since 2013. In 2018, the country made a significant step toward harmonising its legislation with the EITI Standard and the EU Accounting Directive, by passing the Law of Ukraine “On Ensuring Transparency in Extracting industries [sic]”.⁷⁰ The law strengthens the implementation of the EITI Standard by requiring BOT, project-level reporting, and a new focus on systematic disclosure of extractive industry data.⁷¹ In Ukraine, as in other countries, a whole-of-economy central register meets the requirements of the EITI Standard.

In its March 2021 Validation report for Ukraine, the EITI Board agreed that the country had “made satisfactory progress on beneficial ownership” under Phase 1 of its required disclosures for BO (requirement 2.5).⁷² The evaluation considered whether complete information on the



beneficial owners of extractive companies was included in the USR, and noted progress on strengthening verification procedures. Further collaboration between the Government of Ukraine and the EITI aims to strengthen the use of BO disclosures to create greater transparency and accountability in the energy sector. The next validation will look at Ukraine's progress under Phase 2, which came into effect in January 2022. Phase 2 includes more rigorous disclosure criteria, such as detailed information about companies' ownership structures, the identification of PEPs, and the naming of entities that failed to disclose all or parts of their BO information.⁷³

Historically, the extractive industry is characterised by a high level of vulnerability to corruption and rent-seeking, and this trend is expected to be exacerbated by the net-zero transition in fossil fuel producing countries, such as Ukraine.⁷⁴ Moreover, BOT is likely to be relevant for the development of the critical minerals sector, given the expected increase in demand for strategic minerals needed for the energy transition.⁷⁵ BO information is now widely recognised as an important input to effective resource governance for several reasons:

- it can help prevent conflicts of interest and ensure compliance with anti-corruption provisions;
- it can assist in preventing tax evasion and ensuring that governments receive the tax revenue owed from extractive activities;
- it supports governments getting the highest value for their extractive contracts and enhances revenue collection;
- it helps companies by ensuring they know with whom they are doing business, reducing reputational and financial risks; and
- it can increase trust and accountability from citizens and help law enforcement, civil society, and others to take action to hold those who misuse anonymous companies responsible.⁷⁶



Overall impact

Ukraine was the first country in the world to require companies to disclose information about their ultimate beneficial owners and to make this information publicly accessible. It was among the first to implement a central and public BO register. Having a public BO register means that law enforcement, businesses, journalists, and citizens around the world can access information on the BO of companies in Ukraine.

Ukraine's experience also exemplifies the importance of making BO data public, in line with the recommendation set out in the Open Ownership Principles for Effective Beneficial Ownership Disclosure (OO Principles) that sufficient data should be freely accessible to the public to maximise its potential impact.⁷⁷ Without a public register, evaluations of the data like the one undertaken by the AntAC would not be possible. This type of analysis creates accountability for companies to accurately report BO data and for the government to enforce the law's implementation. Public access is key for widespread third-party use of data beyond authorities, which, as Ukraine's experience shows, can help drive up data quality and increase impact.⁷⁸ Public data, despite its accuracy limitations, can help anti-corruption activists shine light on relationships and pathways of influence. Further work on verification and validation will help to ensure that the USR is a better reflection of the true nature of ownership and control in Ukraine's economy.

If Ukraine continues to build on its record of ambitious commitment to BOT, its experience will show how the utility of BO data can be further enhanced when it is available in a well-structured format that allows it to be easily analysed and linked with other datasets. Under the 2020 AML Law, the USR should have better-structured data, be more up to date, and provide better visibility of the full ownership chains of companies. Critically, unique identifiers should allow data users to more easily integrate Ukraine's public registers by unambiguously identifying people and companies across datasets.⁷⁹ The reporting

of ownership structures should also make it easier to spot links between entities and individuals that may otherwise remain hidden.

When BO data is structured and interoperable, it is also easier to verify and a greater range of verification mechanisms can be used.⁸⁰ As the data quality improves, it will be possible to perform longitudinal analysis of the utility of BO data at different points of maturity. However, the realisation of these benefits depends on continued progress. The case studies presented above demonstrate that the limited data that is available in the USR has some utility, but the register is far from having reached its potential impact. The full implementation of the government's 2021 reporting requirement updates and meaningful progress on data verification remain vital.



Endnotes

- 1 Oliver Bullough, *Moneyland: Why Thieves And Crooks Now Rule The World And How To Take It Back* (London: Profile Books Ltd, 2018), 4.
- 2 Yuriy Onyshkiv, "Clearer Picture", *Kyiv Post*, 2 September 2011, <https://www.kyivpost.com/article/content/ukraine-politics/clearer-picture-112083.html?cn-reloaded=1>.
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