

# Is disclosure of beneficial ownership beneficial?



# What do firms disclose and why?

(Berglof and Pajuste, 2005)



- Wide-spread non-disclosure of even the most basic elements of corporate governance; huge variance with strong country effect
- Voluntary public disclosure more prevalent in countries with better functioning legal systems
- Information better in larger firms, firms with lower leverage, firms with higher market-to-book ratios and more concentrated ownership
- Emerging market capitalism with large entrepreneur shareholders controlling companies – *how to balance the incentives of controlling shareholders against the protection of minority shareholders*

# The dark side of opacity (beneficial owners)



- Unclear ownership and governance structures reduce accountability (sustained by owners)
- Related lending/party transaction (e.g., causing financial vulnerability in banking sector)
- Corruption and money laundering
- Political campaign financing – intimately linked to opacity

# UK public beneficial ownership register



- Anyone transacting in financial markets, incl. real estate
  - 2 steps: UK-listed + internationally listed companies
- Many jurisdictions followed (altogether 40+)
  - Crown dependencies
  - Ukraine
  - Not the US
- Data quality still poor, but enforcement beginning to bite
- ***Enormous potential – trace owners around the world***

# Results from "Data Dive Weekend"



- Six months of data; 1.3mn companies (89% reported)
- Almost 3,000 companies listed beneficial owner as a company with tax haven address - not allowed.
- 76 beneficial owners share the same name and birthday as someone on the U.S. sanctions list.
- Most beneficial owners from the UK, followed by those from Europe, India and China

# Ukraine – a test case



- EBRD – knew beneficial owners, but wouldn't disclose ("not punish the good guys")
- IMF forced Ukraine to adopt law on disclosure of beneficial ownership – no longer any excuse for EBRD (and others) not to disclose
- Already implemented with some success in banking system to deal with related lending
- Could be used to "undress" the entire oligarchic structures and trace ill-gotten wealth

# Panama Papers: Ukrainian oligarchs "undressed"



- Об'єкт не пов'язаний з Україною
- Об'єкт пов'язаний з Україною

- представник
- адреса
- офшор
- посередник

