

# WHAT IS BENEFICIAL OWNERSHIP?



Beneficial ownership is anyone who enjoys the benefit of ownership even though the title to a property is registered in another persons' name.

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A beneficial owner in respect of a company means the natural person(s) who directly or indirectly ultimately owns or controls the corporate entity.

# WHAT IS BENEFICIAL OWNERSHIP?



A beneficial owner is the **real person** who ultimately **owns, controls or benefits** from a company or trust fund and the income it generates. It is the real **person hidden** behind several shell companies or who is being fronted for another

# WHAT IS BENEFICIAL OWNERSHIP?



Beneficial Ownership refers to the **natural persons** who **own** more than **10%** of the corporate vehicle -  
EITI

# Beneficial ownership...



**...is a means of disclosing the real identity of person(s) behind oil corporations or companies that benefit from oil, gas and minerals in order to prevent corruption or tax evasion.**

# Beneficial ownership...



**...is a means of ensuring there is transparency and accountability within the extractives sector; thereby preventing corruption.**

# Beneficial ownership...



**...helps prevent rights to extract oil and other minerals being allocated to companies that do not have the required knowledge to effectively utilize the fields**

# Beneficial ownership...



**...is utilized in exposing secret structures that exist in major companies or conglomerates as a result of their large sizes**



Beneficial ownership...



**...will prevent oil fields being allocated to people previously convicted of tax evasion, fraud or other criminal activities.**

Beneficial ownership...



**...fosters professionalism  
and accountability in  
the allocating of  
oil fields.**

# BENEFICIAL OWNERSHIP



It is currently not mandatory that companies disclose their beneficial owners; however EITI is trying to change that with Its 2016 EITI standards which specify that by 2020 any oil company with an interest in the extractive industry of a country must specify its real owner.



It does not expose the owners living address to criminal elements; only the contact address will be revealed.

# BENEFICIAL OWNERSHIP & TRANSPARENCY

Benefits of beneficial ownership transparency are numerous.  
Transparency in beneficial ownership will:



Improve the investment climate.



Improve the rule of law



Reduce reputation and financial risks



Increase trust and accountability



Prevent corruption and illicit financial flows



Enhance revenue collection

Beneficial ownership disclosure will enable the public to expose corruption and nepotism in the process leading to the acquisition of such ownership.

Source: <https://goo.gl/Uj561e>

# BENEFICIAL OWNERSHIP



“The lack of transparency allows influential officials to use their positions to extract maximum rent from a country’s mineral resources with minimum or no benefit to the citizens. A case in point is OPL 245 and Malabu Oil.”

Dr Ogonnaya Orji,  
Director of Communications,  
Nigeria Extractive Industries and Transparency Initiative (NEITI).

# BENEFICIAL OWNERSHIP CASE STUDY

An oil bloc was awarded by then Minister of Petroleum Resources Dan Etete to Malabu Oil & Gas Limited. Dan Etete, using a fictional character, owned shares in the company. This represented a case of conflict of interest and highlights the importance of beneficial ownership.



Dan Etete served the Abacha regime as Minister of Petroleum between 1995 and 1998.

At the time of award of license, Dan Etete failed to publicly disclose his ownership of Malabu Oil & Gas Ltd.



Malabu Oil & Gas Company was registered on April 24th, 1998 by Dan Etete using a fictional character.

Malabu Oil & Gas Ltd paid only \$2m of the \$20m legally required by the state for the OPL 245 License.



Dan Etete awarded OPL 245 to Malabu Oil & Gas Ltd in 1998 without following due process of competitive bidding.

Shell and Eni paid \$1.1bn for OPL 245 with about \$800m going Malabu Oil & Gas and \$300m going to the Nigerian Government. This was a huge loss of revenue to the Nigerian people in an opaque and controversial circumstance.

