Beneficial Ownership
Transparency
01 Who is a Beneficial Owner?

A beneficial owner is regarded as a natural person who directly controls or benefits from an oil asset, license, lease, or entity (except for publicly listed companies and wholly-owned subsidiaries). The identities of these beneficial owners are hidden from the public and government authorities for a variety of reasons.
Beneficial ownership transparency strategy refers to policies and legislative pieces aimed at detecting, deterring, and, in some cases, penalizing corruption, conflict of interest, terrorism/insurgent financing, and other forms of wrongdoings that occur due to the activities of beneficial owners.

Beneficial Ownership Transparency helps to deter money laundering, terrorist financing and other forms of corruption by people who deliberately hide their ownership or control of extractive companies.
How can Beneficial Ownership Transparency mitigate State Capture?

The use of structured data in beneficial ownership transparency databases will enable integration with other identity and asset databases across the country. This would ensure that it is easier to flag politically exposed persons as beneficial owners when they receive benefits from unexplained wealth or other assets.

This case study highlights the importance of complying with data verification best practices in the implementation of a beneficial ownership transparency strategy. Also, this data in the beneficial ownership register should be structured and interoperable, so it can be integrated into other processes.
How can Beneficial Ownership Transparency mitigate State Capture?

Prequalification requirements for the award of public contracts through the procurement process should be modified to ensure automated checks in the beneficial ownership transparency register are carried out to detect the presence of companies owned by politically exposed persons in public contract bids or the presence of companies providing benefits to politically exposed persons either as direct contractors or subcontractors, affiliates or vendors of the main company bidding for a contract.
04 Progress of Beneficial Ownership in Nigeria

There has been some progress in the implementation of beneficial ownership transparency strategies in Nigeria.

The Nigerian Extractive Industries Transparency Initiative (NEITI), in collaboration with the former Department of Petroleum Resources (DPR) now the Nigerian Upstream Petroleum Regulatory Commission (NUPRC), made commendable efforts to bring the beneficial ownership register on board, developing the beneficial ownership register template. NEITI has also worked to implement best practices for beneficial ownership transparency, allowing data disclosure and collection in accordance with Open Ownership Principles.

NEITI is also collaborating with the EFCC to unravel the real owners of assets in the oil and gas industry.
The Corporate Affairs Commission (CAC) has deployed an electronic register that covers all aspects of registration, which includes the disclosure of beneficial ownership, and the collection and disclosure of beneficial ownership.

The NFIU and NEITI recently signed a Memorandum of Understanding (MoU) to share information and data to check fraud and other financial misconduct in Nigeria's extractive sector operations. The essence of the collaboration is to provide information and data that will aid the investigation into infractions that border on criminality in Nigeria’s extractive sector.
Oftentimes, names cited as beneficial owners are frequently not the real owners in Nigeria, and Nigerian legislation lacks a mechanism to verify the accuracy of the information provided, as well as sanctions for falsifying information.

Although significant progress has been made at the international policy level to recognise the problems linked to beneficial ownership secrecy, progress in the implementation of beneficial ownership registers is uneven.
Assessment of Beneficial Ownership Transparency in Nigeria

While a central beneficial ownership register exists in Nigeria which is housed by the CAC, this register seems not to be up-to-date (some data are outdated and need to be updated). This is a result of a lack of enforcement from the government. Fortunately, with the passage of CAMA 2020 by the CAC, there will be significant changes in the data provided by stakeholders.

Likewise, the available data in Nigeria’s beneficial ownership register needs to be properly structured in a format that will make it very easy to be interpreted.
Opportunities of Beneficial Ownership in Nigeria

There is an opportunity for stakeholders to leverage the prevailing momentum for beneficial ownership transparency heralding the passage of the beneficial ownership clause in the Companies and Allied Matters Act (CAMA) to ensure Nigeria complies with Open Ownership Principles 6, 7 and 8.

CAMA provides legal backing for beneficial ownership data collection, but there is a need for regulations to ensure that the beneficial ownership data held by different government agencies are held in a well-structured and interoperable format as required by Open Ownership Principle 6, “Structured Data”.

Opportunities exist to leverage the global attention to financial secrecy scandals like those revealed in the Pandora and Panama Papers to build local momentum to close down possibilities for politically exposed persons to hide money in financial havens.
08 How can Beneficial Ownership be Improved?

**Collect and Store Structured Data:** Relevant data needs to be collected and published in an open data, machine-readable format with a clear data schema to facilitate sharing and use. This will help beneficial ownership and contract transparency frameworks play their role in providing adequate intelligence for raising red flags on suspicious transactions.

**Sanctions and Enforcement:** There needs to be a robust system of sanctions, including legal, financial, and reputational risks that should apply for non-compliance by companies and beneficial owners in order to act as an effective deterrent to criminals.
08 How can Beneficial Ownership be Improved?

Integration in the Licensing and Procurement Process:
The integration of the nation’s beneficial ownership register into the prequalification and other due diligence processes in the country’s public procurement value chain are recommended. Similar integration should also be done in the prequalification processes for the award of upstream and downstream extractive licenses in the petroleum industry.

Skills Mapping and Capacity Building: A cross-departmental skills mapping should be conducted across all levels of government to identify skills gaps and provide capacity building for civil servants in relevant MDAs.