



NOVEMBER 2014

Ukraine introduces new disclosure and transparency requirements for beneficiaries of local companies and owners of real estate

On November 25, 2014, the recently adopted Law “On Introduction of Changes to Certain Legal Acts of Ukraine Related to Determination of Ultimate Beneficiaries of Legal Entities and Public Figures” (the “**Beneficiaries Law**”) will come into force.

The Beneficiaries Law introduces a number of amendments to the Ukrainian laws governing legal entities (such as Commercial Code and Law “On State Registration of Legal Entities and Natural Persons-Entrepreneurs”) and real estate procedures (Law “On State Registration of Property Rights to Immovable Property and Their Encumbrances”).

These amendments result in two substantial novelties: 1) Ukrainian companies (including newly established and already existing) will have to disclose their beneficiaries; and 2) information about rights to immovable property will become public.

Disclosure of information on beneficiaries

The existing Ukrainian companies will have six months as of the date of the Beneficiaries Law coming into force (by May 25, 2015) to provide details about their ultimate beneficiaries to the state registrar, whilst the new ones will need to provide them when filing for state registration. The information will need to be updated each time a change of beneficiary takes place. Also, the documents confirming identity of beneficiaries (e.g. extracts or statements indicating individuals-ultimate shareholders, etc.) have to be provided.

Ultimate beneficiary is broadly defined in the Beneficiaries Law as a person, directly or indirectly, solely or together with other affiliated persons, owning 25% or more interest/votes in a legal entity, which allows it to exercise control over such entity. Our fair reading is that such definition would capture actual beneficial owners rather than nominal owners or agents.

The information on beneficiaries and ownership structure of Ukrainian Companies will be included in the Ukrainian Companies Register (“Unified State Register of Legal Entities and Natural Persons-Entrepreneurs”). Given the wording of the new law, it is yet uncertain whether this information will become public, but since most of the information contained in the Ukrainian Companies Register is already open to public and since this was generally discussed as the intention of the lawmakers, we expect that the beneficiaries information will likely be made publicly available, particularly at the online version of the Ukrainian Companies Register and in the form of paper extract from the Ukrainian Companies Register.

In case of failure to comply with the said disclosure requirement, the Ukrainian company’s director or other authorized representative will be subject to fine amounting to UAH 5,100-8,500 (ca. EUR 310-520). Apart from that, we cannot exclude that those Ukrainian companies that refuse to disclose their beneficiaries will become subject to closer scrutiny by controlling authorities.

Public access to real estate information

The Beneficiaries Law provides that the information about rights to immovable property and their encumbrances contained in the State Register of Rights to Immovable Property will become open and publicly available within three months from the date of the Beneficiaries Law coming into force (by February 25, 2015). Whilst anyone will be able to review the information on a per object basis on the official web site of the State Registration Service, the state officials, attorneys and notaries will be entitled to access the information either per object or per person.

It should also be noted that the Beneficiaries Law implies public access to the information from the State Register of Rights to Immovable Property, and does not specify whether access to the old registers of immovable property (substituted by the State Register of Rights to Immovable Property in 2013) would be granted. Since a lot of information on real estate rights is still contained only in the old registers and not transferred to the new register automatically, it is likely that such information would not become public under the Beneficiaries Law, unless the Government adjusts functionality of the registers to provide full access to publicity.



Oleg Boichuk

Head of Real Estate Practice
Counsel of M&A and Corporate Practice
o.boichuk@epap.ua



Aleksandra Yevstafyeva

Head of Employment Law Practice
Senior associate of M&A and Corporate Practice
a.yevstafyeva@epap.ua