

The Hidden Faces: Unveiling Ultimate **Beneficial Ownership** in Nigerian Entities

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Introduction

In the intricate world of corporate governance, understanding the nuances of significant control or ultimate beneficial ownership is akin to unravelling a well-guarded secret. This crucial aspect of the corporate governance has long been shrouded in mystery under the Nigerian corporate legal landscape.

For decades, the identities of those who truly possess control and derive economic benefits from Nigeria entities have remained concealed, often shielded by layers of opaque entities and offshore structures. This lack of transparency has not only raised concerns about financial integrity and accountability but also hindered the country's efforts to combat corruption, money laundering, and illicit financial flows.

However, with mounting global pressure, especially from the Financial Action Task Force (FATF) and the recognition of the imperative to enhance corporate transparency, Nigeria has taken significant strides to illuminate the hidden faces behind entities. This article delves into the labyrinth of a person with significant control or beneficial ownership, exploring its significance, regulatory landscape, and the measures Nigeria has put in place to foster transparency.

Regulatory Landscape in Nigeria: Shedding Light on Persons with Significant Control

Nigeria, cognizant of the imperative to fortify its regulatory framework and in response to FATF's mandate, has taken concrete steps to address the challenge of hidden ownership. The Companies and Allied Matters Act, 2020 (CAMA) serves as a cornerstone in this pursuit. It incorporates provisions that mandate companies to disclose their beneficial owners, thereby dismantling the veil of secrecy that has shrouded corporate ownership.

Additionally, the introduction of the Persons with Significant Control Regulations (PSC Regulations) in November 2022 by the Corporate Affairs Commission (CAC) further reinforces Nigeria's commitment to transparency. These regulations provide a structured framework for obtaining and reporting information on Persons with Significant Control (PSCs) or ultimate beneficial owners of companies and limited liability partnerships (LLP).

Unmasking the Enigma of Persons with Significant Control or Beneficial Ownership

As per the PSC Regulations, a Person with Significant Control (PSC) or beneficial ownership is defined as a natural person who ultimately owns or controls a company or LLP. At its core, a PSC or beneficial ownership refers to the individuals who ultimately reap the benefits and wield influence over a company, even if their names may not be recorded on official documents at the CAC. These

shadowy figures, often concealed behind layers of corporate structures, hold the keys to decision-making, financial policies, and operational strategies.

Specifically, Section 868 of CAMA defines a PSC to mean any person:

- Directly or indirectly holding at least 5% of shares or interest.
- Holding at least 5% of voting rights.
- Having the right to appoint or remove a majority of directors or partners.
- Exercising significant influence or control over the company (Section 14 of the PSC Regulations elaborates on "significant influence or control" as the capability to guide or substantially impact the finances, financial policies, management, operations, and structure of a Company or LLP, or gain significant economic benefits from it.).
- Having the right to influence or control the activities of a trust or entity.

The Relevance of Persons with Significant Control

Understanding persons with significant control or beneficial ownership is paramount for several reasons. It acts as a bulwark against illicit financial activities, such as money laundering, terrorist financing, and tax evasion. By scrutinizing the true beneficiaries behind corporate entities, authorities can thwart those who seek to exploit corporate structures for nefarious purposes.

Moreover, in the global fight against financial crimes, beneficial ownership disclosure plays a pivotal role. It allows nations to share information and collaborate in ensuring that corporate entities are not misused to facilitate illegal transactions.

The Open Central Register of Persons with Significant Control

In a groundbreaking move, CAC, in accordance with the PSC Regulations, has launched the Open Central Register of Beneficial Ownership, commonly known as the Persons with Significant Control Register. This publicly accessible register serves as a powerful tool in the quest for transparency. It not only allows regulatory authorities to track beneficial ownership but also empowers the public to scrutinize and hold companies accountable.

Navigating the Disclosure Obligations

The disclosure obligations outlined in CAMA and the PSC Regulations cast a spotlight on the responsibilities of companies and their significant controllers. From timely notifications of significant control acquisitions to furnishing details of foreign entities' ultimate owners, the regulatory landscape is designed to leave no stone unturned.

Companies and LLPs are required to provide comprehensive details of their PSCs, including full names, identification numbers, nationality, and other pertinent information. The Corporate Affairs Commission (CAC), diligently maintaining the Register of Persons with Significant Control, ensures that this information is not only disclosed but also made readily available to the public.

Sanctions: Holding the Veiled Accountable

To ensure compliance with these disclosure obligations, both CAMA and the PSC Regulations wield a range of sanctions. Daily fines, status marking as "INACTIVE," daily administrative penalties, and withholding a 'Letter of Good Standing' are powerful tools at the disposal of regulatory authorities to keep companies and their beneficial owners in check.

Conclusion: Illuminating the Corporate Landscape

Understanding significant control in Nigerian companies is not merely a regulatory requirement but a beacon guiding the nation towards a more transparent and accountable corporate landscape. As Nigeria takes giant strides in unmasking the hidden faces behind companies, it sends a resounding message that transparency is not negotiable in the pursuit of a robust and ethical business environment. The hidden faces are gradually stepping into the light, transforming the corporate narrative into one of openness, responsibility, and integrity.

By lifting the cloak of anonymity that has long shielded the true owners of Nigerian entities, the country is creating an environment conducive to sustainable growth, attracting responsible investment, and safeguarding against illicit financial activities.

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