

TA-9106 AZE: SUPPORTING THE IMPLEMENTATION OF THE
BENEFICIAL OWNERSHIP DISCLOSURE ROADMAP FOR THE
EXTRACTIVE INDUSTRIES IN AZERBAIJAN (49451-001)

CONSULTATION DOCUMENT: BENEFICIAL OWNERSHIP DEFINITION

Prepared for:
THE STATE OIL FUND OF THE REPUBLIC OF AZERBAIJAN
(IMPLEMENTING AGENCY)

and

THE MINISTRY OF FINANCE OF THE REPUBLIC OF AZERBAIJAN
(EXECUTING AGENCY)

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Annex: Survey

Glossary of abbreviations

ADB	Asian Development Bank
AML Law	The Law of the Republic of Azerbaijan On the Prevention of the Legalization of Criminally Obtained Funds or Other Property and the Financing of Terrorism
AMLD4	The EU's Fourth Anti-Money Laundering Directive
AMLD5	The EU's Fifth Anti-Money Laundering Directive
BDO	BDO Azerbaijan
EITC	Extractive Industries Transparency Commission
EITI	Extractive Industries Transparency Initiative
EU	European Union
FATF	Financial Action Task Force
PBOR	Public beneficial ownership registry
PEP	Politically exposed persons
RBOD	Roadmap for Beneficial Ownership Disclosure for the Extractive Industries in Azerbaijan
SOFAZ	The State Oil Fund of the Republic of Azerbaijan
UK	United Kingdom

1. Introduction

a. Background

- 1.1. BDO Azerbaijan LLC (BDO), Engaged Consulting Ltd, United Kingdom, and Michael Barron Consulting Ltd, United Kingdom, (together hereinafter referred to as the “Consultants”) are pleased to present this Consultation Document on the beneficial ownership definition for the project to support implementation of Azerbaijan’s Roadmap for Beneficial Ownership Disclosure (RBOD).¹
- 1.2. The Asian Development Bank (ADB) is funding the project following a request from the State Oil Fund of the Republic of Azerbaijan (SOFAZ) as Implementing Agency and Azerbaijan’s Ministry of Finance as Executing Agency, to support the implementation of further transparency measures in the country’s extractive industries. ADB selected the Consultants led by BDO to undertake the RBOD implementation project.
- 1.3. Beneficial ownership disclosure is an important step in building trust and confidence in the integrity of the extractive industries sector for citizens, government, industry players and providers of finance both domestic and international. There is a global trend towards disclosure of the beneficial owners of companies.
- 1.4. As Azerbaijan continues to attract investment and financing to its oil, gas and mining sectors, it will want to meet the expectations of greater transparency, including in relation to the beneficial owners of companies operating in the extractive industries sector. Azerbaijan has been and will be in competition with many other countries to attract such investment and financing, and countries that offer more transparency are likely to be more successful in doing so. A desire by governments to clampdown on tax evasion, corruption and money laundering is one of the prime drivers of this global focus on the beneficial ownership of companies. The demands for increased transparency from international and local investors and finance providers are also a key driver.
- 1.5. Three reports have been published so far as part of the RBOD implementation project and can be downloaded from the related SOFAZ webpage.² Each report is available in the English and Azerbaijani languages.
- 1.6. This consultation process is the opportunity for stakeholders from all sides to provide comments and inputs at this first stage of the process, and encourages comments from a wide range of stakeholders, including government agencies, businesses in all sectors (not just oil and gas

¹ “The Beneficial Ownership Roadmap for the Extractive Industries in Azerbaijan” issued in December 2016: <https://www.oilfund.az/storage/images/6wlhnr617j.pdf>

companies), non-governmental organizations and citizens. Stakeholders are invited to provide comments in writing, either in response to this Consultation Document or separately in whatever format is their preference. Stakeholder comments are welcome in English or Azerbaijani.

- 1.7. The consultation process will culminate in a plenary consultation event to be held in Baku in February 2019, where stakeholders will be able to interact directly with SOFAZ, the Extractive Industries Transparency Commission (EITC), ADB and the Consultants. Registration for this event will be available in due course. The engagement of all stakeholders in this consultative process aims to guide the Government's decision-making authorities in their way forward while ensuring the best achievable broad-based support.
- 1.8. The timetable for the rest of this process is as follows:

Already completed	Reports published on the overall global landscape of international good practice in beneficial ownership disclosure, and on the options and recommendation on beneficial ownership definitions for Azerbaijan.
Up to mid-February 2019	A consultation phase during which stakeholders can provide comments and inputs on the proposed beneficial ownership definitions for Azerbaijan.
Mid-February 2019	A consultation event at which stakeholders can make further comments.
Up to May 2019	Further reports on the practical implementation aspects of collecting and verifying beneficial ownership information, as well as proposed draft legislation.
June to July 2019	A second consultation on the mechanism of implementing beneficial ownership disclosure, including the method of collecting data and the legislative approach.
After July 2019	Further awareness raising events and publications.

b. What Is Beneficial Ownership Disclosure?

- 1.9. Beneficial ownership refers to natural persons who ultimately own and derive financial benefit from a company or commercial activity. There is no single global standard of beneficial ownership disclosure. There are various detailed definitions available and this project includes developing an appropriate definition for Azerbaijan.
- 1.10. Beneficial ownership disclosure allows stakeholders to ascertain who really benefits from revenues generated by extractive industries or controls companies involved in the sector and enhances accountability. Beneficial ownership disclosure prevents the true beneficiaries of extractive industry revenues from hiding behind opaque shell companies or using complex corporate or other legal structures to avoid the reporting of income, to evade tax obligations, to disguise conflicts of interest or engage in money laundering activities, corrupt practices, or financing criminal practices or violent activities, including terrorism. Beneficial ownership disclosure also allows stakeholders to obtain a clear view of who is investing in the extractive sector and any links to politically exposed persons (PEPs), thereby helping

to prevent potential conflicts of interest in licensing. The Extractive Industries Transparency Initiative (EITI) recommends that thresholds for reporting PEP ownership levels are set at a much lower level than overall beneficial ownership disclosure thresholds. This is emerging as practice, at least in some EITI implementing countries.

- 1.11. Despite Azerbaijan's withdrawal from EITI on 10 March 2017, there has been subsequent high-level confirmation by the Government that it remains committed to continuing revenue transparency activities in relation to Azerbaijan's extractive industries and on 5 April 2017 the President of the Republic of Azerbaijan signed a Decree "On additional measures to increase accountability and transparency in the extractive industries".³ This decree states that all extractive industry information should be disclosed to its full extent in line with international standards. Pursuant to this Decree, EITC was established under the auspices of SOFAZ which also houses the EITC Secretariat to provide technical and organizational support.
- 1.12. Beneficial ownership disclosure is still evolving as a concept. Many countries, including Azerbaijan, have introduced the concept of beneficial ownership into their legislation as part of anti-money laundering laws. However, public disclosure of this information for companies engaged in the extractive industries sector can bring further benefits through enhancing governance and accountability in the sector.

c. The Benefits of Obligatory Disclosure.

- 1.13. Beneficial ownership disclosure is key to:
 - a. Building trust and confidence in the integrity of the extractive industries sector for citizens, government, industry players and providers of finance both domestic and international;
 - b. Addressing demands for increased transparency from international investors and finance providers;
 - c. Giving governments the easily accessible and reliable information that they need to clampdown on tax evasion, corruption, financing of crime or terrorism and money laundering;
 - d. Enhancing accountability and allowing stakeholders to ascertain who really controls or benefits from revenues generated by extractive industries;
 - e. Preventing undisclosed conflicts of interests, especially those concerning politically exposed persons; and

³ <http://e-qanun.az/framework/35174> see also <http://e-qanun.az/framework/35174> for a discussion.

- f. Ensuring stakeholders have a clear view of who is investing in and controlling their national extractive sector.

d. What Are Other Countries and International Fora Doing?

Australia

- 1.14. The country hosted the 2013 EITI conference and in 2016, it announced its intention to apply for EITI candidacy. Australia established a multi-stakeholder group and since that time, the MSG has been undertaking preparatory work but has yet to submit a formal candidacy application. The preparatory work has included beneficial ownership disclosure in scope.

Indonesia

- 1.15. In March 2018, the President issued a regulation creating a legal obligation for all companies to disclose their beneficial owners, starting in March 2019.

The Kyrgyz Republic

- 1.16. The country took part in EITI's beneficial ownership transparency pilot project in 2014. Since that time, the government has legislated beneficial ownership disclosure. First, in 2014, it amended the Law on Subsoil Use to oblige all applicants for mining licenses to provide beneficial ownership information. EITI cited this amendment when the Kyrgyz Republic received the first EITI Chair's award for beneficial ownership disclosure in 2017.

Mongolia

- 1.17. Although Mongolia does not yet have legal provision for beneficial ownership disclosure, it is in the process of passing an EITI-specific law, which will include incorporating EITI's beneficial ownership disclosure requirements into law. In the meantime, it has implemented a voluntary regime for beneficial ownership disclosure.

United Kingdom

- 1.18. The United Kingdom (UK) has demonstrated leadership in transparency and beneficial ownership disclosure over many years. The UK beneficial ownership register is entitled the Register of Persons with Significant Control. The current UK government has continued to demonstrate leadership through measures to oblige UK dependent territories to introduce beneficial ownership registers. The Consultants understand that the UK government continues to explore ways in which beneficial ownership disclosure can be promoted globally.

Ukraine

- 1.19. In response to the 2014 revolution, the government passed a series of anti-corruption laws, including legislation to implement an economy-wide beneficial ownership register as part of its existing company register. Ukraine was one of the first countries to legislate the establishment of a public register for beneficial ownership.

Zambia

- 1.20. Zambia is in the process of implementing its EITI beneficial ownership roadmap and has included beneficial ownership disclosure activities undertaken in its latest EITI report as of 31 December 2015. The government has legislated for an economy-wide public beneficial ownership register and anticipates implementing this legislation in mid 2019.

Extractive Industries Transparency Initiative

- 1.21. EITI is a voluntary initiative as governments choose to apply for candidacy and there is no international treaty or other obligation to underpin its implementation. The current version of the EITI Standard was agreed in 2016 and includes provisions on beneficial ownership disclosure. Beneficial ownership disclosure will become mandatory from 1 January 2020 and implementing countries were required to produce a roadmap by December 2016.⁴

European Union

- 1.22. In May 2015, the EU passed the fourth Anti-Money Laundering Directive (AMLD4) and, subsequently, the fifth Anti-Money Laundering Directive (AMLD5). These introduce a requirement for EU member states to introduce a public register for beneficial ownership.

Financial Action Task Force

- 1.23. The G7 established the Financial Action Task Force (FATF) in 1989 as part of efforts to combat money laundering and terrorism financing. This remains FATF's primary area of focus. FATF sets standards, develops policies and provides advice. Its core document is FATF's *Recommendations*⁵ setting out 40 standards for anti-money laundering and combatting terrorism financing.
- 1.24. Recommendation No. 24 deals with beneficial ownership of companies, referred to as "legal persons" in the text and states in part:

⁴ Azerbaijan, which at that point continued to be an EITI implementing country, completed and submitted its RBOD for the extractive industries in Azerbaijan in December 2016.

⁵ <http://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/FATF%20Recommendations%202012.pdf>

“Countries should take measures to prevent the misuse of legal persons for money laundering or terrorist financing. Countries should ensure that there is adequate, accurate and timely information on the beneficial ownership and control of legal persons that can be obtained or accessed in a timely fashion by competent authorities.”

1.25. Recommendation No. 25 deals in a similar manner with trusts.

2. Components of Beneficial Ownership Disclosure

- 2.1. There are a number of issues that need to be addressed if a mandatory beneficial ownership disclosure regime is to be successfully introduced. These include clarity about:
- a. the definition of what a “beneficial owner” is, including criteria to determine beneficial ownership (including that of PEPs, any exemptions and the threshold for disclosure);
 - b. the details to be disclosed about a beneficial owner such as size of interest, name, address, nationality, etc.;
 - c. the scope, data collection and disclosure mechanisms, the categories of companies in scope for reporting, how data is collected and then reported (e.g. through a company register and whether it is publicly available and free to access);
 - d. the verification process and sanctions for failure to report or for reporting misleading information; and
 - e. the legislative process used to enact beneficial ownership disclosure, including the addressing of any legal impediments in order to avoid uncertainty.
- 2.2. Although there is no single, universally applied, definition of “beneficial ownership” there is a strong degree of alignment amongst the definitions used in the comparator countries and those developed by international institutions and initiatives. Key elements of any such definition can be summarized as follows:
- a. the definition (and the mandatory beneficial ownership disclosure regime more generally) must be clear, concise and legally binding;
 - b. a beneficial owner will generally be an individual natural person but might also be a government entity or a company listed on a recognized stock exchange;⁶
 - c. a beneficial owner can exercise ownership either directly or indirectly through a series of legal entities;
 - d. beneficial ownership covers ownership, economic interest and control, meaning that it also includes persons who may not own any shares in a company but may have voting or other rights that allow those persons to exercise control, such as appointing or removing the majority of directors;
 - e. the information to be disclosed about individuals includes at least the name, date of birth, nationality, contact address, how the individual’s beneficial ownership is exercised and the level of ownership or control;

⁶ Recognised stock exchanges typically have their own disclosure obligations which effectively ensure that significant shareholders with interests above a specified threshold must be publicly disclosed. For example, see the UK Financial Services Authority’s Transparency Obligations Directive (Disclosure and Transparency rules) Instrument 2006, 5.1.2.

See: https://www.handbook.fca.org.uk/instrument/2006/2006_70.pdf

- f. clarity about any exemptions – perhaps for listed companies and wholly government owned entities;
- g. a threshold for reporting individual beneficial owners and PEPs; and
- h. PEPs must be disclosed and are generally subject to a more rigorous regime than other beneficial owners.

2.3. While there is general agreement on key elements of a beneficial ownership definition comparator countries (Australia, Indonesia, the Kyrgyz Republic, Mongolia, the United Kingdom, Ukraine and Zambia) and organizations/initiatives (EITI, EU and FATF) have adopted different approaches to some aspects of these key elements, as summarized in the Table 1 below.

Table 1: Summary of Beneficial Ownership Definitions (including PEPs) for Comparator Countries, Organizations and Initiatives in Comparison with Azerbaijan's Definitions (Existing Law and proposed for Extractive Industries)

Comparator Countries and International Institutions/ Initiatives		Natural Person	Ownership & Control	Direct & Indirect Ownership	General Threshold (%)	Stock Exchange Exemption	Government Exemption	PEPs
Australia		✓	✓	✓	25	✗	✗	✓
Indonesia		✓	✓	✓	25	✗	✗	✗
Kyrgyz Republic	EITI	✓	✓	✓	5	✗	✗	✓
	Law	✓	✓	✓	10	✗	✗	✓
Mongolia (draft law)		✓	✓	✓	20	✗	✗	✓
UK		✓	✓	✓	25	✓	✗	✓ ^a
Ukraine		✓	✓	✓	25	✗	✗	✓ ^b
Zambia	EITI	✓	✓	✓	None	✗	✗	✓
	Law	✓	✓	✓	25	✗	✗	✗
EITI		✓	✓	✓	5-25	✓	✗	✓
EU		✓	✓	✓	25	✓	✗	✓
FATF		✓	✓	✓	25	✗	✗	✓
Azerbaijan	Existing Law	✗	✓	✓	✗	✗	✗	✓
	Proposed	✓	✓	✓	20	✗ ^c	✓	✓

^a Although it is contained in separate legislation.

^b Similar to the UK.

^c Introduction of stock exchange exemption to be considered in 3-5 years after RBOD implementation. See paragraph 2.7 below for further discussion of the point.

Source: Consultants' research; see Report II for further detail.

2.4. Since there is complete consensus on the first three components of a beneficial ownership definition among all comparator countries, organizations and initiatives (i.e. the need for the beneficial owner to be a natural person; the need for the definition to capture natural persons whether they have legal ownership or have actual control; and regardless of whether they have direct or indirect ownership or control), the proposed definition for

Azerbaijan's extractive industries will include "natural person" in line with international good practice.

- 2.5. While there is no complete consensus amongst the comparator countries on how to deal with PEPs, the proposed definition for Azerbaijan's extractive industries will likewise include both foreign and local PEPs in line with international good practice.
- 2.6. Noting that comparator countries and organizations/initiatives have taken a substantially different approach in relation to the threshold level that triggers the beneficial ownership reporting regime – ranging from 5% to 25%, the proposed definition for Azerbaijan's extractive industries will include the following thresholds: 5% (PEPs) and 20% (natural persons).
- 2.7. Despite a recent EITI recommendation few of the comparator countries have implemented specific exemptions for companies listed on recognized stock exchanges or that are government owned or controlled.⁷ Since it remains to be seen how widely these exemptions are adopted going forward, the Consultants propose to defer the introduction of the Listed Company exemption, while recommending that the situation be revisited 3-5 years from after the establishment of the public beneficial ownership registry (PBOR). However, the Consultants propose that Azerbaijan assumes a leadership role by already introducing the exemption for legal entities that are government owned or controlled.
- 2.8. Whilst Azerbaijani law already contains a definition of "beneficial owner" and "PEPs" in the Law of the Republic of Azerbaijan On the Prevention of the Legalization of Criminally Obtained Funds or Other Property and the Financing of Terrorism (the "AML Law") and related financial services laws, that definition does not adequately address all key constituent elements for such a definition typically applicable in line with international good practice. The proposed definition will underpin the mandatory beneficial ownership disclosure regime for the extractive sector in Azerbaijan. Such a regime would meet the Government's stated policy objective of ensuring broader transparency in access to information, increasing public participation and strengthening co-operation with civil society organizations and its desire to ensure compliance with international good practice (footnote 3).⁸

⁷ The apparent low rate of adoption of the Listed Company exception by comparator countries may result from the fact that the recommendation is recent, and most regimes are still developing. However, the 28 EU Member States and 51 EITI countries (acknowledging that there is some crossover), have an exemption in their requirements/guidance. Therefore, most countries are yet to fully adopt them. A further factor could be where implementing country's own stock exchange would not be a suitable "recognized stock exchange" either because its regulation is not yet sufficiently developed to require appropriate disclosure, or because the culture of compliance is still developing, or because the majority of companies entitled to take the benefit of such an exception will not be incorporated or headquartered in the implementing country.

⁸ See preamble to Decree of the President of Azerbaijan on Increasing transparency and accountability in the extractive industry.

3. Proposed Beneficial Ownership Definition

- 3.1. Based on available options that may be considered taking in account the local legal and regulatory context and government policy objectives, the Consultants have recommended a detailed draft definition of beneficial ownership specified below.

1. Beneficial Owner

A “beneficial owner” of a legal entity or legally binding arrangement is the natural person(s) who ultimately own(s) or control(s) the legal entity or legal arrangement, whether such ownership or control is direct or indirect.

For the purposes of this Clause, if a natural person directly or indirectly:

- a) owns or controls 20% or more of the shares or voting rights in a legal entity; or
- b) in the case where the natural person is a Politically Exposed Person, that natural person owns or controls 5% or more of the shares or voting rights in a legal entity; or
- c) has the right to appoint, veto the appointment or remove a majority of the board of directors or equivalent body of a legal entity or legally binding arrangement; or
- d) in circumstances where a) - c) do not apply, has the right to exercise, or actually exercises, significant influence or control over or derives significant economic benefit from,
 - a. a legal entity or legally binding arrangement; or
 - b. a trust or firm which is not a legal entity but would itself satisfy any of criteria a) to c) if it were;

then that natural person shall be deemed to “own or control” the legal entity or legally binding arrangement.

- e) For the avoidance of doubt agents, nominees, trustees and other intermediaries shall not be deemed to be a beneficial owner.
- f) In the case of a joint venture, each entity within the venture should disclose its beneficial owner(s).

2. Exceptions to the “natural person” requirement:

If a government or governmental body would, if it were a natural person, be deemed to be a beneficial owner pursuant to clause 1 above then that government or governmental body shall be a beneficial owner.

3. Politically Exposed Persons:

- a) The term 'politically exposed person' means a natural person who is or who has been entrusted with prominent public functions and includes but is not limited to the following, and their family members and persons known to be their close associates:
- a. heads of State, heads of government, ministers and deputy or assistant ministers;
 - b. members of parliament or of similar legislative bodies;
 - c. members of the governing bodies of political parties;
 - d. members of supreme courts, of constitutional courts or of other high-level judicial bodies, the decisions of which are not subject to further appeal, except in exceptional circumstances;
 - e. members of courts of auditors or of the boards of central banks;
 - f. ambassadors, chargés d'affaires and high-ranking officers in the armed forces;
 - g. members of the administrative, management or supervisory bodies of State-owned enterprises;
 - h. directors, deputy directors and members of the board or equivalent function of an international organization.

No public function referred to in points (a) to (h) shall be understood as covering middle- ranking or more junior officials

- b) For the purpose of this clause 3:

'family members' includes the following:

- the spouse, or a person considered to be equivalent to a spouse, of a politically exposed person;
- the siblings, children, grandchildren and their spouses, or persons considered to be equivalent to a spouse, of a politically exposed person, whether such relationship be natural, adoptive or otherwise;
- the parents and grandparents of a politically exposed person;

'persons known to be close associates' means:

- natural persons who have joint beneficial ownership of legal entities or legal arrangements, or any other close business relations, with a politically exposed person;
- natural persons who have sole beneficial ownership of a legal entity or legal arrangement which is known to have been set up for the de facto benefit of a politically exposed person.

4. The Consultation

- 4.1. Azerbaijan has a unique opportunity to become a thought leader in this area by introducing a mandatory beneficial ownership regime at a time when there is substantial institutional guidance and there are suitable examples of emerging international good practices, albeit that its approach and drafting remain flexible.
- 4.2. This first consultation runs up to and during February 2019, focused primarily on the proposed “beneficial ownership” definition specified in Section 3 of this Consultation Document. The purpose of the consultation will be to embark on an inclusive change management process by raising awareness of the work carried out, explaining relevant concepts relating to beneficial ownership, identifying any stakeholder concerns and finding broad-based support within Azerbaijan.
- 4.3. The consultation process will culminate in a plenary consultation event to be held in Baku in the first half of February 2019, where invited stakeholders will be able to interact directly with SOFAZ, EITC, ADB and the Consultants.
- 4.4. In preparation of such event, SOFAZ/EITC are inviting all stakeholders (including government agencies, businesses, non-governmental organizations, etc.) to complete the Survey annexed to this Consultation Document, indicating preferences, providing comments and/or raising questions. The Survey is made available publicly in the English and Azerbaijani languages, together with this Consultation Document and the Reports I, II and III produced by the Consultants and accepted by SOFAZ/EITC to date. Stakeholder comments and/or questions will also be accepted in English or Azerbaijani.⁹
- 4.5. The Survey seeks to ask pertinent questions regarding the design of the proposed definition for beneficial ownership for Azerbaijan’s extractive sector. Other supporting issues and mechanisms (such as verification of data, enforcement and penalty issues, form and location of beneficial ownership registry, etc.) will be addressed in future consultations.
- 4.6. While the Survey comprises 15 specific questions, in 10 categories, stakeholders are welcome to provide additional comments and/or raise questions below each question or separately, as well as to raise questions for further clarification. SOFAZ/EITC intend to publicly share the responses to this consultation. If any stakeholder specifically wants to make anonymous comments, they should contact the Consultants directly at: beneficial.ownership@bdo.az.

⁹ All answers, comments and/or questions made via the completion of the Survey or otherwise and received by SOFAZ/EITC on or before 25 January 2019, will be aggregated and presented during the February 2019 plenary consultation event.

a. Details of respondent

- 4.7. Please provide details of who is completing this Survey, and whose views are being represented. The purpose of collecting this information is to protect the integrity of the consultation process.
- 4.8. Since it is the intent of SOFAZ/EITC to make the results of this Survey public, please indicate if the submitter's responses may be made public on an anonymous or on a name's basis.

1. Details of respondent (PLEASE COMPLETE AND TICK BOXES AS APPROPRIATE)

Question 1	This survey is completed by:		
	<ul style="list-style-type: none">• Name:• Designation:• Organization:• Contact details:<ul style="list-style-type: none">○ Phone:○ Email:		
	The responses to this survey represent my	PERSONAL VIEWS	
		ORGANISATION'S VIEWS	
	The responses to this Survey may be disclosed publicly on	AN ANONYMOUS BASIS	
		A NAMED BASIS	
Signature/Name			
Place/Date			

b. The issue of Ownership and Control - both direct and indirect

- 4.9. All institutional and national definitions reviewed by the Consultants refer to a beneficial owner not just as a "natural person" who owns a legal entity, but also include references to a "natural person" who controls the legal entity, recognizing that there are arrangements and situations (e.g. nominee-ship, bearer shares, trust and trust like arrangements, patronage, etc.) that give rise to control/influence, even without legal ownership. This is an important aspect of beneficial ownership disclosure as it allows disclosure of the individuals who can direct where the financial benefits are destined. Disclosure of the individuals ultimately exercising control over a legal entity also aims to preclude ultimate beneficial owners of a legal entity from hiding behind nominee directors.
- 4.10. Another common component to the beneficial ownership definitions is the reference to both direct and indirect ownership and control. This is a key aspect of beneficial ownership as it distinguishes beneficial ownership from legal ownership. This aspect reflects the reality that there is often a chain of ownership or control for a legal entity that may consist of a series of legal entities, trusts and individuals.

2. Ownership and Control - both direct and indirect (PLEASE COMPLETE AS APPROPRIATE)

Question 2	Does the definition of ownership and control set out in Subsection 3.1 above reflect the right scope?
	YES, IT IS THE RIGHT SCOPE BECAUSE:
	NO, IT IS TOO NARROW BECAUSE:
	NO, IT IS TOO BROAD BECAUSE:

c. Exceptions to the general rule that a beneficial owner must be a “Natural Person”

- 4.11. Although there is wide acceptance that a beneficial owner should generally be a natural person, there is also recognition that there are two other types of beneficial owners who are not individuals, i.e. “Listed Companies” and “Governments or Government Bodies”.
- 4.12. **Listed Companies:** EITI, UK and EU definitions recognize that tracing ownership back to a company admitted to trading on a recognized a stock exchange (a “Listed Company”) is adequate to establish beneficial ownership. The restriction to a list of “recognized stock exchanges” (in the words of the UK regulations) is to ensure that any exemption for listed companies is granted to companies that are already subject to stringent governance and transparency regimes.
- 4.13. The Consultants propose to defer the introduction of the Listed Company exemption, while recommending that the situation be revisited 3-5 years after the establishment of the public beneficial ownership registry (PBOR). If at that point there is evidence that the absence of such exemption has caused any problems, the situation can be addressed then.¹⁰

3. Listed Company Exemption (PLEASE COMPLETE AS APPROPRIATE)

Question 3	The introduction of the Listed Company exemption should be considered.
	FROM THE OUTSET WHEN THE PBOR IS ESTABLISHED, BECAUSE:
	AS PROPOSED (I.E. 3-5 YEARS AFTER THE ESTABLISHMENT OF THE PBOR), BECAUSE:
	EARLIER THAN PROPOSED/LATER THAN PROPOSED/NOT AT ALL (UNDERLINE CHOICE), BECAUSE:

¹⁰ If there is a decision to adopt a Listed company exception the Consultants propose adopting a list of “recognized stock markets” similar to those of the UK and EU. In the UK this includes Israeli, Japanese, European Economic Area, Swiss and US markets. For a full list: https://www.stevens-bolton.com/cms/document/The_UK_PSC_Register_Requirements_.pdf

- 4.14. **Government-Owned Company Exemption:** It is becoming accepted practice that a government or government body can also be listed as a beneficial owner. However, none of the definitions reviewed explicitly includes the exemption to government-owned companies, but there is also no specific reference as to how to identify a natural person beneficial owner of a state interest.

4. Government-Owned Company Exemption (PLEASE COMPLETE AS APPROPRIATE)

Question 4	Should Azerbaijan's PBOR include the government-owned exemption?
	YES, BECAUSE:
	NO, BECAUSE:

d. How to deal with politically exposed persons (PEPs)?

- 4.15. The undisclosed beneficial ownership of PEPs in the extractive industries has historically caused much concern¹¹. Disclosure of PEPs is an essential part of beneficial ownership disclosure in the extractive sector and both industry and civil society encourage the inclusion of PEPs as it adds to transparency, avoids undisclosed conflicts of interests by key decision makers and builds confidence in the integrity of the sector. Failure to do so is often seen as an indicator of poor governance, an inefficient regulatory system and latent corruption. Lack of clarity in this area can result in a loss of investor and financier confidence and civil disquiet when information enters the public domain in an unstructured manner.
- 4.16. The EU has set out a detailed definition of “politically exposed person” in AMLD4 which captures good practice in this area and addresses issues such as interests held by family members or related parties and provides clarity as to exactly who a PEP is.
- 4.17. The AMLD4 definition of “politically exposed person” is:

The term ‘politically exposed person’ means a natural person who is or who has been entrusted with prominent public functions and includes but is not limited to the following, and their family members and persons known to be their close associates:

- (a) heads of State, heads of government, ministers and deputy or assistant ministers;*
- (b) members of parliament or of similar legislative bodies;*
- (c) members of the governing bodies of political parties;*

¹¹ See e.g.: <https://www.nytimes.com/2017/12/20/business/energy-environment/shell-eni-italy-nigeria.html>

(d) *members of supreme courts, of constitutional courts or of other high-level judicial bodies, the decisions of which are not subject to further appeal, except in exceptional circumstances;*

(e) *members of courts of auditors or of the boards of central banks;*

(f) *ambassadors, chargés d'affaires and high-ranking officers in the armed forces;*

(g) *members of the administrative, management or supervisory bodies of State-owned enterprises;*

(h) *directors, deputy directors and members of the board or equivalent function of an international organisation.*

No public function referred to in points (a) to (h) shall be understood as covering middle- ranking or more junior officials

'family members' includes the following:

(a) *the spouse, or a person considered to be equivalent to a spouse, of a politically exposed person;*

(b) *the children and their spouses, or persons considered to be equivalent to a spouse, of a politically exposed person;*

(c) *the parents of a politically exposed person;*

'persons known to be close associates' means:

(a) *natural persons who have joint beneficial ownership of legal entities or legal arrangements, or any other close business relations, with a politically exposed person;*

(b) *natural persons who have sole beneficial ownership of a legal entity or legal arrangement which is known to have been set up for the de facto benefit of a politically exposed person.*

5. a. Dealing with PEPs (PLEASE TICK BOX AND PROVIDE EXPLANATION IN COMMENT BOX)

Question 5.a.	Should there be an enhanced regime applicable to PEPs?	YES	
		NO	
Comments:			

5.b. Definition of a PEP based on AMLD4 (PLEASE COMPLETE AS APPROPRIATE)

Question 5.b.	Is the scope of the proposed definition of a PEP based on the AMLD4 as specified above correct for Azerbaijan?
	YES, IT IS THE RIGHT SCOPE BECAUSE:
	NO, IT IS TOO NARROW BECAUSE:
	NO, IT IS TOO BROAD BECAUSE:

e. What level of ownership should trigger disclosure of beneficial Interest?

- 4.18. The threshold for reporting ownership or control varies across definitions and is generally different depending on whether the individual is a PEP or not. However, there is general recognition that a threshold is an essential element of a beneficial ownership definition.
- 4.19. Whilst FATF and the EU suggest that the threshold for reporting should be 25%. EITI gives implementing countries flexibility in setting a threshold, suggesting a range of 5-25%. Zambia, having originally set no threshold then legislated at 25%. The Kyrgyz Republic started at 5% but has settled at 10%. Both UK and Ukraine have set the threshold at 25%.
- 4.20. The proposal is a general threshold of 20% for Azerbaijan, as this is used in the International Financial Reporting Standards definition of “significant influence” and Article 68 of the Azerbaijani Civil Code definition of a “dependent” company. The proposal is a lower threshold of 5% for PEPs, based on international comparison.

6.a. Level of ownership should trigger disclosure of beneficial Interest (PLEASE TICK BOX AND PROVIDE EXPLANATION IN COMMENT BOX AS APPROPRIATE)

Question 6.a.	What should be the threshold level of ownership to trigger beneficial ownership disclosure? The proposal is that this threshold should be 20%.	No minimum	
		5%	
		10%	
		15%	
		20%	
		25%	
		Other	
Comments:			

6.b. Level of ownership should trigger disclosure of beneficial Interest for PEPs (PLEASE TICK BOX AND PROVIDE EXPLANATION IN COMMENT BOX AS APPROPRIATE)

Question 6.b.	What should be the threshold level of ownership to trigger beneficial ownership disclosure for PEPs? The proposal is that this threshold should be 5%.	No minimum	
		5%	
		10%	
		15%	
		20%	
		25%	
		Other	
Comments:			

f. Level of precision in reporting

- 4.21. Similarly, the level of precision in reporting the ownership level also varies. A common practice in most implementing countries is for the precise level of ownership to be disclosed where that level exceeds the threshold.
- 4.22. The UK requires disclosure of ownership or control within three bands. E.g. if a beneficial owner has a 30% interest they would disclose "25-50%". This makes the extent of ownership less clear and it is not always possible to tell the precise level of ownership. The proposal for Azerbaijan is that the actual level of interest is disclosed.

6.c. Level of precision in reporting (PLEASE COMPLETE AS APPROPRIATE)

Question 6.c.	Should a beneficial owner be required to disclose their exact level of interest, or simply indicate the band within which the level of interest falls (e.g. <25%, 25-50%, 50-75%, 75-100%)?
	YES, INDICATING THE EXACT LEVEL OF INTEREST IS REQUIRED, BECAUSE:
	NO, INDICATING BENEFICIAL OWNERSHIP WITHIN BANDS SUFFICES BECAUSE:
	IF NO, THE PROPOSED BANDS SHOULD BE AS FOLLOWS:

g. To what legal entities should the beneficial ownership disclosure regime apply?

- 4.23. Whilst the FATF and EU Beneficial Ownership regimes apply to the whole economy and some jurisdictions have used the impetus provided by EITI to introduce economy-wide regimes (e.g. Ukraine, UK, etc.), the EITI Standard 2016 applies only to the extractive industries of its implementing countries.
- 4.24. In line with the AML Law and the Resolution of the Cabinet of Ministers No. 252 dated 6 June 2018, it is recommended the proposed PBOR applies to Azerbaijan's extractive industry sector, including the mining, upstream (exploration and production) and midstream (bulk processing, bulk storage, bulk marketing or bulk transportation of extractive commodities) subsectors. This is within the RBOD implementation mandate of SOFAZ/EITC, while addressing a significant part of the Azerbaijani economy.¹² During initial consultation there was consensus amongst interviewees that the scope of the initiative should not be overly ambitious, although it might be expanded once its value has been proven and if/when so desired by the Government.

7.a. Types of legal entities that are subject to beneficial ownership disclosure regime (PLEASE TICK BOXES AND PROVIDE EXPLANATIONS AS APPROPRIATE)

¹² The contribution of the extractive industries to Azerbaijan's gross domestic product is approximately 45% - <https://www.nordeatrade.com/en/explore-new-market/azerbaijan/economical-context>

Question 7.a.	Which entities should be subject to beneficial ownership disclosure?		
	An applicant for, and all existing holders, of any oil, gas or mineral extraction rights	YES	
		NO	
	An applicant for, and all existing holders, of any rights to provide bulk processing, storage, marketing or transportation of extractive commodities	YES	
		NO	
	Any existing or prospective contractor or sub-contractor providing services within the extractive sector in Azerbaijan to one or more persons captured by the above two criteria, where such services have or, in the case of contractor or sub-contractor to whom a contract is awarded, will have an aggregated contract value exceeding US\$ 10,000,000.	YES	
		NO	
Comments:			

7.b. Legal entities that are subject to mandatory beneficial ownership disclosure (PLEASE COMPLETE AS APPROPRIATE)

Question 7.b.	Should the beneficial ownership disclosure regime apply to all legal entities that operate within the defined sector in Azerbaijan, whether they are Azerbaijani or foreign registered?
	Yes, Azerbaijani and foreign registered legal entities operating in Azerbaijan should be required to report because:
	No, only Azerbaijani registered legal entities should be required to report because:

4.25. Whilst some comparator regimes limit the mandatory disclosure regime to the beneficial owners of corporate or legal entities (e.g. UK) other countries (e.g. Mongolia) also extend the regime more broadly. In view of the emerging nature of the Azerbaijani jurisdiction, the existing AML definition and to ensure that the new mandatory disclosure regime cannot be circumvented, the Consultants have suggested that the new regime should not just be limited to corporate or legal entities but be extended to include legally binding arrangements in the extractive sector. This would ensure that arrangements reached between individuals or other bodies that would not be caught by the requirement to disclose the beneficial ownership of "legal entities" are captured and similar obligations applied. Whilst these types of structures may be less likely in the upstream sector, where the scale of financial and other commitments merits using special purpose vehicles, this may be more relevant in the midstream sector and is considered a prudent precautionary measure that should enhance full transparency and encourage through the reporting of relevant information.

7.c. Legally binding arrangements that are subject to mandatory beneficial ownership disclosure (PLEASE COMPLETE AS APPROPRIATE)

Question 7.c.	Should the beneficial ownership disclosure regime apply to legally binding arrangements?
	Yes, because:
	No, because:

5. Look Ahead – other matters that will need considering in later stages

- 5.1. Whilst the focus of this Consultation Document is the beneficial ownership definition the Consultants also flag a number of consequential issues that will need to be further addressed in future reports.

a. Method of implementation into law

- 5.2. It is clear that to be effective the beneficial ownership disclosure regime must be legally binding. Some countries have introduced stand-alone legislation to implement beneficial ownership disclosure (e.g. Ukraine), while others have amended existing laws.

b. What data should be collected?

- 5.3. As with the definition of beneficial ownership there is no one standard agreed across all regimes although there is general agreement on the sort of information that should be collected. This may include: name; month and year of birth; nationality; country of residence; nature of control; size of interest; national ID number; and residential address.

c. Open access or restricted access?

- 5.4. There is no fixed approach to the question of whether beneficial ownership information should be publicly available to all or whether its access should be more limited – perhaps with access only permitted to agencies of the state and those other people with a legitimate interest.

d. If open access, should there be an exception for those with legitimate concerns about safety?

- 5.5. If there is a decision to make the registry open access certain individuals may have legitimate concerns about the public disclosure of certain items of their personal data, such as their country of residence and address, although these concerns should not mean that their data does not need to be disclosed to the authorities, merely that in appropriate circumstances it should not be publicly available.

8. Other matters (PLEASE PROVIDE COMMENTS AS APPROPRIATE)

Question 8	These forward-looking issues will be specifically addressed in the second consultation phase. However, we would welcome any initial thoughts on these topics below.
	a. Comments on implementation into Azerbaijani law:
	b. Comments on what data should be collected:
	c. Comments on open access to data:
	d. Comments on safety concerns:

e. Relative importance

- 5.6. Although any effective beneficial ownership disclosure regime requires all above constituent elements to be considered, different stakeholders may perceive different elements to be more important or critical than other elements.

9. Constituent elements of beneficial ownership disclosure (PLEASE RANK IN ORDER OF PERCEIVED RELATIVE IMPORTANCE AND PROVIDE EXPLANATIONS IN COMMENT BOX AS APPROPRIATE)

Question 9	From the list of constituent elements of beneficial ownership disclosure shown below, rank them in order of importance from 1 (most important) to 10 (least important). PLEASE USE EACH NUMBER ONLY ONCE.	
	1. The inclusion of “control” as well as ownership. (Question 2)	
	2. An exemption for owners listed on a stock exchange. (Question 3)	
	3. An exemption for ownership by a government. (Question 4)	
	4. The scope and definition of a PEP. (Questions 5.a. and 5.b.)	
	5. Beneficial ownership disclosure thresholds, including for PEPs (Questions 6.a. and 6.b.)	
	6. The level of precision in reporting. (Question 6.c.)	
	7. The range of companies or legal arrangements required to report (Questions 7.a., 7.b. and 7.c.)	
	8. The need for legislation (Question 8.a.)	
	9. The scope of data collected about a beneficial owner (Question 8.b.)	
	10. Beneficial ownership information being publicly available and potential safety concerns (Questions 8.c. and 8.d.)	
COMMENTS:		

f. Enabling and constraining factors

- 5.7. The level of success and pace at which the RBOD for Azerbaijan’s extractive sector can be implemented will likely be subject to various factors (e.g. existing legislation and regulation, level of government support and policy goals, the broad-based ‘buy-in’ from public interest groups, international peer pressure for increased transparency and governance in competition for scarce local and foreign investment and financing sources, the emergence of events or incidents attractive positive or negative press/public opinions, etc.). Some factors may be (perceived as) enabling factors that will support an expedient and successful RBOD implementation, others may be (perceived as) constraining factors posing challenges to its implementation. Leveraging the enabling factors, while mitigating the impact of the constraining factors is a fundamental element of change management. But the first challenge is to identify those (perceived) factors.

10. Top three enabling and constraining factors (PLEASE COMPLETE AND PROVIDE EXPLANATIONS AS APPROPRIATE)

Question 10	What are in your perception the top three enabling factors and constraining factors?
	Number 1 enabling factor is: Because:
	Number 2 enabling factor is: Because:
	Number 3 enabling factor is: Because:
	Number 1 constraining factor is: Because:
	Number 2 constraining factor is: Because:
	Number 3 constraining factor is: Because:

6. Survey submission

6.1. All answers, comments and/or questions made via the completion of the Survey or otherwise and received by SOFAZ/EITC on or before 25 January 2019 will be aggregated and presented during the plenary consultation event to be held in Baku in February 2019. The presentation will also include responses addressing any questions or concerns raised by stakeholders.

6.2. Surveys are to be submitted to:

beneficial.ownership@bdo.az
copy: bbayramov@oilfund.az

**TA-9106 AZE: SUPPORTING THE IMPLEMENTATION OF THE
ROADMAP FOR BENEFICIAL OWNERSHIP DISCLOSURE FOR THE
EXTRACTIVE INDUSTRIES IN AZERBAIJAN (49451-001)**



SURVEY: DRAFT BENEFICIAL OWNER DEFINITION

Prepared for:

**THE STATE OIL FUND OF THE REPUBLIC OF AZERBAIJAN
(IMPLEMENTING AGENCY)**

and

**THE MINISTRY OF FINANCE OF THE REPUBLIC OF AZERBAIJAN
(EXECUTING AGENCY)**

Prepared by:



28 November 2018

PLEASE COMPLETE AND SUBMIT SURVEY TO:

**beneficial.ownership@bdo.az
copy: bbayramov@oilfund.az**

ON OR BEFORE 25 JANUARY 2019

DATE OF RECEIPT BY SOFAZ/EITC:

**References in this Survey relate to corresponding paras in the Consultation Document
dated 28 November 2018**

a. Details of respondent

1. Details of respondent (PLEASE COMPLETE AND TICK BOXES AS APPROPRIATE SEE PARAS 4.7 - 4.8)

Question 1	This survey is completed by:		
	<ul style="list-style-type: none"> • Name: • Designation: • Organization: • Contact details: <ul style="list-style-type: none"> ○ Phone: ○ Email: 		
	The responses to this survey represent my	PERSONAL VIEWS	
		ORGANISATION'S VIEWS	
	The responses to this Survey may be disclosed publicly on	AN ANONYMOUS BASIS	
		A NAMED BASIS	
Signature/Name			
Place/Date			

b. The issue of Ownership and Control - both direct and indirect

2. Ownership and Control - both direct and indirect (PLEASE COMPLETE AS APPROPRIATE – SEE PARAS 4.9 - 4.10)

Question 2	Does the definition of ownership and control set out in Subsection 3.1 above reflect the right scope?
	YES, IT IS THE RIGHT SCOPE BECAUSE:
	NO, IT IS TOO NARROW BECAUSE:
	NO, IT IS TOO BROAD BECAUSE:

c. Exceptions to the general rule that a beneficial owner must be a “Natural Person”

3. Listed Company Exemption (PLEASE COMPLETE AS APPROPRIATE – SEE PARAS 4.11 - 4.13)

Question 3	The introduction of the Listed Company exemption should be considered.
	FROM THE OUTSET WHEN THE PBOR IS ESTABLISHED, BECAUSE:
	AS PROPOSED (I.E. 3-5 YEARS AFTER THE ESTABLISHMENT OF THE PBOR), BECAUSE:
	EARLIER THAN PROPOSED/LATER THAN PROPOSED/NOT AT ALL (UNDERLINE CHOICE), BECAUSE:

4. Government-Owned Company Exemption (PLEASE COMPLETE AS APPROPRIATE – SEE PARA 4.14)

Question 4	Should Azerbaijan's PBOR include the government-owned exemption?
	YES, BECAUSE:
	NO, BECAUSE:

d. How to deal with politically exposed persons (PEPs)?

5.a. Dealing with PEPs (PLEASE TICK BOX AND PROVIDE EXPLANATION IN COMMENT BOX – SEE PARAS 4.15 - 4.17)

Question 5.a.	Should there be an enhanced regime applicable to PEPs?	YES	
		NO	
	Comments:		

5.b. Definition of a PEP based on AMLD4 (PLEASE COMPLETE AS APPROPRIATE – SEE PARAS 4.15 - 4.17)

Question 5.b.	Is the scope of the proposed definition of a PEP based on the AMLD4 as specified above correct for Azerbaijan?
	YES, IT IS THE RIGHT SCOPE BECAUSE:
	NO, IT IS TOO NARROW BECAUSE:
	NO, IT IS TOO BROAD BECAUSE:

e. What level of ownership should trigger disclosure of beneficial Interest?

6.a. Level of ownership should trigger disclosure of beneficial Interest (PLEASE TICK BOX AND PROVIDE EXPLANATION IN COMMENT BOX AS APPROPRIATE - SEE PARAS 4.18 - 4.19)

Question 6.a.	What should be the threshold level of ownership to trigger beneficial ownership disclosure? The proposal is that this threshold should be 20%.	No minimum	
		5%	
		10%	
		15%	
		20%	
		25%	
		Other	
Comments:			

6.b. Level of ownership should trigger disclosure of beneficial Interest for PEPs (PLEASE TICK BOX AND PROVIDE EXPLANATION IN COMMENT BOX AS APPROPRIATE - SEE PARAS 4.18 - 4.19)

Question 6.b.	What should be the threshold level of ownership to trigger beneficial ownership disclosure for PEPs? The proposal is that this threshold should be 5%	No minimum	
		5%	
		10%	
		15%	
		20%	
		25%	
		Other	
Comments:			

f. Level of precision in reporting

6.c. Level of precision in reporting (PLEASE PROVIDE COMPLETE AS APPROPRIATE - SEE PARAS 4.20 - 4.21)

Question 6.c.	Should a beneficial owner be required to disclose their exact level of interest, or simply indicate the band within which the level of interest falls (e.g. <25%, 25-50%, 50-75%, 75-100%)?	
	YES, INDICATING THE EXACT LEVEL OF INTEREST IS REQUIRED, BECAUSE:	
	NO, INDICATING BENEFICIAL OWNERSHIP WITHIN BANDS SUFFICES BECAUSE:	
	IF NO, THE PROPOSED BANDS SHOULD BE AS FOLLOWS:	

g. To what legal entities should the beneficial ownership disclosure regime apply?

7.a. Types of legal entities that are subject to beneficial ownership disclosure regime (PLEASE TICK BOXES AND PROVIDE EXPLANATIONS IN COMMENT BOX AS APPROPRIATE - SEE PARAS 4.22 - 4.23)

Question 7.a.	Which entities should be subject to beneficial ownership disclosure?		
	An applicant for, and all existing holders, of any oil, gas or mineral extraction rights	YES	
		NO	
	An applicant for, and all existing holders, of any rights to provide bulk processing, storage, marketing or transportation of extractive commodities	YES	
		NO	
	Any existing or prospective contractor or sub-contractor providing services within the extractive sector in Azerbaijan to one or more persons captured by the above two criteria, where such services have or, in the case of contractor or sub-contractor to whom a contract is awarded, will have an aggregated contract value exceeding US\$ 10,000,000.	YES	
		NO	
Comments:			

7.b. Legal entities that are subject to mandatory beneficial ownership disclosure (PLEASE COMPLETE AS APPROPRIATE - SEE PARAS 4.22 - 4.23)

Question 7.b.	Should the beneficial ownership disclosure regime apply to all legal entities that operate within the defined sector in Azerbaijan, whether they are Azerbaijani or foreign registered?
	Yes, Azerbaijani and foreign registered legal entities operating in Azerbaijan should be required to report because:
	No, only Azerbaijani registered legal entities should be required to report because:

7.c. Legally binding arrangements that are subject to mandatory beneficial ownership disclosure (PLEASE COMPLETE AS APPROPRIATE- SEE PARA 4.24)

Question 7.c.	Should the beneficial ownership disclosure regime apply to legally binding arrangements?
	Yes, because:
	No, because:

h. Look Ahead – other matters that will need considering in later stages

8. Other matters (PLEASE PROVIDE COMMENTS AS APPROPRIATE - SEE PARAS 5.1 – 5.4)

Question 8	These forward-looking issues will be specifically addressed in the second consultation phase. However, we would welcome any initial thoughts on these topics below.
	a. Comments on implementation into Azerbaijani law:
	b. Comments on what data should be collected:
	c. Comments on open access to data:
	d. Comments on safety concerns:

9. Constituent elements of beneficial ownership disclosure (PLEASE RANK IN ORDER OF RELATIVE IMPORTANCE AND PROVIDE EXPLANATIONS IN COMMENT BOX AS APPROPRIATE - SEE PARA 5.6)

Question 9	From the list of constituent elements of beneficial ownership disclosure shown below, rank them in order of importance from 1 (most important) to 10 (least important). PLEASE USE EACH NUMBER ONLY ONCE.	
	1. The inclusion of “control” as well as ownership. (Question 2)	
	2. An exemption for owners listed on a stock exchange. (Question 3)	
	3. An exemption for ownership by a government. (Question 4)	
	4. The scope and definition of a PEP. (Questions 5.a. and 5.b.)	
	5. Beneficial ownership disclosure thresholds, including for PEPs (Questions 6.a. and 6.b.)	
	6. The level of precision in reporting. (Question 6.c.)	
	7. The range of companies or legal arrangements required to report (Questions 7.a., 7.b. and 7.c.)	
	8. The need for legislation (Question 8.a.)	
	9. The scope of data collected about a beneficial owner (Question 8.b.)	
	10. Beneficial ownership information being publicly available and potential safety concerns (Questions 8.c. and 8.d.)	
COMMENTS:		

10. Top three enabling and constraining factors (PLEASE COMPLETE AND PROVIDE EXPLANATIONS AS APPROPRIATE - SEE PARA 5.7)

Question 10	What are the top three enabling factors and constraining factors?
	Number 1 enabling factor is: Because:
	Number 2 enabling factor is: Because:
	Number 3 enabling factor is: Because:
	Number 1 constraining factor is: Because:
	Number 2 constraining factor is: Because:
	Number 3 constraining factor is: Because:

PLEASE COMPLETE AND SUBMIT SURVEY TO:

beneficial.ownership@bdo.az
copy: bbayramov@oilfund.az

ON OR BEFORE 25 JANUARY 2019