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## **The Register of Beneficial Ownership in Slovakia: Revolutionary transparency, questionable implementation, unsure benefits**

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Slovakia and Denmark are the first countries of the European Union, which implemented a public register of beneficial ownership. The register started in Slovakia on 1 November 2015 and was made mandatory only for private companies participating in public procurement. This obligation was further extended on 1 February 2017 to all companies which have contracts with the government with a contract of at least 100 thousand euros.

The Register of Beneficial Ownership operated from November 2015 to February 2017, when it was replaced by similar register, [the Register of Partners of the Public Sector](#). Originally, it was part of the anti-corruption legislative, the so-called letterbox-companies act<sup>1</sup>. The purpose of this legislation was to allow public scrutiny into the ownership structure of the companies, which take part in public procurement. The law defined the beneficial owner as a person with at least quarter share in the company, with the power to appoint or rescind statutory authority, or with other way of controlling the company.

During its operation, several issues arose with the register – very narrow legislative authority, the lack of verification of the register’s data, or the problematic user interface. Many of these problems were solved by the new law 315/2016 about the Register of Partners of the Public Sector. However, ex-post analysis of the register operation between 2015 and 2017 can provide better insight into its problems and how to avoid them in the future.

### **Basic overview**

By the end of its operation, the Register of Beneficial Ownership contained data about roughly eleven thousand companies, of which 29 % were registered in the last three quarters of the year 2016. The data contained information about sixteen thousand owners and statutory authorities. Around 20 % companies stated at least one new beneficial owner that was not before listed as a statutory authority in the publicly accessible [online business register](#). This shows the potential benefit of the register as the new beneficial owners were never before directly linked to these companies in public records. The companies were submitting the list of beneficial owners themselves directly to the administrator of the register, in this case the Office of Public Procurement. These notifications did not need to be backed by any of the companies’ official documentation.

Many companies listed a large number of beneficial owners. This made sense for large international companies operating in Slovakia, such as Skanska or Ericsson – in those cases,

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<sup>1</sup> <https://www.slov-lex.sk/pravne-predpisy/SK/ZZ/2015/343/20160418>

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the list contained tens of owners. These international companies listed their owners in accordance with § 11.3 of law 343/2015. On the contrary, many smaller companies with simple ownership structure registered only one beneficial owner. **On average the companies have 1.77 beneficial owners.**

### **Companies are not registered, yet still take part in public procurement**

The main reason for the establishment of the register was to make public the ownership structures of companies that take part in the public procurement. According to the law, if a company fails to register yet still participates in the public procurement, the company faces fines ranging from 10 000 € to 1 000 000 € and ban on participating in the public procurement for three years. In our analysis, we considered the data of winners of large public procurement contracts and checked whether they listed their beneficial owners as law required. We found almost 3000 companies that took part in large public procurement contracts. Almost all the companies were indeed registered in the Register of Beneficial Ownership, however we found number of problematic cases – there were several cases when company changed name, and thus its identification was problematic as the register did not track changes, or the identification numbers of companies in register did not match the identification numbers listed in the contracts. It would be helpful if the managing authority of the register placed more emphasis on the consistency of the data and the interoperability of the government registers – both of these measures would help increase the usability of the government data.

However, we have also found several cases when the government agencies did not check whether the company listed their beneficial owners, yet still signed a procurement contract. In the beginning of March 2016, Slovak public news agency TASR signed a contract with company All-Media Typlan AG about the upgrade of agency's computer system. The contract was for 110 000 €<sup>2</sup>. Similarly, we found two contracts of local government of town Humenné with companies Tarb-stav s.r.o.<sup>3</sup> and Uniko s.r.o.<sup>4</sup>, who did not list their beneficial owners as the law required. Transparency International Slovakia filed a motion against the breaching of the law in those cases with the Office of Public Procurement, the oversight body, in early June 2017.

The fact that these companies were still able to sign the contracts with the government authorities shows that the law was not enforced thoroughly and possible sanctions did not act as a deterrent. During the register's operation, the Office of Public Procurement fined only two companies on breaking the register's rules. Those two companies were Váhostav a.s. and

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<sup>2</sup> <https://www.uvo.gov.sk/vestnik/oznamenie/detail/331581>  
<https://www.crz.gov.sk/index.php?ID=2360231&l=sk>

<sup>3</sup> <https://www.uvo.gov.sk/vestnik/oznamenie/detail/338106>

<sup>4</sup> <https://www.uvo.gov.sk/vestnik/oznamenie/detail/341043>

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InterMedical, spol. s r.o.<sup>5</sup>. Ideally, the managing authority of the register would investigate thoroughly a potential misconduct on the sides of both government authorities and private companies. As the large part of public procurement is organized through the channels of the Office of Public Procurement, such level of control should be automatic and seamlessly integrated into the system.

### **Beneficial owners and their successful companies**

We also looked at who are the beneficial owners of companies successful in public procurement. The data about public procurement contracts since 2009 were available from website tender.sme.sk and for every beneficial owner, we calculated the total amount of their companies' public contracts. In these calculations, we did not consider contracts that were won by consortia of companies. The top of the ranking belongs to the beneficial owners of a Austrian-based construction company STRABAG (and its many daughters). This company was successful in a number of large infrastructure contracts. After STRABAG, the ranking contains beneficial owners of Doprastav, Vahostav (both are construction companies), SkyToll (a company delivering electronic toll system for Slovakian highways) and then of IT companies DATALAN and TEMPEST. Among these names are also some that drew media attention such as Juraj Široký, a beneficial owner of company Vahostav, allegedly a long-running sponsor of Smer, the largest Slovak political party. The first 20 beneficial owners ranked on a total amount of contracts their companies won are listed in Table 1.

We also looked at the number of companies that are linked to each beneficial owner. If a beneficial owner was linked to several companies from the same industry that compete for similar contracts, it may suggest a possible collusion between them. Table 2 shows the list of beneficial owners based on the number of companies for which they act as owners. This top of this ranking is similar to the one from before – beneficial owners with most companies are those of company STRABAG and its daughters. Further, we see owners of companies Veolia and Eurovia or waste management companies such as Marius Pedersen.

As for the countries of origin of the beneficial owners, data show that large majority is from Slovakia (81 %). Next is Czech Republic with (7 %) and only then Austria, Germany, France, and Switzerland. Cyprus, the country often seen as a popular place to register a shell company, hosts owners of only four companies.

The data also track whether the companies changed their entries in the register. Roughly 550 companies changed their entries and about a fifth did so in the last month of register's operation. However, the data do not show what part of entry was changed thus we do not know the reasons of these changes.

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<sup>5</sup> <https://www.uvo.gov.sk/legislativametodika-dohlad/spravne-delikty/prehľad-rozhodnuti-o-ulozeni-pokuty-a-sankcie-zakazu-ucasti-vo-vo-46e.html>

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## **Public officials that are not really officials**

The register also collects information about beneficial owners, who also serve in a public office. Such data should help oversee the public officials who might have a potential conflict of interest by acting as an owner of a company which profits from government contracts. In this case, we found 404 (2.5 % of all) beneficial owners listed as public officials. Moreover, 335 companies (3 % of all) list at least one of such beneficial owner. Among these companies are also companies owned by the state and by the towns, public universities, and also several state-owned hospitals – such companies together comprise a fifth of all entries.

In a previous analysis<sup>6</sup> conducted in July 2016, we found out that many companies listed their owners as public officials even though that was not the case. The law 357/2004<sup>7</sup> defines public official as a person that either holds an elected office or is directly appointed by politicians. In many cases, companies from small towns which mistakenly listed their owners as public official yet many did not edit their entries even after our notice. – only 70 of them did so. The Office of Public Procurement did not address the situation either.

The data show that out of 400 persons listed as public officials, only around 190 are in fact in a public office. This means that more than a half of them provided incorrect information, yet the public authorities failed to draw consequences. As part of our analysis, we notified many persons who we suspected of providing incorrect information. Most of the replies stated that they did not know the exact definition of the public official. Several of the stated public officials were of different nationality – it proved to be nearly impossible to verify in what capacity do they serve in their respective countries (e.g. public officials from Ukraine or Japan). In these cases, the Office of Public Procurement should provide more information about the kinds of public offices of these people – not only would it simplify public oversight, it would also help beneficial owners avoid misunderstandings like these.

Some of these erroneous entries were not corrected even after our urging. The Office of Public Procurement apparently ignored our findings even after their publication. However, the errors like these are preventable – with better designed registration forms, more available information about the registration process, or step-by-step registration guides for the companies. Given that the operation of the register has ceased, we do not expect that the Office for Public Procurement will correct these misleading entries. However, these findings can serve as a warning for the new Register of Partners of the Public Sector.

## **Conclusion**

The introduction of the Register of Beneficial Ownership has brought some notable benefits. Among the most noted ones was pressuring one of the largest construction company Váhostav

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<sup>6</sup> <https://transparency.blog.sme.sk/c/430433/register-vlastnikov-firiem-obsahuje-aj-falosnych-verejnych-funkcionarov.html>

<sup>7</sup> <http://www.zakonypreludi.sk/zz/2004-357>

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to disclose that notorious businessman Juraj Široký is indeed its beneficial owner, as discussed at length in the national newspapers for years, yet not in official public documents. On average, over 20% of new names appeared as people connected to businesses winning public contracts. On the other hand, the register was not search-friendly and truthfulness of company finding was often questioned.

The old register's successor, the Register of Partners of Public Sector, already has several advantages over its predecessor – not only was it established as part of a stronger, more comprehensive, law, it also has better interface and supports access through API. This could prove helpful in making it more popular tool – the previous register only had 15 000 unique visitors over the whole year 2016. Of course, the data available from the register are very niche, however improved user interface could motivate public to be more engaged in the process of control over public finances.

New register does not solve all the problems identified in this analysis. It still does not contain information about the type of public official who is a beneficial owner, nor is it directly connected to Companies House of Slovak Republic (OR SR), Central Register of Contracts, or the Bulletin of Public Procurement, the journal listing details of all public tenders. Interconnected registers would allow more transparency into the contracts and also guarantee consistent information about contracts and companies from all sources. In the Register of Beneficial Ownership, the companies' data are often different from the ones stated in contracts – different conventions are used in their naming, mistakenly entered identification number or duplicit entries make it harder for machines to process the data. The emphasis on interoperability of various registers and consistency of the data should be the priority of the new Register.

If we look at the costs, the development of new register cost around 330 000 €. The yearly operating costs are estimated to be around 33 000 € which is the cost of employing 1.5 qualified persons in Slovakia.

### **The influence of the register**

It is hard to estimate the influence of the register on the decrease of opaque procurement contracts with the government. Some companies controlled from the tax heavens stopped competing for public contracts, some other moved their ownership to Slovakia<sup>8</sup>. However, it is impossible to find who the real owners of these companies are. It is probable that so-called owners are present even in the Slovakian companies.

Unfortunately, Slovak police and prosecutors hold very low public confidence numbers. One of the factors is their unwillingness to investigate high profile corruption cases of several

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<sup>8</sup> <https://transparency.blog.sme.sk/c/416730/schrankove-firmy-sa-zlakli-a-stahuju-sa-na-slovensko.html>

politicians. Hence, it is hard to expect a thorough investigations of the ownership structures of prominent companies.

Still, the availability of the data is a definitely a helping hand to professionals, media, and watchdog NGOs as it allows to investigate the potential real owners of the companies and submit formal motions for investigations. However, the question whether the implementation of the register would mean a substantive change in transparency of the companies' contracts remain unanswered.

<b>Beneficial owner</b>	<b>Combined value of contracts by owner's companies</b>	<b>Exemplary company</b>
Dr. Thomas Birtel	1,363,066,661.00	Strabag
Mag. Christian Harder	1,363,066,661.00	Strabag
Dipl. Ing. Peter Krammer	1,363,066,661.00	Strabag
Dipl. Ing. Siegfried Wanker	1,363,066,661.00	Strabag
Mag. Hannes Truntschnig	1,363,066,661.00	Strabag
Ing. Dušan Mráz	941,855,954.00	Doprastav
Ing. Juraj Široký	887,716,996.00	Váhostav
Petr Syrovátko	852,083,840.00	SkyToll
Ing. Peter Kotuliak	807,329,001.00	Datalan
Ing. Štefan Petergáč	807,329,001.00	Datalan
Ing. Jozef Mokry	807,329,001.00	Datalan
JUDr. Daniel Křetínský	805,561,965.00	Datalan
Xavier Huillard	778,368,827.00	Eurovia
Pierre Coppey	776,871,627.00	Eurovia
Gabriel Szabó	705,872,309.00	Slovnaft
JUDr. Oszkár Világi	705,558,484.00	Slovnaft
Mihály Kupa	705,558,276.00	Slovnaft
Timea Reicher	705,558,276.00	Slovnaft
Miika Eerola	705,558,276.00	Slovnaft
Ing. Vladimír Kestler	705,558,276.00	Slovnaft

Table 1.: Combined value of contracts by beneficial owner's companies

<b>Beneficial owner</b>	<b>Number of companies</b>	<b>Exemplary company</b>
Mag. Christian Harder	23	Strabag
Mag. Hannes Truntschnig	23	Strabag
Dipl. Ing. Siegfried Wanker	23	Strabag
Dipl. Ing. Peter Krammer	23	Strabag
Dr. Thomas Birtel	23	Strabag
Philippe Guitard	16	Veolia
Xavier Huillard	15	Eurovia
Miroslav Kot	15	Veolia
Ing. Peter Martinka	14	Veolia
Pierre Coppey	14	Eurovia
Ib Thrane	12	Marius Pedersen
Peter Schak Larsen	12	Marius Pedersen
Jens Mortensen	12	Marius Pedersen
Soren Klarskov Vilby	12	Marius Pedersen
Finn Buus Nielsen	12	Marius Pedersen

Table 2: Number of companies per beneficial owner.

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