



KNOW YOUR UKRAINIAN PARTNER

Foreign investors often make the same mistake by entering into agreements with Ukrainian partners without knowing anything about them. Some of the questions they should have asked include: is the company on the letter head actually registered? Who are the real owners? What do they own? Have they ever been sued for non-payment? Who are they connected with, if anyone? Truthful answers to these questions can often prevent disasters that await the investors down the road. Importantly, there are three different options for foreign investors to learn this vital information:

1. Obtaining official confirmation of registration with the State Statistics Service of Ukraine and/or the Regional State Administrations (an “extract” from the Unified State Registry of companies and organizations in Ukraine (Commercial Register). This document confirms that a certain company was duly registered, the name of the founders, and whether any bankruptcy proceedings have been initiated against them. It provides the absolute bare minimum information, and does not touch upon questions of real owners, their prior history, financial responsibility or connections. The official fee to obtain such an extract is approximately 10 EURO.
2. Obtaining an official document from the Chamber of Commerce. This is far from the best or the most reliable method of obtaining information because the entity in question may not be a member of this organization. If the company is a member, only the most basic information is available. Please note that in Ukraine it is not obligatory for a company to be registered at the Chamber of Commerce.
3. Obtaining background research from private investigators. In Ukraine, as in other civilized nations, it is illegal to gather information about private entities (legal companies and physical person). Many licensed private investigation agencies, however, routinely provide such services to clients for prices that usually range anywhere from Euro 1,500 to 2,500 in most cases.

In conclusion, many foreigners have discovered far too late that it is wise to know the real facts before jumping into a business relationship with any Ukrainian entity. And yet, the tools for obtaining that information was always at their fingertips...