

BENEFICIAL OWNERSHIP TRANSPARENCY



**INFORMATION CARDS
FOR BUSINESS**

1 WHO IS THE BENEFICIAL OWNER OF AN ORGANIZATION AND WHY IS IT IMPORTANT TO IDENTIFY THE BENEFICIAL OWNERS?

The beneficial owner of an organization is an individual who owns shares (participation rights) in a company or the individual who controls the organization by other means.

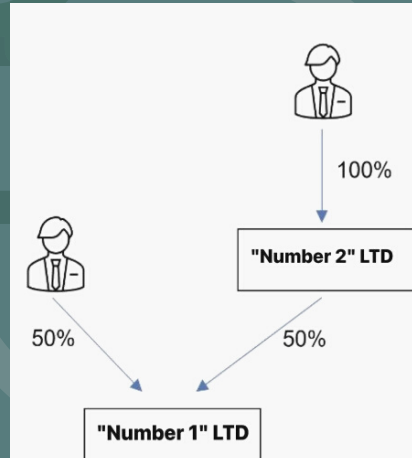
How does the owner of the company differ from the beneficial owner?

Another company may be the owner of a share(s) of the company. In such cases, the beneficial owner of the company is the individual who is at the end of the ownership chain of the company.

In case the shares of the company belong to an individual, then the participant of the company and beneficial owner of the company may match.

At the same time, if the shares of the company belong to a third company, the beneficial owner of the company is the individual who possesses the shares of the third company. This example is depicted in the figure.

There could also be an even more complex ownership chain between the company and its beneficial owner, with number of companies registered in different countries.



Why is it important to identify beneficial owners?

Members of the organization should almost never be responsible for the organization's actions. At the same time, in areas of particular importance to society, it is important to reveal who controls the activities of the organization, especially when the organization is committing acts prohibited by criminal legislation.

Identification of the beneficial owners of the organizations is an important preventive tool in the field of fight against financial crimes, especially money -laundering and corruption.

The system of identification of beneficial owners reduces the attractiveness of committing anonymous crimes by registering companies and allows effective detection of already committed infractions.

2 WHICH ORGANIZATIONS ARE REQUIRED TO SUBMIT A DECLARATION ON BENEFICIAL OWNERS AND HOW?

Armenia established a system to declare beneficial owners for organizations in the mining sector in 2019 and is in the process of expanding the requirements for beneficial ownership disclosure to other sectors.. According to the a new legislative package adopted on June 3, 2021, legal entities are required to submit a declaration in the following stages:

- **Starting from September 1, 2021**, organizations of in regulated public services sector[1] and organizations providing audiovisual media services[2] (TV and radio companies) will join the declaration system. These companies must submit declarations until **by November 1, 2021**.
- **From January 1, 2022**, all commercial organizations (limited liability companies, joint stock companies, etc.) join the declaration system, except for those limited liability companies whose participants are only individuals (there areis no companycompanies in the list of participantsamong its owners). These companies organizations must submit declarations until **by March 1, 2022**.

- **From January 1, 2023** limited liability companies with only individual participants, as well as all non-commercial organizations (NGOs, foundations, parties, etc.) also join the declaration system. These organizations must submit a declaration **by March 1, 2023**.

The data should be submitted through the bo.e-register.am webpage and updated within 40 days after any change of a beneficial owner occurs.

If no change occurs during the year, the organization confirms must confirm through the electronic system that the data of its beneficial owners is up to date, each year until by February 20.

The threshold for revealing the beneficial owner in the mining industry is 10% of the ownership shares, for other spheres of business - 20%.

The form of the declaration was approved by order of the Minister of Justice of the Republic of Armenia. August 8, 2021 No. 416-N. The declaration form is available [online](#).

3

WHAT SANCTIONS WILL BE APPLIED FOR VIOLATING BENEFICIAL OWNERSHIP DISCLOSURE RULES?

Violation of the legal rules related to the declaration of beneficial ownership disclosure can cause three legal consequences:

Administrative liability

Administrative liability can be applied to the responsible official of the organization (for example, executive director, chairman) for the following actions:

- Not submitting the declaration,
- Submitting the declaration in violation of procedures,
- Negligent submission of inaccurate or incomplete data, or
- Violation of due diligence rules.

If after initiating administrative proceedings and before adopting a decision applying administrative sanctions a violation of law is eliminated the person shall not be held liable.

Administrative Offenses Code of RA, Article 169.29.

Criminal liability

Criminal liability can be applied to the official of the organization, beneficial owner or participant of the organization for the following intentional actions:

- Submitting false information or concealing data that should be provided,
- Participant or beneficial owners providing false information by the participant or beneficial owner to the organization submitting the declaration, or concealing the data that should be submitted, or failure to respond to the an inquiry of the mentioned organization in question .

Liquidation of the legal entity by the court

In case of failure to submit a declaration for three consecutive years, or other repeated or gross violations of the legal rules of disclosure of the beneficial owner for beneficial ownership disclosures, the Agency for State Register of Legal Entities may apply to court requesting liquidation of the legal entity.

- ***Criminal Code of Ra, Article 216.1 (Article 294 of the New Criminal Code)***
- ***"On the state registration of legal entities, the state accounting of the allocated divisions, organizations of legal entities and individual entrepreneurs" Law, Part 6, Article 60.5***

4 HOW TO IDENTIFY THE BENEFICIAL OWNERS OF THE ORGANIZATION AND COMPLETE THE DECLARATION

The person managing the organization (e.g. the executive director) must make a reasonable effort to identify the beneficial owners of the organization and obtain information about them.

For this purpose, the organization may send inquiries to its participants, including representatives of the participating organization, requesting information about beneficial owners. The organization may also conduct inquiries concerning about persons they have suspicion could be beneficial owners. Under the law, Aforementioned these persons are obliged to answer respond to the inquiries of the organization within 20 days.

The organization receives must collect the personal data of beneficial owners, and documents confirming that they are beneficial owners, as well asand other documents essential to complete the declaration.

"On the state registration of legal entities, the state accounting of the allocated divisions, organizations of legal entities and individual entrepreneurs" Law, Article 60.2

- In case the a beneficial owner of the organization is a foreign citizen, authorized and translated documents confirming the identity of that person he latter are must be submitted to the Agency for State Register of Legal Entities. Documentation on other beneficial owners without foreign citizenship are not required to be submitted to the Agency, but must be stored in the organization for at least five years from the moment the person concerned ceases to be the a beneficial owner of the organization.

The declaration of beneficial owners should be submitted electronically through the bo.e-register.am website by the director or an authorized representative of the organization. On the website, the fields applicable to the organization are filled in, an electronic signature is placed in the generated file, and the submission it is sent to the Agency for State Register via the electronic system.

5 HOW TO ACCESS AND USE INFORMATION ON BENEFICIAL OWNERS

The information concerning beneficial owners of the organizations is available on the e-register.am website. In the "search" section of the site, it is possible to search for both organizations and beneficial owners.

The data concerning beneficial owners can be:

- Viewed online as a declaration;
- Viewed as a chart showing the ownership chain of an organization;
- Printed or saved as a PDF;
- Downloaded in Json format.

Json (JavaScript Object Notation) format enables the display of text data in a systematic way. Once downloaded, the data can be analyzed using other computer tools. Extensive analysis of such data can reveal, for example, cases when the same people control organizations in a certain field, as well as artificial intermediary organizations often used in ownership chains of various organizations, and so on. Such data can also be used, for example, by journalists to conduct investigations in areas of public interest or by public authorities to identify criminal schemes or financial abuses.

For example, the beneficial ownership register data of the United Kingdom and Ukraine were used to identify individuals involved in Beirut explosion of August 4, 2020.

The data of the UK beneficial ownership UK rRegister was also effectively used to identify illegally enriched officials for the purpose of confiscating their acquired property, as it happened in 2018 with the former Chairman of the International State Bank of Azerbaijan J. Hajiyev. Hajiyev, who took out \$9 billion from the country and with a part of laundered money bought made several luxury and expensive real estate purchases in the UK.

Early impacts of public registers of beneficial ownership: United Kingdom, Impact Story, April 2021, Open Ownership, 4, [online](#).



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