

BENEFICIAL OWNERSHIP TRANSPARENCY

**INFORMATION CARDS
FOR BUSINESS**

1 WHO IS THE BENEFICIAL OWNER OF THE 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.

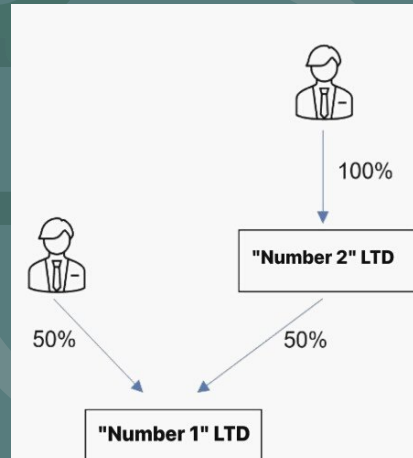
How does the owner of the company differ from the beneficial owner?

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

In case, if 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. The sample of the described property chain is shown in the picture.

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 the 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?

The system of declaring beneficial owners has been introduced in Armenia in the mining sector since 2019. According to the legislative package adopted on June 3, 2021, the obligation to submit a declaration for legal entities arises in the following stages:

- **Starting from September 1, 2021** organizations of regulated public services sector and organizations providing audiovisual media services (TV and radio companies) will join the declaration system. These companies submit declarations **until 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 is no company in the list of participants). These companies submit declarations **until March 1, 2022**.

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

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

If no change occurs during the year, the organization confirms through the electronic system that the data of beneficial owners is up to date, each year until February 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 THE RULES OF DISCLOSURE OF BENEFICIAL OWNERS?

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

Administrative liability

The 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 with violation of procedures,
- Negligent submission of inaccurate or incomplete data,
- Violation of rules of due diligence.

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.

Criminal liability

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

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

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 violation of the legal rules of disclosure of the beneficial owners, 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***

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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 get 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 persons they have suspicion could be beneficial owners. Aforementioned persons are obliged to answer the inquiries of the organization within 20 days.

The organization receives personal data of beneficial owners and documents confirming that they are beneficial owners, as well as 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 beneficial owner of the organization is a foreign citizen, authorized and translated documents confirming the identity of the latter are submitted to the Agency for State Register of Legal Entities. Other documents are not submitted to the Agency for State Register of Legal Entities, but must be stored in the organization for at least five years from the moment the person concerned ceases to be the beneficial owner of the organization.

The declaration of beneficial owners should be submitted electronically through 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 it is sent to the Agency for State Register via electronic system.

5 HOW TO GET 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 both organizations and beneficial owners.

The data concerning beneficial owner can be:

- Viewed online as a declaration;
- Viewed as a chart showing the ownership chain of an organization;
- Printed or save 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 be used, for example, by journalists to conduct investigations in areas having public interest or by public authorities to identify criminal schemes or financial abuses.

For example, the beneficial owners 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 Register was also effectively used to identify illegally enriched officials for the purpose of confiscating the acquired property, as it happened in 2018 with the former Chairman of the International State Bank of Azerbaijan J. Hajiyevev, who took out \$9 billion from the country and with a part of laundered money bought several luxury and expensive real estate 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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