
CLIENT NOTE

REGULATION OF DISCLOSURE OF BENEFICIAL OWNERS IN ARMENIA



The term “beneficial owner” was first used in the 1966 Additional protocol to the 1945 Double Taxation agreement signed between the USA and Great Britain.¹

According to Armenian Law, companies shall disclose their beneficial owners. Or summer interns from the French University in Armenia, together with our managing Partner have tried to explain the process of disclosure and the envisaged liability for not doing so.

In practice, there are many cases, when the owner of the legal entity is not its beneficial owner, which was causing a number of problems for a long time. Thus, in order to find a solution and ensure transparency in the sphere a number of legal changes have been done.

Firstly, the legal changes have been done in the Armenian Law “On Subsoil”, which stipulated that the legal entities working in this sphere are obliged to present information about their beneficial owners.

¹ Richard Collier “Clarity, Opacity and Beneficial Ownership”:
https://uscib.org/docs/BTR_Issue_Beneficial%20Ownership_Collier.pdf
<https://www.irs.gov/pub/irs-trty/uk.pdf>

Who is the beneficial owner?

The beneficial owner of the legal entity is a natural person that:

- directly or indirectly has a 20 percent or more participation (shares or stocks) in the organization's statutory capital,
- has a real (actual) control over the organization through other means,
- performs the general or current management of the organization.

What is the purpose of this regulation?

The anonymity can lead to many illegal functions, corruption, money laundering, financing of terrorism, and tax evasion. So, the purpose of the government was to create an open and publicly accessible register of beneficial owners of legal entities.

Under the new system the government expected to:

- Ensure data processing that is comparable to data processed under anti-money laundering legislation;
- Introduce new mechanisms for the reliability of the data of beneficial owners.

Some also claim that among the goals of this project, the following can also be mentioned:

- Fight against corruption;
- Trust in legal entities due to transparency of their activities.

The terms of presenting a declaration

After 1 January 2022 the declaration must be submitted by all commercial organizations registered in Armenia, with the exception of limited liability companies that have only natural person participants, and after 1 January 2023 also by limited liability companies and non-commercial organizations that have only natural person participants.

The procedure of submitting the declaration

The declaration about beneficial owners must be submitted up to 40 days after the registration of the organization. If the data about the beneficial owner is changed, then such change must be declared immediately after being acknowledged by the organization, but not later than up to 40 days.

Organizations are obliged to electronically submit the declaration about the beneficial owners and its further amendments to the State Register of Legal Entities of the Ministry of Justice by entering the organization's page in bo.e-register.am system and submitting the electronic declaration online.

Liability measures

1. **Criminal liability** is provided for

- submitting false information in the declaration or concealing the information to be submitted by the person who submitted the declaration on beneficial owners to the competent state body carrying out the state registration of legal entities, as well as;
- submitting false information on beneficial owners to a person submitting a declaration to a competent authority by a participant or beneficial owner of a legal entity, or for concealing the information to be submitted, or for not responding to the request submitted by the above-mentioned person within the time limit provided by law.

Several types of punishments are stipulated:

- a fine in the maximum amount of ten times the monthly income of the person who committed the crime, and if there is no income or it is impossible to establish its size, a fine in the maximum amount of ten times the minimum wage at the time of the commission of the crime
- deprivation of the right to hold certain positions or to engage in certain activities for a maximum period of three years;
- imprisonment for a maximum period of one year;
- short-term imprisonment for a maximum a period of two months.

2. **Administrative liability** is provided for violating the rules of disclosure of information on beneficial owners. In particular:

- A warning;
- imposing a fine from AMD 30.000 to AMD 100.000.

International practice

In recent years, in the process of identifying the beneficial owners a fairly complete legal and institutional base has been formed. The international legal basis of the process consists of the United Nations Convention against Corruption (2005), the EU Anti-Money Laundering Directive, and other documents, including the International standards for combating Money Laundering, Financing of terrorism, and Financing of proliferation of weapons of mass destruction (FATF, 2012).

Statistics of international practice

As of 2020, 64 states have made it mandatory to publish information about beneficial owners. Only 20% of East Asia and Pacific economies and 21% of African countries ask companies to submit information on beneficial owners. Out of the 64 economies where the declaration is

mandatory, 19 economies do not set a time limit for filing information on beneficial ownership. Moreover, less than 14% of low-income economies require this disclosure, compared with 51% of high-income economies.²

How can we help?

Our law firm has assisted many clients in properly identifying their beneficial owners, as well as has provided the necessary consultancy throughout the process.

NOTE: This material is for general information only and is not intended to provide legal advice

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² Beneficial ownership: increasing transparency in a simple way for entrepreneurs:
<https://blogs.worldbank.org/developmenttalk/beneficial-ownership-increasing-transparency-simple-way-entrepreneurs>