

Opening Extractives

Unlocking the benefits
of ownership data

Scoping Report

Beneficial Ownership Transparency in Armenia

The current regime and next steps

July 2022

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This report was produced as part of the Opening Extractives programme.

Opening Extractives is an ambitious global programme aiming to transform the availability and use of beneficial ownership data for effective governance in the extractive sector. The programme is implemented jointly by the Extractive Industries Transparency Initiative (EITI) International Secretariat and Open Ownership (OO).

The Opening Extractives programme combines political and technical engagement to support countries implementing beneficial ownership reforms and to enable the use of the data by governments, civil society, and companies over a five year period. It catalyses the use of this data to improve natural resource governance.

Scoping Study

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Executive summary

This report contains our assessment of the beneficial ownership regime in Armenia, and analyses current and planned reforms using the [Open Ownership Principles](#). Open Ownership (OO)'s nine Principles of Effective Beneficial Ownership Disclosure provide a framework for implementing comprehensive beneficial ownership transparency reforms, and assessing and improving existing disclosure regimes. They seek to generate actionable and usable data across the widest range of policy applications.

The Principles describe a range of policy, legal, systems, data, and technology characteristics that support publication of easy-to-use, accurate, and interoperable beneficial ownership (BO) data. These Principles were developed through OO's work developing the [Beneficial Ownership Data Standard](#) (BODS) and supporting almost 40 countries to advance BOT. The implementation of the Principles enables countries to meet and exceed relevant aspects of the Extractive Industries Transparency Initiative (EITI), Financial Action Task Force (FATF) and other international standards for disclosure.

Since the publication of OO's August 2020 [scoping study](#) on BOT in Armenia, the country has completed its pilot for BO disclosures in the extractives sector and has continued to make notable advances across multiple [implementation areas](#). The country has expanded the scope of its disclosures to cover all sectors by 2023, tightened its legal definitions, made a series of improvements to its data collection and publication systems, and became one of the first countries to [publish data in line with BODS](#). Such positive and notable advances reflect the iterative approach to implementation – in terms of its policies and procedures, as well as its technical systems and software – that the country has continued to employ.

Moreover, Armenia has confirmed its participation in the [Opening Extractives](#) (OE) programme; a joint initiative of the EITI and OO, through which it will continue to receive enhanced technical assistance and support across the range of tasks involved in producing high quality beneficial ownership data. Support under OE will be provided at least until the end of the initial project phase in June 2023, with further technical assistance potentially also available up until 2025.

This report is intended to help inform the next stage of reforms and technical assistance on BOT that will be provided under the OE programme. The main recommendations include that Armenia should prioritise: continuing work to expand the entities required to submit BO data; addressing issues with its BODS representation of declarations; and developing more enhanced systems for data verification.

Open Ownership Principles in Armenia

Below is a short analysis of how Armenia's disclosure regime compares against the nine topics within the OO Principles:

1. A central register

Armenia has implemented a central BO register in the form of its State Registry, under the Ministry of Justice. The country also has electronic data submission and publication procedures in place for this data. Though only a limited number of sectors are currently required to declare their beneficial owners, legislation will be extended to cover legal entities across the full economy from Q1 2023 (see *comprehensive coverage* below).

In 2021, the EITI Validation of Requirement on BO identified an issue related to the legal owners of closed joint-stock companies (CJSCs). It seems that there are legal barriers to disclose the legal owners of CJSCs as they are listed in a separate register. At the same time, information on CJSCs' beneficial owners is publicly available. 10 of the 26 companies holding mining permits in Armenia are CJSCs.¹

Recommendation:

- Armenia should seek to **overcome the legal barriers to the integration in its central register of legal ownership information for closed joint-stock companies.**

2. Robust definitions

Since the August 2020 scoping study, Armenia has taken steps to implement OO's recommendations regarding its legal definitions of BO. While the country previously had disparate definitions, including those included in its 2008 anti-money laundering legislation and a 2019 law on the registration of state entities, in June 2021 the government passed a new series of laws unifying its legal definition of beneficial ownership. This is in line with international good practice. The reforms can be expected to reduce potential confusion amongst data users and disclosing entities about exactly what information has been, or needs to be, reported to authorities. Moreover, it will reduce opportunities for declaring entities and individuals to exploit legislative loopholes by selecting elements of the various definitions that are most favourable to them, or using the

¹ EITI Validation of Requirement 2.5: Armenia,
https://eiti.org/sites/default/files/attachments/eng_validation_of_beneficial_ownership_in_armenia_2021_-_final_secretariat_assessment.pdf.

differences between definitions as a defence if authorities seek to apply sanctions for non-compliance.

Following the revisions in 2021, Armenia has a unified, robust definition of BO that specifies that a beneficial owner must be a natural person; can exercise ownership and control via a broad range of mechanisms (e.g. shares, voting rights, rights to appoint or remove board members, rights to other income from the firm); and can do so either directly or indirectly. If no individual qualifies to be disclosed under these criteria, for example where all beneficial owners possess stakes below the threshold level, the law obliges legal entities to report their general manager(s) as the registered beneficial owner(s).²

In addition, there is also evidence that the country has used a risk-based approach to setting its thresholds, in line with [emerging good practice](#). This is reflected in Armenia's decision to set a lower disclosure threshold (10%, instead of 20% for the rest of the economy³) for the extractives sector, which is considered to be at higher risk of corruption. Beneficial interests in the sector held by Armenian politically exposed persons (PEPs) and their immediate family members have no minimum threshold – again due to the more elevated risk of corruption, or conflicts of interest associated with such individuals.⁴

Recommendation:

- Armenia has implemented a robust definition and should **plan to conduct periodic reassessments of its threshold levels and legal definition** in order to address any potential loopholes that illicit actors find and begin to exploit. The need for such reviews has been underscored by concerns raised by local stakeholders about individuals seeking to evade requirements to disclose by reducing their ownership stakes to just below the current threshold level.⁵

3. Comprehensive coverage

Armenia is expected to have requirements in place for firms across the entire economy to disclose their beneficial owners by 2023. The country has passed legislation to introduce reporting obligations in stages in order to ease the administrative burden on state agencies involved, and to allow learnings from the early implementations to be applied for the later stages of the process. The country began by focusing on firms in the extractives sector, and their beneficial ownership

² Law HO-247-N, <https://www.arlis.am/DocumentView.aspx?DocID=153772>.

³ Law HO-246-N, <https://www.arlis.am/DocumentView.aspx?DocID=153756>.

⁴ Law HO-247-N, <https://www.arlis.am/DocumentView.aspx?DocID=153772>.

⁵ Open Government Partnership, Armenia Transitional Results Report 2018-2020, https://www.opengovpartnership.org/wp-content/uploads/2021/06/Armenia_Transitional-Results_Report_2018-2020_EN.pdf.

information was published in early 2021. From September 2021, public utility and media firms were obliged to submit their BO information, followed by most other legal entity types during 2022, with the exception of i) non-commercial organisations and ii) Limited Liability Companies whose ownership chain exclusively comprises natural persons. According to local legislation, reporting obligations for these latter two groups will enter into force from January 2023.⁶ Government implementers report that, as of March 2022, BO information from over 1,000 entities had been submitted, with more declarations received each day. The State Registry anticipated that over 100,000 entities will be required to make declarations in the first months of 2023 as disclosure requirements are extended to the rest of the economy.

In addition to its expanding sectoral coverage of BO legislation, Armenia's laws meet most aspects of the OO Principle of comprehensive coverage. Legislation covers a comprehensive range of entities in different sectors, with limited exemptions that do not, at this stage, appear likely to lead to significant loopholes in its disclosure regime. Both foreign and domestic beneficial owners are obliged to be included in declarations, and though there are exemptions for some listed companies, these only apply if the entity is listed on an exchange "where the criteria for identifying the real beneficiaries are equivalent to the criteria provided by the legislation of the Republic of Armenia"⁷ (see Sufficient Detail below). This system broadly follows OO's [recommendations for listed company reporting](#).

Recommendations:

- **Continue the rollout of requirements to disclose, ensuring that legislation obliging future BO declarations from new areas of the economy is fully implemented and enforced.** This includes ensuring that the State Registry is adequately staffed to deal with the anticipated influx of declaration submissions during early 2023.
- Once the next round of BO disclosures has been completed, Armenia should **conduct an analysis of the data to identify areas in which quality issues most frequently occur.** The results of this study should then be used to identify where data collection systems (or legislation) can be further tightened to improve the data output from the process.

4. Sufficient detail

Armenia's beneficial ownership declaration forms contain the key information necessary to identify and disambiguate beneficial owners. They include fields to disclose their full name, nationality, date of birth, ID number and date of issue, registered address, place of residence and contact

⁶ Law HO-246-N, <https://www.arlis.am/DocumentView.aspx?DocID=153756>.

⁷ Ibid.

information.⁸ For most legal entities, some details on intermediate entities in the ownership chain must be disclosed, namely the registration number plus the name of the head of the executive body for each intermediary. Fuller details on all intermediate entities must be provided for extractives firms.⁹ Details of how intermediaries are related to each other (to form chains of ownership or control between a beneficial owner and the declaring legal entity) are collected via the web portal interface. This information is made public only for extractive firms.

Companies that are listed on stock exchanges deemed by the Armenian government to have equivalent ownership disclosure requirements need not report this information in full again. Instead, they are required to submit a shorter declaration that includes details of the exchange on which they are listed.¹⁰

Some strengthening of requirements could also be included, for example to help capture additional details on foreign and domestic state-owned enterprises, but these do not represent serious shortcomings. Although the declaration forms largely collect sufficient detail on legal entities and beneficial owners, not all this detail is fully represented in the register's BODS data (see Structured data section below).

Recommendation:

- **Implement changes to BODS representation of data in the register**, as outlined in the Structured data section.

5. Public access

Armenia has enabled public access to BO information from the approximately 30 firms or so that operate in its extractives sector. For all other firms, details of “the name, surname, citizenship, date of becoming a real beneficiary of the legal entity” are available for free,¹¹ but access to further details, including visual representations of the ownership structure, requires payment of a small fee. Accredited journalistic organisations with a legitimate interest in accessing the data (e.g. when conducting investigations) can do so without payment of fees. BO data is only available to those accessing the register from an Armenian IP address.

In alignment with good practice on data protection, the country operates a system of layered access, in which certain BO data is available only to authorities, namely the details of the beneficial owner's ID document, company and residential addresses information, and contact information.¹²

Recommendations:

- To facilitate the increased use and impact gained from the publication of BO data, **Armenia should remove the block on individuals seeking to access the data in the e-register from a**

⁸ EITI Validation of Requirement 2.5: Armenia, https://eiti.org/sites/default/files/attachments/eng_validation_of_beneficial_ownership_in_armenia_2021_-_final_secretariat_assessment.pdf.

⁹ Law HO-246-N, <https://www.arlis.am/DocumentView.aspx?DocID=153756>.

¹⁰ Ibid.

¹¹ Ibid.

¹² Ibid.

non-Armenia IP address. This would enable foreign investors, civil society groups and others to utilise the data more easily as part of their due diligence and other investigations.

- Over the longer-term, the country should seek to further **improve the accessibility of BO disclosures by publishing in “open data” format, removing access fees and enabling bulk downloads.**

6. Structured data

Armenia initially published its disclosures for the extractives sector in an unstructured and non-machine readable format (scanned PDFs) in early 2021. This was an interim step while the register software was finalised and the information has subsequently been converted and made available in structured data format. Indeed, Armenia became one of the first countries to publish data using the beneficial ownership data standard (BODS) after it incorporated the standard into the design of its register software.¹³ The country has also integrated the [BODS data visualiser](#) directly into its register, enabling users to produce ownership graphs from the data easily, and facilitating the understanding and analysis of company structures.

There remains scope to improve Armenia’s implementation of BODS, including to utilise the new capabilities available under the [recently launched BODS v0.3](#). In September 2021, OO shared with Armenian government officials the conclusions of a detailed review. We had assessed four sample declarations to ascertain whether all information disclosed in the online/HTML version of the declarations was also available in the BODS JSON version. The review concluded that although much information in the online/HTML declarations was replicated in the BODS JSON, there is some crucial information missing, including details of the ultimate interests which mean a person qualifies as a beneficial owner. Other areas of declarations which have not always been accurately represented in BODS include: unique IDs, company registration dates, and details on information sources and company ownership chains.

Recommendation:

- **Improve Armenia’s use of BODS by applying the fixes that were outlined in OO’s September 2021 review.**

7. Verification

¹³ Open Ownership, “Armenia and Latvia become first countries to publish data in line with the Beneficial Ownership Data Standard”, <https://www.openownership.org/en/blog/armenia-and-latvia-become-first-countries-to-publish-data-in-line-with-the-beneficial-ownership-data-standard/>

Work on the verification of BO data in Armenia remains in its initial stages. Under Armenian law, the State Registry has responsibility for checking the accuracy of filings and the country has implemented some checks on data at the point of submission. Some automated checks are already in place, including cross-checking data on Armenian citizens with that contained in the passport database, and there are plans to autofill data on companies into the relevant sections of the BO declarations.¹⁴ There have also been discussions about technologically sophisticated solutions, and applying machine learning within verification, which have taken place during debates over possible future commitments in Armenia's next Open Government Partnership national action plan. It remains unclear what such systems would involve and how feasible or effective they would prove within the Armenian context.

The existing data checks within the register are at the point of submission, and are designed to ensure that the entered data corresponds to the expected format and values (e.g. forcing the input of a date in a particular format into the date of birth field). Such checks, whilst likely to minimise accidental data input errors, do little to address deliberate falsehoods. Armenian officials have also made improvements to these light-touch data checks and to its general data input systems following initial user testing. To minimise inconsistencies and errors, the country has sought to introduce as many dropdown fields as possible for data entry. This follows OO's recommendations on producing high quality BO data forms.¹⁵

Some documents are required to be retained by the declaring entity which could facilitate later checks after submission. These include documents confirming the identity and status of its beneficial owners, which need to be kept for at least five years from the date that the individual ceases to be a beneficial owner, and made available to authorities, within a maximum period of five days, upon request.¹⁶

For the mining sector, if inconsistencies in submitted information are identified by the state registry, these can then be referred to the Ministry of Territorial Administration and Infrastructure. BO data for this sector is publicly available without charge, and any stakeholder or individual can report, via a written submission to the State Registry, discrepancies in information to be investigated.¹⁷ This enables some informal checks on the data after submission by a broader range of users, but does

¹⁴ EITI Validation of Requirement 2.5: Armenia, https://eiti.org/sites/default/files/attachments/eng_validation_of_beneficial_ownership_in_armenia_2021_-_final_secretariat_assessment.pdf.

¹⁵ Open Ownership, "Beneficial ownership declaration forms: Guide for regulators and designers", <https://www.openownership.org/en/publications/beneficial-ownership-declaration-forms-guide-for-regulators-and-designers/>.

¹⁶ Law HO-247-N, <https://www.arlis.am/DocumentView.aspx?DocID=153756>.

¹⁷ EITI Validation of Requirement 2.5: Armenia, https://eiti.org/sites/default/files/attachments/eng_validation_of_beneficial_ownership_in_armenia_2021_-_final_secretariat_assessment.pdf.

not represent a comprehensive or systematic verification process. The EITI Secretariat in Armenia reports that it has performed its own manual verification of the data submitted by the firms operating in the extractives sector, and has identified a handful of minor issues which are in the process of being rectified.

Recommendation:

- **Adopt an iterative approach to the implementation of a more [comprehensive verification system](#).** This is due to be a key area of technical assistance under the OE programme and is anticipated to involve developing better systems for selecting and conducting enhanced manual checks of higher-risk submissions at the State Registry, as well as working towards automated checks of more fields in the BO register against those in other state registers. Implementation of such a system would provide a more solid basis from which to later explore more frontier verification technologies, including machine learning.

8. Sanctions and enforcement

A range of sanctions have been created in Armenian law for non-compliance with requirements to disclose BO information. These apply to the declaring entity, as well as to the individual responsible for submitting the declaration, and cover instances of non-submission, late submission, and “careless submission of incorrect or incomplete” data.¹⁸ Declaring entities are also legally obliged to maintain documentation confirming the identity and status of its beneficial owners.¹⁹

The sanctions provided for by Armenian law variously include: a fine of 30 to 100 times the minimum wage²⁰ or 10 times monthly income,²¹ bans on holding certain commercial positions or engaging in certain activities for up to three years,²² restriction of liberty for up to a year, or short-term imprisonment of up to 2 months.²³ The harshest of these sanctions apply to those who submit false data, or who seek to conceal BO data. Additional penalties are provided for within the extractive industries, namely the suspension or termination of permits to operate if BO data is not submitted by 120 days after the deadline.²⁴

¹⁸ Law HO-252-N, <https://www.arlis.am/DocumentView.aspx?DocID=153779>.

¹⁹ Law HO-246-N, <https://www.arlis.am/DocumentView.aspx?DocID=153756>.

²⁰ Article 169, Code of Administrative Offences, <https://www.arlis.am/DocumentView.aspx?DocID=164913>.

²¹ Article 294, Law HO-199, Criminal Code, <https://www.arlis.am/DocumentView.aspx?DocID=165138>.

²² Law HO-247-N, <https://www.arlis.am/DocumentView.aspx?DocID=153776>.

²³ Law HO-259-N, <https://www.arlis.am/DocumentView.aspx?DocID=153768>.

²⁴ EITI Validation of Requirement 2.5: Armenia, https://eiti.org/sites/default/files/attachments/eng_validation_of_beneficial_ownership_in_armenia_2021_-_final_secretariat_assessment.pdf.

As Armenia's register is still fairly new, and is without a comprehensive verification system, authorities have focused on cases of non-compliance involving non-submission or incomplete submission of BO information. In such cases, the government has been sending reminders to firms about their obligation to submit, stating that the information must be provided within 30 days to avoid an administrative sanction procedure.²⁵ Government stakeholders reported, in discussions with OO, that they had issued around 600 such reminders as of March 2022 and that they were proving effective at prompting firms into submitting their declarations within the deadline of 30 days of the letter. Investigation and sanction of firms and individuals for submission of inaccurate information –especially those involving deliberate falsehoods– will likely require the prior implementation of a more comprehensive system for verifying the data. Such a mechanism would help identify incorrect information and potentially provide the evidence required for any subsequent prosecution.

Recommendations:

- Consider **increasing investment in communication campaigns and other awareness-raising initiatives to help drive-up compliance rates**. This is particularly important ahead of the entry into force of the requirement for entities in all sectors of the economy to disclose BO data from January 2023.
- Continue to **build the capacity of the State Registry to conduct investigations into BO data submissions, and to integrate this functionality with a comprehensive verification system**.

9. Up-to-date and auditable data

Armenia's legislation states that when the BO structure of a company changes, subsequent to the initial submission, the declaring entity must inform authorities of the updated structure within a defined period, usually 20 days.²⁶ Newly registered entities are required to declare their BO information within 40 days of their establishment.²⁷ In addition, firms must annually either 1) confirm that the BO information held in the state registry is correct or 2) inform the government of any changes to the ownership structure.²⁸

The data that Armenia has gathered and published thus far is broadly up to date, although it is noteworthy that key information that enables the data to be auditable, such as the date a declaration was submitted, is not accurately represented in the BODS JSON data (see Structured data above).

²⁵ OO interview with government stakeholders, March 2022, <https://www.arlis.am/DocumentView.aspx?DocID=153772> and <https://www.arlis.am/DocumentView.aspx?DocID=153779>.

²⁶ Law HO-247-N, <https://www.arlis.am/DocumentView.aspx?DocID=153756>.

²⁷ Ibid.

²⁸ Ibid.

The first round of disclosures, for the mining sector, was submitted in February 2021 and most firms have reconfirmed or submitted updated ownership structure information since this date. Data from the next sectors covered by the legislation, public utility and media firms, has been submitted in the early months of 2022 and new declarations are being received on an ongoing basis.

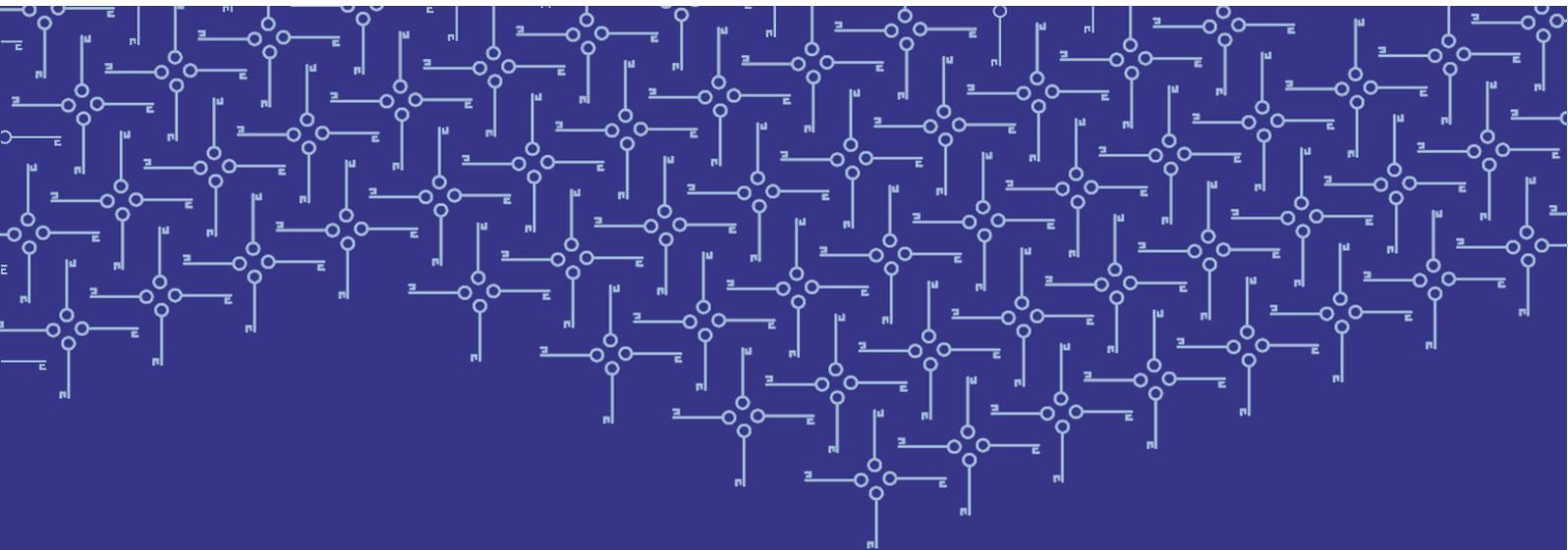
Conclusion

As most data has only been recently submitted, it is therefore broadly up-to-date and thus also compliant with the OO Principle in this area. Armenia will likely face mounting challenges to maintain current data in the future, as the number of entities required to declare BO information continues to expand throughout the economy.

Armenia continues to make solid progress with its implementation of an economy-wide public BO register. In some areas –for example, publishing its data in line with BODS – the country is among the leading implementers worldwide. The major improvements recommended for the next iteration of the register and Armenia’s disclosure regime, include:

1. Continue the rollout of requirements to disclose, ensuring that legislation obliging future BO declarations from new areas of the economy is fully implemented and enforced.
2. Implement changes to the representation of data in BODS within the register.
3. Adopt an iterative approach to the implementation of a more comprehensive verification system.
4. Further increase the use and impact of data by allowing individuals with a non-Armenian IP address to access the data.
5. Conduct periodic reassessments of its threshold levels and legal definitions in order to address any potential loopholes that illicit actors may find and begin to exploit.
6. Conduct an analysis of data disclosures to identify areas in which quality issues most frequently occur and seek to rectify these.
7. Increase investment in communication campaigns and other awareness-raising initiatives to help drive up compliance rates for future rounds of disclosures.
8. Continue to build the capacity of the State Registry to conduct investigations into BO data submissions, and to integrate this functionality with a comprehensive verification system.

Of the various recommendations outlined in this scoping study, the ones that will have the greatest impact on impact of Armenia’s register are 1) ensuring that all sectors eventually disclose their BO data; 2) rectifying errors in the representation of information from declarations in the data in the register; and 3) developing a comprehensive verification system to check the data. Collectively, these three measures would significantly improve the quantity, quality, and usability of the data, and help cement Armenia’s role as a global model to follow in the area of beneficial ownership transparency.



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