

EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE

**BENEFICIAL OWNERSHIP DISCLOSURE ROADMAP
OF THE REPUBLIC OF ARMENIA**



JANUARY, 2018

BENEFICIAL OWNERSHIP DISCLOSURE ROADMAP

According to the Extractive Industries Transparency Initiative (EITI) Standard (Requirement 2.5), from January 2020, all implementing countries must disclose their ultimate beneficial owners (including politically exposed persons - PEPs). According to the decision of the EITI Board, the Republic of Armenia should therefore publish a beneficial ownership disclosure roadmap by 1 January 2018.

Via an EBRD-funded project, the Republic of Armenia has been provided with technical assistance, to help prepare a legal review on beneficial ownership in Armenia and draft a beneficial ownership roadmap.

In collaboration with the Armenian EITI Multi-Stakeholder Group and the Armenian EITI National Secretariat, authorised state bodies and other stakeholders, the appointed local and international consultants presented a legal review on beneficial ownership disclosure in Armenia (which included a proposed beneficial ownership definition) and developed a beneficial ownership disclosure roadmap.

In order to ensure beneficial ownership disclosure in the Republic of Armenia, a number of legal amendments will be required. The responsible body for the development of relevant legislation is the Ministry of Justice of the Republic of Armenia jointly with the Ministry of Energy Infrastructure and Natural Resources of the Republic of Armenia.

Proposed legislative definition of “beneficial ownership”

A ‘beneficial owner’ is the natural person(s) who directly or indirectly ultimately owns or controls the legal entity.

A politically exposed person is considered a beneficial owner irrespective of the level and extent of ownership or control.

‘Ownership and control’ shall mean that the individual person(s) who ultimately directly or indirectly:

- a) owns or controls alone or jointly with family members and/or affiliated persons at least 10% of shares or voting rights in the legal entity;
- b) has control of the legal entity through ownership of priority shares, preference shares and / or shares with dual or multiple voting rights;
- c) derives a substantial economic benefit from the legal entity, comprising not less than 15% of the legal entity’s annual profit;
- d) holds the right to appoint or remove a majority of the directors of the legal entity;

- e) holds the right to exercise influence and control over the management and operations of the company or has the capacity to predetermine decisions through other means, including and not limited to contract, trust, management agreement, agreement on joint activities

For the purpose of applying the definition, 'politically exposed person' means an individual who has, or has been, entrusted with prominent public functions, as well as their family members and affiliated persons. The scope of politically exposed persons is defined according to the RA Law on Public Service.

For the purpose of the definition, the persons having blood relationship of up to the 2nd degree of kinship with a person or his/her wife/spouse shall be considered as members of immediate family. Persons having blood relationship with a him/her of up to the 2nd degree of kinship are the persons within the 1st degree of kinship, as well as persons within the 1st degree of kinship with the latter. Persons within the 1st degree of kinship are the children, parents, sisters and brothers.

For the purpose of the definition, legal entities shall be considered affiliated if:

- a) a legal entity with the right to vote holds 10% and more of voting shares (equity, stakes, hereinafter – shares) of another entity, or by the power of participation or agreement signed between these entities is capable of predetermining the decisions of the other entity;
- b) one third of parties in the managing body of a legal entity or other parties implementing similar functions or their family members are at the same in the managing body or implement similar functions in the other body;
- c) they have been acting in accord aiming at common economic interests.

For the purpose of the definition, legal entities and physical entities shall be considered related if they have been acting in accord aimed at common economic interests or if the physical person or a member of his (her) family is:

- a) a participant holds more than 10% of shares of the legal entity;
- b) has the capacity to otherwise predetermine the decisions of the legal entity;
- c) serves as the chairman of the board, deputy chairman of the board or a member of the board, executive director or vice-director, chairman of the directorate or a member of the directorate, chief accountant or deputy chief accountant, chairman of the audit commission or a member of the audit commission, or chairman of the inspection commission or a member of the inspection commission, or a member of other similar bodies.

**TIMETABLE OF ACTIVITIES AIMED AT THE DISCLOSURE OF BENEFICIAL OWNERSHIP
OF METAL MINING COMPANIES IN ARMENIA BY JANUARY 1ST 2020**

ROADMAP ITEM	OBJECTIVE	ACTIVITIES	RESPONSIBLE	DEADLINE	FINANCIAL ASSISTANCE
1. Legal and institutional framework for beneficial ownership transparency	Identify legal amendments necessary to ensure ultimate beneficial ownership (UBO) disclosure for metal mining companies in line with EITI Standard requirements and international standards	1.1. Legal report recommending definitions of beneficial ownership & PEPs of metal mining companies and texts for relevant legislative amendments	Consultant, MSG, RA Government Staff (EITI Secretariat)	29/12/2017	EBRD
		1.2. Based on the definitions of beneficial ownership & PEPs and the proposed roadmap, development of a list of amendments in other legal acts	Consultant	29/12/2017	EBRD
		1.3. Including new members in the beneficial ownership working group and choosing the member, who will draft a BO clause for MSG quarterly reports.	MSG, RA Government Staff (EITI Secretariat)	30/01/2018	RA Government
		1.4. Discussions of the definitions of beneficial ownership & PEPs, powers (authorities) of the state body responsible for collecting disclosure declarations, responsibilities/obligations of other cooperating state bodies, sanctions in case of violations of disclosure requirements and other issues with the relevant state bodies and other stakeholders (in particular, the National Assembly of the Republic of Armenia, the Central Bank, Ministry of Energy Infrastructure and Natural Resources, Ministry of Justice (including, Agency of the Public Register of Legal Entities), mining companies (through Union of Miners and Metallurgists of Armenia), civil society organisations)	MSG, RA Government Staff (EITI Secretariat)	28/02/2018	RA Government, USAID
		1.5. Presentation of the beneficial ownership disclosure roadmap of Armenia at the sitting of the Anti-corruption Council of the Republic of Armenia	RA Government Staff (EITI Secretariat)	09/03/2018	RA Government

		1.6. Develop a draft amendment law to the Mining Code, that defines as a mandatory requirement to disclose beneficial ownership data for metal mining companies, updating data when there are changes of ownership and applying sanctions if not disclosed	Ministry of Justice, Ministry of Energy Infrastructure and Natural Resources, MSG, RA Government Staff (EITI Secretariat)	27/03/2018	RA Government
		1.7. Elaboration of a package of draft amendments in other laws (in particular, Law on State Registration of Legal Entities, Code on Administrative Offences, etc.) to ensure the implementation of the proposed reforms and the business process as well as the distribution of responsibilities	Ministry of Justice, MSG, RA Government Staff (EITI Secretariat)	27/03/2018	RA Government
		1.8. Submission of the draft law on amendments to the Mining Code and other laws to the National Assembly and the time required for adoption of the law, paying particular attention to the fact that, irrespective of the legal organisational form, all metal mining companies should provide the same data on their ultimate beneficial owners, which will comply with the EITI Standard requirements and the definition of the ultimate beneficial owner according to international norms	Ministry of Justice, Ministry of Energy Infrastructure and Natural Resources, RA Government Staff (EITI Secretariat)	29/05/2018-28/10/2018	RA Government
		1.9. Submission of draft law on amendments to the Law on State Registration of Legal Entities to the National Assembly and the time required for adoption of the law	Ministry of Justice, Ministry of Energy Infrastructure and Natural Resources, RA Government Staff (EITI Secretariat)	29/05/2018-28/10/2018	RA Government
		1.10. Submission of draft law on amendments to the Code on Administrative Offences to the National Assembly and the time required for adoption of the law	Ministry of Justice, Ministry of Energy Infrastructure and Natural Resources, RA Government Staff (EITI Secretariat)	29/05/2018-28/10/2018	RA Government
		1.11. Study on the expediency of expanding the scope of the beneficial ownership disclosure in the upcoming years and development of an action plan associated with it	MSG, RA Government Staff (EITI Secretariat)	01/10/2018-30/12/2018	RA Government
		1.12. In case of non-adoption of legal amendments:	Ministry of Justice,	20/12/2018	

		<p>a) review of the roadmap, holding an information campaign, highlighting the importance of inclusion of the requirements for disclosure of the beneficial owners and PEPs in the legislation</p> <p>b) legal initiative: consultations with the relevant parliamentary committee (committees) and state bodies, development of a new package of draft laws</p>	Ministry of Energy Infrastructure and Natural Resources, MSG, RA Government Staff (EITI Secretariat)		
2. Data collection and verification procedures	Ensure that the ultimate beneficial ownership disclosure data is efficiently collected and verified, with the information shared within government systems	2.1. Discussion of options for collecting and processing mandatory data within the framework of disclosure and verification of beneficial ownership with the Agency of the Public Register of Legal Entities, Commission on Ethics of High-Ranking Officials, Ministry of Justice of the Republic of Armenia, Ethics Commission of the High Official Officials, Mining Agency of the Ministry of Energy Infrastructure and Natural Resources and the Central Bank (Financial Monitoring Centre) in order to include the selected option in the legal acts	MSG, Ministry of Justice, RA Government Staff (EITI Secretariat)	22/11/2018	RA Government
		2.2. Development of secondary legislation for disclosure of beneficial owners and verification of the submitted data, including the declaration form for disclosure of data on beneficial owners and PEPs, the procedure for submitting data, timing, the verification mechanism, as well as the list of data to be published out of submitted data and the list of supporting documents to the data presented in the declaration	Ministry of Justice, Ministry of Energy Infrastructure and Natural Resources, MSG, RA Government Staff (EITI Secretariat)	29/02/2019	RA Government, WB
		2.3. Adoption of secondary legislation regulating the issues listed in point 2.2, as well as other matters relating to disclosure of beneficial owners and verification of the submitted data	Ministry of Justice, Ministry of Energy Infrastructure and Natural Resources, RA Government Staff (EITI Secretariat)	31/05/2019	RA Government
3. Public beneficial ownership register	Publish a beneficial ownership register	3.1. Consultations with various state bodies (Central Bank, Agency of the Public Register of Legal Entities, "E-governance Infrastructure Implementation Unit" ("EKENG") CJSC) to help develop the ToR for the beneficial ownership register IT platform/database.	MSG, RA Government Staff (EITI Secretariat)	15/06/2019	RA Government

		3.2. Develop and approve a ToR for the beneficial ownership register IT platform/database, taking into account the need for interoperability of various information systems of the state bodies and the possibility of placing the information in open data format and information searching (at least bilingual, Armenian and Latin)	MSG, RA Government Staff (EITI Secretariat)	01/07/2019	RA Government
		3.3. Tender for the beneficial ownership register IT platform/database for selection of a company and signing a contract with the company	RA Government Staff (EITI Secretariat)	10/09/2019	RA Government, WB
		3.4. Delivery of beneficial ownership register IT platform/database	Selected company	10/11/2019	RA Government, WB
		3.5. Testing of beneficial ownership register IT platform and registration of the reporting companies in the system (if needed)	MSG, RA Government Staff (EITI Secretariat), mining companies, Agency of the Public Register of Legal Entities, selected company	13/12/2019	WB
		3.6. Public launch of the beneficial ownership online register	Agency of the Public Register of Legal Entities, RA Government Staff (EITI Secretariat), selected company	27/12/2019	RA Government, WB
4. Capacity building and awareness raising	Ensure there is adequate awareness and capacity for effective and efficient ultimate beneficial ownership disclosure before January 1st 2020	4.1. Stakeholder outreach and advocacy campaign on beneficial ownership disclosure	CSOs, RA Government Staff (EITI Secretariat)	01/06/2018-31/12/2018	USAID
		4.2. Development of a special section on the Armenian EITI portal, dedicated to beneficial ownership which includes a general FAQ on beneficial ownership in the mining sector in Armenia	MSG, RA Government Staff (EITI Secretariat)	30/03/2018	RA Government, WB
		4.3. Public awareness activities on legal amendments	MSG, RA Government Staff (EITI Secretariat)	12/10/2018	RA Government, WB
		4.4. Progress report on BO roadmap implementation	BO Working Group	21/12/2018	RA Government
		4.5. Training for the Government employees on the topic of beneficial ownership disclosure	RA Government Staff (EITI Secretariat)	17/05/2019	RA Government, WB
		4.6. Training on enforcement of secondary legislation for MSG and companies	MSG, RA Government Staff (EITI Secretariat)	14/06/2019	RA Government, WB

		4.7. Training for companies on uploading information to the beneficial ownership register IT platform/database	Union of Miners and Metallurgists of Armenia, RA Government Staff (EITI Secretariat)	13/12/2019	RA Government, WB
		4.8. Awareness raising activities on beneficial ownership disclosure for mass media and CSO representatives	MSG, RA Government Staff (EITI Secretariat)	13/09/2019	USAID
		4.9. Training on using the public beneficial ownership online register for mass media and CSO representatives	MSG, RA Government Staff (EITI Secretariat)	27/12/2019	USAID