



Private Sector in the Beneficial Ownership Transparency Reform in Armenia



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Abbreviations

BODS	Beneficial Ownership Data Standard
BOT	Beneficial Ownership Transparency
BOR	Beneficial Ownership Register
BO	Beneficial Ownership
EU	European Union
RA	Republic of Armenia
EITI	Extractives Industry Transparency Initiative
FOICA	Freedom of Information Center of Armenia
MoJ	Ministry of Justice
OGP	Open Government Partnership
SME	Small and medium enterprises
MSG	Multi-stakeholder group

1. Introduction

In 2018, the RA government initiated a holistic reform process in the field of beneficial ownership¹ (BO) transparency and included a special commitment (№3) in the fourth Action Plan (2018-2020) of Open Government Partnership initiative of the Government of Armenia². The commitment aimed to implement a common mechanism for identifying the real owners of all sectors of business companies (including non-commercials at the latest stage) through the creation of a comprehensive and freely accessible public register of beneficial ownership³. The established public register would help to identify conflicts of interest when an official owns a company, help identify monopoly situations when companies share the same ultimate owner and ensure proper tax collection by revealing offshore ownership⁴.

The legislative framework was established accordingly in the last couple of years. At first, as a pilot activity only the mining sector companies were required to submit their BO declarations⁵. In 2020, the Government began publishing beneficial ownership data for extractive companies. Having refined its definition of beneficial ownership, the Armenian government was set to publish beneficial ownership data across all economic sectors, and to improve the quality and accessibility of data by publishing it in a standard, open and machine-readable format, albeit only on an individual, per-record basis, rather than a bulk dataset. Despite recent political unrest, the government, civil society and industry have been keen to make progress in ownership transparency⁶.

In April 2020, mining companies began submitting BO declarations through electronic registry. In 2021 Armenia started publishing data on beneficial ownership in a machine-readable format, in accordance with the Beneficial Ownership Data Standard (BODS)⁷. From September 1, 2021, public service regulatory organisations and audio-visual media service providers (media companies including radio and TV stations, and cable networks registered by the RA Commission on TV and Radio) joined the group of legal entities which should submit mandatory BO declaration via the online system. From January 1, 2022, all other commercial organisations joined the group of legal entities required to submit mandatory BO declarations. And starting from January 1, 2023, all legal entities (commercials and non-commercials) registered should submit their declarations to the State Registry via the online system.

¹ According to the Armenian legislation, the beneficial owner of a legal entity is the natural person to whom the organisation actually belongs or who actually oversees the organisation. The criteria for becoming a beneficial owner of a legal entity are prescribed by law available at: <https://www.eiti.am/en/beneficial-ownership-disclosure>.

² See the OGP 4th Action Plan of the RA Government for 2018-2020 <https://ogp.gov.am/en>.

³ Public registry is available at: bo.e-register.am.

⁴ Open Government Partnership, *IRM: Armenia Design Report 2018-2020*, https://www.opengovpartnership.org/wpcontent/uploads/2019/10/Armenia_Design-Report_2018-2020_EN.pdf.

⁵ BOT is the public disclosure of the ultimate beneficial owners of companies (and other legal entities) i.e. the natural people who is at the end of ownership and control structures. The BO transparency process is an important tool in the fight against money laundering and tax evasion. It also helps to reveal the hidden benefits and business interests of politicians, government officials and people involved in public administration.

⁶ Armenia's path to beneficial ownership transparency and data use, <https://eiti.org/blog-post/armenias-path-beneficial-ownership-transparency-and-data-use>.

⁷ BODS is available at: <https://standard.openownership.org/en/0.2.0/>.

During November-December 2022, the researchers' team composed of two experts, an independent researcher Harutyun Tsatryan and FOICA president Shushan Doydoyan, worked together to map the BOT reform's impact on the private sector in Armenia, clearance (simplicity) of registry requirements for the entities (commercial ones mostly) and how those are accepted by the private sector. We are pleased to present this report, "Private Sector in the Beneficial Ownership Transparency Reform of Armenia" to the wider audience and look forward to seeing solutions on the challenges the BOT reform might bring to the private sector.

With the support and understanding of the Center for International Private Enterprise (CIPE) the researchers agreed and undertook this desk research on the private sector using for the case studies for beneficial ownership transparency mostly media companies as a business model. This report considers the use of case studies of transparency of beneficial ownership data for the media business in RA⁸.

The researchers studied the level of engagement of the private sector in BOT reform in Armenia, assessed benefits to the private sector (exemplified by the media companies) of having reliable information on beneficial owners publicly available, compliance amongst the private sector actors with the new BO reform, the role private sector companies can play in the reform and make necessary recommendations on effective messaging strategies supporting the BOT reform, strengthening the private sector in using it for their benefits and advancing the role of the private sector in the reform. This paper also examines the current context for BOT reform in Armenia, sets out the findings of research and makes conclusions and recommendations for all stakeholders actively involved in the process.

For the purposes of this report, a private sector company is any for-profit legal entity that is not government owned. This would include limited liability companies, joint stock companies, publicly listed companies and partnerships, for example. The term company(ies) will be used in the report as shorthand for all such entities. In our understanding the private sector includes not only companies that produce goods and supply services in all sectors of an economy but also those companies that provide professional services to the private sector including banks, lawyers and accountants. Taking into consideration the country context and specificity of Armenia, mostly media companies (private ones only) were on the main focus of the research team.

2. Research deliverables and methodology

The researchers developed a methodology to deliver four objectives:

- Identify the engagement level of the private sector in BOT reform,
- Impact of the established BO registry on the private sector,
- Compliance amongst the private sector with the new BO registry,
- Dispel concerns on transparency of media business in Armenia.

The three-part methodology consists of:

1. Data collection

⁸ Since 1st September of 2021, the audio-visual service providers (media companies) must submit their declarations to the MoJ of RA, filling out the declaration form via the online system: bo.e-register.am.

The research is methodologically innovative in the ways it seeks to understand how the BO registry and the BOT reform in Armenia discursively engage and manage to influence on private sector (exemplified with the media companies). This enables the analysis to focus not only upon the finished ‘product’ of influence, but also to see the actual process of constructing that finished ‘influence’.

In order to examine the impact in this way and answer the research questions above, data collection for this research used the method of structured interviews with a questionnaire. The data collection aimed at capturing interactions from 16 professionals: media managers of companies and leaders of newsrooms that are from both younger and older generations. A questionnaire was shared with the media managers with a request to answer the questions in a written way. Taking into account the busy routine and enormous workload of media managers in Armenia, several interviews were conducted by the researchers online or via phone call.

The list of the media companies (private) is based on the country context research documents done by several organisations: International Republican Institute (IRI) in late 2021⁹ and in June of 2022¹⁰ presented “Public Opinion Survey: Residents of Armenia” where a specific approach is given to trustworthy media, the “Caucasus Barometer 2021-2022”¹¹ by CRRCA-Armenia brings more data on the ranking of the media companies and “Media consumption in Armenia 2021”¹² research done by the Media Initiatives Center and presented in early 2022 brings another angle, reporting on reforms, to the media field in Armenia. Overall, 16 leading private media companies were listed based on the above-mentioned research documents.

2. Data analysis

With data analysis the object of the research became centered on the ways in which private sector representatives (media companies) are organised through certain sets of interpretative practices to construct a version of reality or a version of reproducing. This method is interested not so much in the ‘WHYS’ of the data (i.e. why was it done like this, and by whom?), but more the ‘HOWs’ (i.e. how it was done in for a particular context). This form of analysis transforms a respondent from a ‘passive vessel of answers’ to someone who ‘not only holds facts and details of experience, but, in the very process of offering them up for response, constructively adds to, takes away from and transforms the data.

Researchers also used the ‘human touch’ by conducting several interviews asking what the new BO registry means to the actors and how particular individuals experience it within their organization and what challenges they faced when filling in the BO declaration forms. This method was a kind of the combination of qualitative and quantitative methods. Comparative analysis, which researchers used for implementation and completion of the thesis, allows reaching useful conclusions and come up with several recommendations for all parties: private sector, the government implemented the reform and the general public.

3. Report delivery

⁹ https://www.iri.org/resources/public-opinion-survey-residents-of-armenia/armenia-final-ppt_31-01-2022_eng/.

¹⁰ https://www.iri.org/resources/public-opinion-survey-residents-of-armenia-june-2022/iripoll2022presentation_crrc-armenia_public-slides_cisr-approved/.

¹¹ crrc.am/wp-content/uploads/2022/06/Barometer-2021_pptx_ENG_Final_14.06.22.pdf.

¹² https://mediainitiatives.am/wp-content/uploads/2022/01/MICE-Presentation_ARM.pptx.

This report captures the context and background to the research, findings from data collection and data analysis, and actionable conclusions and recommendations.

3. Country context

Currently Armenia is implementing an economy-wide public beneficial ownership reform as a part of the government's efforts to combat corruption and meet international commitments. In 2018, the government included a special commitment (№3) in the 4th Action Plan (2018-2020) of Open Government Partnership initiative¹³ of the Republic of Armenia, assuming the obligation to ensure the publicity of the beneficial ownership data of all sectors of business through the creation of a public registry.

On November 23, 2018 the Government of Armenia approved the Fourth Action Plan of OGP initiative of the Government of the Republic of Armenia for 2018-2020 years with the decision of the Prime Minister [N 1307 - L](#) of November 15, 2018. To note, 6 out of 11 commitments of the OGP Action Plan were proposed by civil society organizations. In particular, the commitment related to the BOT reform was introduced by three organizations: Transparency International (TI), Freedom of Information Center of Armenia (FOICA) and Armenian Lawyers' Association.

As it was mentioned by one of the interviewed media managers, "This reform would not have happened in Armenia in such a large scale if there was no support of the civil society in this process. Based on previous practices with such essential reforms, the process would have already been failed if there was no active involvement and continuous support of non-profit and civil society organisations. Several organisations were more active in this regard than some government bodies. This reform is the achievement of CSOs too."¹⁴

The 3rd commitment titled "Open and public beneficial ownership" was commenced in November 2018. The lead implementing agency of the commitment was the State Registry under the RA Ministry of Justice; however, other bodies were also involved: the state administration bodies, civil society and the private sector. By adopting the OGP Action Plan, the Government was committed to develop and implement a common mechanism for identifying the "real owners of companies" operating in RA, creating and launching a comprehensive open and freely accessible register of beneficial owners. OGP challenges addressed by the commitment were publicity, accountability, enhancement of public integrity, innovation.

The relevance to OGP values was quite clear: the register should provide access to actual owners' information, increase public confidence, increase transparency and public control, and thereby improve the accountability of companies. The commitment was exclusive for Armenia and other OGP member countries. Armenia tried to have an effective tool for civil society and the state

¹³ The Republic of Armenia joined the OGP initiative on 17 October 2011 and had implemented three action plans to that date. The commitments included in the OGP action plans so far cover social, legal, financial, community, mining and other sectors.

¹⁴ From the interview with the representative of a media company.

agencies to determine the ultimate beneficial owners in all sectors of the business operating in RA. This commitment was designed as a comprehensive and inclusive program, which would lead to positive changes including a huge impact on the fight against corruption and money laundering.

As it was mentioned above, as a pilot, the BOT reform was introduced in the mining sector. All mining companies started submitting their BO declarations to the State Registry in 2020. In view of the importance of the mining sector to the economy of the Republic of Armenia, transparency and accountability still are of particular importance and urgency. Aiming to attract foreign investments particularly in the mining sector, and access to reliable information for public sector and business circles, BOT reform was foreseen as a precondition for it. This register also would help to identify conflicts of interest when an official owns a company, help identify monopoly situations when companies share the same ultimate owner and ensure proper tax collection by revealing offshore ownership.¹⁵ This commitment was closely linked with the requirement of the Extractive Industries Transparency Initiative (EITI) 2016 standards to disclose beneficial ownership of oil, gas, and mining companies and it allowed Armenia to meet its obligations under the EITI Standard¹⁶.

Armenian EITI Multi stakeholder group (MSG) by January 1, 2018, approved, published and presented to the EITI international secretariat [the roadmap for the disclosure of the beneficial owners of mining companies](#), which was developed by international and local consultants, in collaboration with the MSG, the EITI secretariat, the state authorities and other stakeholders including active members of the civil society. The roadmap was presented at the session of the Anti-Corruption Council of Armenia held on March 22, 2018, with the aim of informing and further formulating it to the government decision. An inter-agency working group was set up in order to develop draft legal acts ([Decree 297-A of the Prime Minister of the Republic of Armenia, dated March 27, 2018 "On Establishing of inter-agency working group"](#)).

Following these processes, all necessary legislative amendments were adopted accommodating a full basis for the reform's implementation. The legislation established the framework necessary to meaningfully advance beneficial ownership transparency and implement an open register of ultimate beneficial owners. The legislative package was based on a comprehensive analysis of international experiences on issues such as the Beneficial Ownership Data Standard, the definition of beneficial owners, verification and registration mechanisms, and the range of required documentation. In addition, the development of the legislative package included consultations with stakeholders, such as representatives of civil society and the private sector, and the presentation of a consolidated package to the Prime Minister's Staff.

In April 2019, the Parliament adopted amendments to the law on state registration in order to define beneficiary ownership and the scope of information to be included in the register.¹⁷ The Parliament also adopted amendments to the RA Mining Code to require disclosure of beneficial owners by mining companies.¹⁸ In March 2020, the government adopted a decision on the list of

¹⁵ Open Government Partnership, *IRM: Armenia Design Report 2018-2020*, https://www.opengovpartnership.org/wpcontent/uploads/2019/10/Armenia_Design-Report_2018-2020_EN.pdf.

¹⁶ EITI Requirements, available on 14/12/2022 [<https://eiti.org/eiti-requirements>]

¹⁷ "RA Law on State Registration of Legal Entities, State-Record Registration of the Separated Subdivisions of Legal Entities, Institutions and Private Entrepreneurs," dated 23 April 2019, Armenian Legal Information System, <https://www.arlis.am/DocumentView.aspx?docid=130252>.

¹⁸ "RA Law on Making Supplements and Amendments to the RA Subsoil Code," dated 23 April 2019, Armenian Legal

beneficial ownership data subject to being published.¹⁹ In April 2020, mining companies began publishing information on beneficial owners on e-register.am in PDFs. Preparation of the software for open data took some time and process, and Armenia started providing data on beneficial ownership in a machine-readable format, in accordance with the Beneficial Ownership Data Standard, in 2021.

Thus, Armenia 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 joined the group of pioneer countries in the field of beneficial ownership transparency. Along with Latvia, Armenia has become one of the first countries to publish beneficial ownership data in line with Open Ownership's [Beneficial Ownership Data Standard](#) (BODS).²⁰ BODS provides a framework for collecting and publishing beneficial ownership data, resulting in data that is interoperable, more easily reused and of higher quality.²¹

It was designed for the ultimate beneficial owners of all companies operating in Armenia within the State Registry which would be responsible for the technical implementation and discussions with civil society and the private sectors. The database is open and freely accessible to the public and ensures adequate use and search capabilities.

The Armenian public register also makes use of the open-source [Beneficial Ownership Visualization System](#) to generate easy-to-understand [visual representations](#) of beneficial ownership structures for companies declaring in line with BODS.

Disclosure of data about the beneficial owners of the legal entities is important and challenging not only for the developing countries. The general idea within the EITI and OGP 4th Action plan was to have unified platform for revealing the BOT data for the public. It was a long process and cooperation with the international partners; however, the final results were the most important for the government²².

By 1st March 2023 all companies (commercial and non-commercial should submit their BO declarations to the State Registry and this data should become publicly available. According to the data spread by the State Registry, approximately 78,000 limited liability companies (with the participation of natural persons) and 11,000 non-commercial organisations are required to submit a declaration on BOT. The number of all companies in duty to submit a BOT declaration is more than 89000²³.

Information System, <https://www.arlis.am/DocumentView.aspx?docid=130250>.

¹⁹ "Decision of the Government of the Republic of Armenia on the Definition of the List of Data Subject to Publication (Provision) in the Declaration of Beneficiary Owners," dated 26 March 2020, Armenian Legal Information System, <https://www.arlis.am/DocumentView.aspx?DocID=140718>.

²⁰ See this example <https://www.e-register.am/en/companies/1340197/declaration/c51e08a7-6fdb-4ab7-a55c-c74a68a8f54c>.

²¹ See "Armenia and Latvia became first countries to publish data in line with the Beneficial Ownership Data Standard", <https://www.eiti.am/en/news/2021/09/06/armenia-and-latvia-became-first-countries-to-publish-data-in-line-with-the-beneficial-ownership-dat/114/>.

²² <https://www.cipe.org/blog/2022/10/20/democracy-that-delivers-347-pioneering-beneficial-ownership-reform-in-armenia/>

²³ Official response was provided to the FOICA by the State Registry, on 8 December, 2022.

The timetable for BO declaration submission

The law requires that all legal entities registered in the Republic of Armenia need to submit BO declarations. 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 information.²⁴ 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.

The circle of persons with the obligation to submit a declaration was expanded in the following 3 stages:

First stage: Organisations carrying out activities in the sphere of regulated public services and providing audio-visual media services need to submit declarations from 1 September to 1 November 2021.

Second stage: All commercial organisations registered in the territory of Armenia need to submit declarations from 1 January to 1 March 2022, except for limited liability companies with only participants who are natural persons.

Third stage: Limited liability companies and non-commercial organisations with only participants who are natural persons need to submit declarations from 1 January to 1 March 2023.

The finalized form of BOT declaration, the list of legal entities which should submit their BOT information to the public register, is based on [order N 416-N](#) (available only in Armenian) made by the Minister of Justice of RA on 30 August, 2021.

To submit the declaration, it is necessary to log into the website of the State Register at **bo.e-register.am**, create **an account for the entity** and fill out and submit the electronic declaration online. Liability is prescribed by law for failure to submit the declaration within the time periods and under the procedure established by law or for submitting false information.

As of 26 December 2022, 2,275 declarations BO declarations were submitted to the State Registry and registered through the electronic application system which also accepts the ones coming after the official deadline (1 March 2022) of the submission. Furthermore, the system is not tracking the date of submission, so highly likely the results can be changed on daily basis. However, this is less than 50% of all entities required by law to submit their BO declarations by 1 March, 2022. The number of entities that have the mandatory request to submit their BO declaration is above 5000 according to the State Registry.

As mentioned above, the very first stage of the reform covered media companies with audio-visual services. Media sector was in need to submit declarations from 1 September to 1 November 2021. If before, media companies were active users of the BOT data coming from the mining sector companies and helping the State Registry to verify declarations, after that date they became also a legal entity required to submit BOT declaration. As of 26 December 2022, all audio-visual media

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

companies registered by the Commission on TV and Radio of Armenia have submitted declarations to the State Registry. It worth mentioning that the list of the media companies includes only TV and radio stations, and cable networks. Several online media and traditional press were not yet the subject of the declaration, as some of them are registered as a non-commercial (non-profit organisation). In addition, the State Registry system is not developed in the way to separate media companies from the ones that are providing other services or products. According to several media managers, this is another issue why the law on media in Armenia should be prioritized earlier than the BOT reform.

3.1 Engagement level of the private sector in BOT reform in Armenia

According to the government representatives and the State Registry, during the last couple of years the country has made noticeable progress towards implementing the publicly available BO register. In the meantime, for ensuring full and compliant implementation of this comprehensive reform, awareness and engagement are preconditions.

- **Lack of awareness among the private sector on the reform**

Based on our observations and interviews with the private sector representatives, not all legal entities were sufficiently aware of the BOT related tasks, and some of them didn't even fulfil the mandatory criteria on timely manner when being asked to submit their BO declarations back in 2021 within the first wave of the BOT data collection. This is also obvious when we study the numbers and facts provided by the State Agency on data from 2021. Thus, the lack of awareness can be listed as one of the key challenges for the private sector while implementing the BOT reform.

In 2021, due to non-fulfilment of the mandatory obligation to submit the BO declaration by around 150 legal entities, the State Registry applied measures of administrative responsibility defined by law. A warning was issued against 15 legal entities for not submitting BO declaration on a timely manner.²⁵ However, on the basis of submitting the revised BO declaration, an incentive norm was applied to 130 legal entities and the administrative proceedings were terminated. The other proceedings were terminated too, as the company representatives did not reply. Based on data from the interviews, it was learnt that several media companies could not provide their BO declaration on time, so the State Registry opened a proceeding on this issue. However, it was closed soon as those media companies could manage to submit the declaration after getting a notice on opened proceedings.

Those numbers of proceedings are quite impressive taking into account the fact that the majority of representatives of media companies who were our interviewees mentioned that their company provided all necessary information within the given deadline. However, it was not well organized and best communicated process as several issues were faced by the private sector when filling in the declaration forms via the online system. Several questions (lines) from the form needed to be clarified again and again. Also, the system brought technical difficulties towards the users. Even

²⁵ The numbers and figures were provided by the RA State Registry.

though there is series of video explanatories on the website of the State Registry, not all the system users are aware about that when trying to fill in the BO form.²⁶

To raise awareness of the business on the reform there have been a number of initiatives run by the civil society²⁷ and the government, however, apparently, those are not yet giving the expected results.

I don't see enough resources used by the government or the State Registry to raise our awareness on mandatory BO declaration. Amongst private companies and the ones active in the regions, there is lack of awareness. It always happens like this: the government makes needed changes based on its international obligations, those can be good or bad, that's not a matter of my concern, but the actors are not aware of the situation touching them directly. The main reason for having lack of awareness is simple and clear to me: the government does not have effective messaging strategies. I need to follow the news to learn about the obligatory processes, however, the state bodies and agencies should inform me directly via a specific messaging channel. I know that next year many more private companies will face legal issues, as I don't see any proactive awareness campaigns from the government in the regions.

from the interview with the managing director of a private product providing company based in Armenian region

The obligation extends to commercial entities, therefore the proper awareness is a must, otherwise, problems may arise and deepen, as it is well known that a lack of knowledge of the law requirements does not exempt from responsibilities. The register is available online, but legal entities are not well informed alongside with the general public how to use it. We could not ensure that the Armenian society has skills and knowledge to check who is behind the media before the content consumption. This is what several interviewees were worried more. According to media managers some non-profit organisations are more interested in public awareness than the government.

I welcomed the idea that media organisations were amongst the first private companies providing BO information to the State Registry. The public should have knowledge and awareness about the media organization and their BOs. They need to know people who are behind this or that media company. However, first we were in need to define all media companies by law. For example, who is behind a YouTube channel with a huge audience? How should the media company be defined by law?

from the interview with the representative of a media company

However, the State Registry representatives are sure that they don't have mandatory obligation to send any notification on a personal basis, but there is an automatic system sending notification to

²⁶ Some promotional videos are available at: https://www.e-register.am/am/docs/642?fbclid=IwAR0zds_KJBEJQ2PoYX8lt1o0ZeC5Uf4wQ3L2ReS9INDR-UQaU9UccwXE95g.

²⁷ For example, FOICA has been one of the key active players towards greater awareness and education on the topic. In 2020-2022, FOICA organized a series of public discussions with the media companies to inform them about the benefits of the reform as well as to discuss possible challenges for the media field.

See details: <http://www.foi.am/en/current-projects/item/2299/> and <http://www.foi.am/en/current-projects/item/2309/>.

the legal entities on the email addresses which were used when registering the company. Also, the Commission on TV and Radio of the RA from their side sent a notification to the audio-visual media companies about the mandatory requirement of BO declaration. Based on the practices, the State Registry is getting also many notifications on undelivered messages, as the email addresses are not in active use by the legal entities or the ones used when registering are not active anymore.

- **Lack of verification mechanisms**

Main challenges faced by the government while implementing the BOT reform are linked to the validation of the provided data by the legal entities. The State Registry has responsibility for checking only the accuracy of filings. According to the interviewed representatives of the State Registry, the Agency has the presumption and believes that the data presented by the legal entity is credible as long as there is no fact-based doubt about it. Sometimes some technical inaccuracy can be found when doing the checking of the forms, and the Agency informs about this before confirming the declaration on system. The company is given a time to eliminate inaccuracy.

The Agency has limited human resources to be able to conduct a full content verification of the BO declaration. The verification of the data provided by the legal entities is mentioned by several interviewees as the main challenge for all parties including the government. CSOs and media companies also face some difficulties when checking the data, as not all of them have full access to the State Registry.

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.²⁸ This enables some informal checks on the data after submission by a broader range of users, but does 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.²⁹

Additionally, taking into account that the BOT is a new mechanism for most of the countries, including Armenia, it's understandable to face challenges never faced before. Through implementing the structured interviews with the private media company representatives, we have learned that Armenia when implementing the BOT reform, is facing specific problems and has its own road map to find solutions. At the moment, the Ministry of Finances has under discussion the implementation of a new e-procurement system which is under development. Several new regulations are to be implemented within this system: for example, the companies, which will take part in process of public procurement, should also provide their BO data in advance. This will encourage legal entities to be transparent and provide up-to-date information on their BO declarations. The government will benefit from this as well.

²⁸ <https://eiti.org/sites/default/files/2022-07/Armenia%20Scoping%20Report.pdf>, page 11.

²⁹ Ibid, page 12.

- **Data reliability and accuracy**

There are many concerns about the reliability of the data in the register and that it is still possible for an ultimate beneficial owner to disguise their ownership and avoid appearing in the register. The law and current legislation give some chances not to be fully accountable. Media representatives raise concerns that some companies provide inaccurate data in their BO declarations and since there is no verification mechanism in place, journalists can't fully rely on the accuracy of the published data. The public can't be sure if the person who is presented as a real owner of a legal entity is correct, as the staff of the State Registry is not checking the correctness of information. It's up to the legal entity to provide correct and reliable information, which was always a problem in Armenia, as told by several interviewees. So, the BOT reform seems to them as a formality, another bureaucratic approach, but not a solution to the problem.

Ensuring the accuracy of BO data can be a powerful tool in the hands of media companies and civil society to prevent and identify corruption risks, as well as raise the issues in the field, promoting publicity and accountability. BOT was a very ambitious reform initiated by civil society in collaboration with the government. However, it is very important that the government takes steps to help society in playing an active role in the process of using the data of the actual real owners from the register. Unfortunately, I can't see any realistic strategies from the government on this matter.

from the interview with the representative of a media company

- **Proceedings by the State Registry and termination of the cases**

Another challenge is the process of proceedings by the State Registry and the termination of them based on the law. The cooperation with law enforcement departments "is not well designed" by the law and regulations according to the interviewees. In 2022, 1,118 administrative proceedings were filed by the Registry, of which about 300 were terminated on the basis of eliminating the non-fulfilment of the obligation. A warning has already been applied to 115 legal entities.

According to the State Registry representatives, the process of notification and the duration of the proceedings are limited by law: only 15 days are given to go with a proceeding. If there is no response from the legal entity, then the proceeding should be terminated. However, there is a new legal initiative which submitted by the Agency to be changed in the law as if a legal entity doesn't provide the BOT declaration on time, it can't make any changes later in the statute of the company or change the shareholders. Also, if a company does not provide the BOT declaration 3 years in a row, the State Agency can start a process of dissolving the company.

Also, by the current law if the Agency finds any inaccuracy meaning a falsified piece of information, it can inform to the General Prosecutor's Office. However, up to now there are no any reports from media companies or by CSOs submitted to the State Registry on falsified data of the companies BOT declarations, and there is no any case when the State Registry acts as mentioned in the law.

According to the media companies' representatives, proceedings started just to show that the State registry is working and doing something. However, in reality, the Registry, as mentioned by several interviewees, has no real mechanisms to do the checking and verification. This just means that the Agency keeps just the formality. There are no cooperations seen by the media representatives with the law enforcement departments and the Agency. Bodies such as police or investigative committee of RA should also be actively involved in the process of verification of the data provided by the legal entities in their BO declaration, otherwise the Agency should involve new task forces to have capacity for the random check, or comparisons between the new and old declarations on BO.

Another data received from the Agency shows that starting from September 1, 2021, only 333 declarations were submitted to the Agency and registered through the electronic application system. There is no data about the percentage of the organisations not fulfilling the obligation. All media representatives who were interviewed by the researchers were fulfilled on time the obligation to submit their BO information to the Agency. There is no public data available for the other media companies. The Agency has not announced whether their proceedings touch media companies or not. In general, there are no names and identification when it comes to the proceedings. Also, there are no cases when a company is fined by the state due to not providing the mandatory BO declaration. This makes the media companies have unserious approach to the BOT reform.

Finally, some of the representatives of media companies are not sure that the approach the State Registry has (to check when there is a special report on data of declaration) is the correct way. At the moment there are several media companies providing audio-visual services which submitted BO declaration where the person behind the company is not correctly mentioned.

The Armenian media sphere is quite small, so everyone almost knows everyone and who is behind of this or that media company. There are some exceptions, of course. That's good that the State Registry wants to get correct information and they contact you if there is an inaccuracy in the BO declaration, however, not checking the reality of the provided information is not the right way. It should not be a formality. One can go to the State Registry's website and check who is the beneficial owner of a concrete media company, but strangely the information is not correct for some media companies. And there are no proceedings on this.

from the interview with the news programs head of a media company

As of 26 December 2022, only 2,275 BOT declarations were submitted to the Agency through the online platform bo.e-register.am. In the period from January 1 to March 1, 2022, when almost all legal entities were asked to submit mandatory declarations, the number of legal entities required to submit their BOT declarations have exceeded 5000. This means that more than 50% of the legal entities have not submitted their mandatory BOT declarations.

- **Specific skills needed to fill in the BO declaration**

Interviewees mentioned that mostly their accountant or the lawyer of the company is taking care of the BO declaration submission tasks. Specific skills are required to fill in the form, as one who has no or less background of the BOT declaration, can't easily understand what to do. According to the media managers, there was a need to clarify many lines: the wording is not user friendly.

- **Public access and low level of usage of BO data**

For data verification and validation, it is of utmost importance that the public and civil society has a full and free access to the declared BO data. The Government has enabled public access to BO data for the mining sector companies. However, for other private companies, details of “the name, surname, citizenship, date of becoming a real beneficiary of the legal entity” are available for free, but access to further details, including visual representations of the ownership chains, structure, requires payment of a fee. One person from each media company with a legitimate interest in accessing the data can do so without payment of fees. BO data is only available to those accessing the register from an Armenian IP address.³⁰

As it was also mentioned by the media managers, not many newsrooms are using it for the appropriate purposes. Based on our analysis, it has huge potential, but to attain this potential, the register will have to be fully populated and measures put in place to ensure the data is reliable. Also, journalists should be actively involved in capacity building events offered by the specialized CSOs such as FOICA.

I am not sure that all media teams know about the BO register and how useful it can be for them. We have started a series of interviews to inform colleagues and the public about the new BOT register, and what type of information can be found there. Now, looking back, I would say that it was a good idea. Partnership between media and civil society organisations should continue and expand to help journalists to understand the potential of information from the register.

from the interview with the head of programs of a media company

However, our respondents are not sure that they have achieved their main goal: the register as a source of information is not popular amongst journalists at the level they would like to see. Of course, it's understandable that there are media teams actively using the register as a good source of information to find important links between the companies and their real owners, politicians and their business interests, but it's not enough to speak about the register as a popular source for media.

It seems from the interviews that some media companies were engaged at the highest possible level, but that is not an example to mention for all. There were media companies which filled in the BO declaration just not to be fined by the state. Highly likely, the level of engagement of the Armenian media companies in BOT reform as a beneficiary is still quite low.

³⁰ <https://eiti.org/sites/default/files/2022-07/Armenia%20Scoping%20Report.pdf>, page 8.

Based on our interviews with media companies representatives, the private sector appears to have made limited use of the BO register due to low levels of awareness of the potential uses and benefits, the early stages of implementation and the register not yet being fully populated with data.

I don't have much knowledge about the BOT reform or when it has started or implemented. Frankly speaking, I just followed the news about the law change and it made me speak with the owner of our media company to be sure that everything will be submitted on time. Some of our journalists went to the training courses to learn more about the usefulness of the BO register. They learned how to use the register as a source of information for their daily work and investigations. That's good that we have those kinds of opportunities, otherwise, the register can be a tool in the hands of government to press the media and shrink the space for free speech.

from the interview with the news programs head of a media company

Several leading and trustworthy media companies (with their representatives the researchers had interviews) use the register as a source of information for investigating the ownership of companies where they suspect conflicts of interest, corruption or other illegal activity.

We have a program where the journalist made her stories on the information received from the State Register and other open sources. It's about the public money and how the government spends our money buying products and services from different private companies, sometimes linked to the politicians who are in the government. Our journalists are happy to see that all private companies in Armenia including also non-profit organisations and political parties should provide BO information soon. Factually, the BOT reform can help our team to continue their work on longer perspective.

from the interview with the representative of a media company

3.2 Compliance amongst the private sector with the new BO register

Several media organisations' representatives found difficulties when they were asked to fill in the BO declaration form via the electronic system. Some media managers were helpless when facing the declaration form first time in 2021. According to them, they could get some help from lawyers of the company or the accountancy department. Most of them have not submitted a request to find who is the person standing behind of their media. It's obvious that before implementing the BOT reform and involving media companies within the first stage, the government and/or the State Registry could provide enough time for the media companies to help them understand the need of the declaration form and the logic how to fill in it. Some respondents mentioned the fact that they made several calls for the help or clarification. With this it's clear that much time was spent for getting comprehensive information about the form.

There should be a training course or a practical workshop on how to fill in that BO declaration form. One can go to the Beneficial Ownership Electronic Declaration System and see that there are some tutorial videos. That's good to have them, but it's not very useful in practice.

from the interview with the representative of a media company

Almost all media representatives who were interviewed have mentioned that they could manage and submit the mandatory BO declaration on time. However, most of them were not well aware of the need of this declaration. The government could not inform them about the need of the declaration on BOT properly, so only media companies which have lawyers could get the comprehensive understanding of the BOT reform. The others are still struggling to understand why government asks for the BO information if there is no clear law on media yet.

Another issue, mentioned by the private sector representatives, is the content and questions from the BO information form. According to the respondents, some questions are general, but some – quite specific and not related to their field of operation. Based on the data gained from the interviews, it's obvious that there should be a consultation with different actors of the private sector to come up with the unilateral form which can be the most suitable for all. However, current BO declaration form seems fine to the media companies' representatives if the State Register can be clearer with the questions.

I believe that the BO declaration form can still be changed positively to help the private sector to understand the lines easily, without extra clarifications. Some questions have no sense to me. When I was asked to fill in the form first time, it was quite unclear what type of information is requested and how I can provide on behalf of our company.

from the interview with the managing director of a media company

There are also several technical problems when filling the declaration form. According to the respondents, the online system is not working properly. The filled in information is not saved automatically, and the user can easily be logged out from the system. There are also ongoing concerns amongst the private sector representatives why the state wants to get information about them if everything is provided on their website already. Being controlled by the state agencies and giving pressure tools to the government are foreseen as one of the reasons for some private companies.

We are fine to provide BO information to the State Registry. We also publish on our website our annual financial reports. However, we are not fully informed in which context the information can be used later by the government if they don't like our activity or media coverage about their actions. That's our main concern regarding this BOT reform which, to my understanding, was just implemented very quickly and without enough awareness and preparation for media.

from the interview with the editor in chief of a media company

Finally, some public services (including media companies) filled in the same declaration form as the private companies did. This brings several issues including the information about the person who owns the company which provides public services. For example, the Public Radio company should be registered on someone's name, however, the owner is the public.

I was surprised when I found a question about the beneficial ownership of the Public Radio where I am the general manager. It belongs to the public, I am not standing behind this media, so there is no owner or a person as a shareholder. However, I was asked to fill in the form on my name. That's incompliance in our

case. Maybe it's fine for all private actors, but this BO declaration form needs to be changed.

from the interview with the general manager of the Public Radio of Armenia, former head of the private media company

The Agency of State Registry, according to the interviewees, has not checked data provided in the BO declaration, otherwise, there should be some questions. It was the very first time in 2021, when the media companies were asked to submit mandatory BO declarations, and some of them were not sure if the provided information is correct. Strangely, none of the media companies' representatives we had interview mentioned the fact that the Agency started a proceeding to check their data. This makes media representatives think that the new BOT reform is just another formality and bureaucracy add-on to their daily work.

To sum up, based on the information received from the State Registry that all media companies providing audio-visual services submitted their BOT declaration, it's obvious that media companies got used to the BOT register and the reform. Highly likely they will resubmit their BO declarations next year on time. However, main stream media mostly does not use the register as a reliable source of information. Lack of skillful journalists and interest in the BOT reform from the main stream media makes the data of BOT declarations not been fully checked. There are only some small media organisations which are interested in data inaccuracy of BOT declarations presented on the website of the register, but it's not enough to perform the reform in its full capacity, as the main stream media should also cover investigations using the register as a source of information.

3.3 Impact of the BOT Reform on the private sector in Armenia

The impact of the new BOT on the private sector is not well understood by the most of media companies' representatives. Based on our structured interviews, it's obvious that there is also some resistance, lack of desire on the part of the business to provide BO declaration and be sure that it will be updated in case of changes. The analyses of our interviews show that BO reform brings more bureaucratic approach and makes them to do extra work. But the benefit coming from the reform, both for the country and the private sector is much bigger and more influential.

With the BOT mandatory declaration, the current media ecosystem can be cleaned and become more transparent. Media can be more responsible to the public too. Based on the other research results on media transparency, media as a business is not quite proactive in being one of the transparent sectors in Armenia. If previously you never knew who is behind the media, this reform can be helpful if the partnership will be developed between the state and media companies.

Many oligarchs still have their ties with media companies. There are always rumors and publications about the ownership of this or that media company. Some media companies still provided their BO declaration without a request to find who is the owner of the company. In the declaration form the name of the executive director is mentioned as the beneficial owner. And the Agency is not proactive in checking this information. With the BOT the public can get more transparent information about the ownership of media. Of course, there are things yet to be changed to help the media ecosystem, but it's already good.

from the interview with the head of programs of a media company

Speaking about the media as a business some respondents are happy that from the next year all other companies registered in Armenia must provide BO information. Their journalists will get a good and comprehensive source of information to continue their investigations when trying to find who are the real people behind the companies. There is a huge impact which is not understood by the most media companies and private sector at all. The reason regarding the media companies is obvious: not all journalists and media teams know how to use the BO register as a source of information for making investigations and publications.

I don't want to blame anyone; however, the new BOT brings more advantages to media companies starting from the next year than disadvantages regarding the bureaucracy it may cause to private sector.

from the interview with the representative of a media company

Identification of the beneficial ownership chains of private sector is an important preventive tool for the detection of financial crimes, especially in the field of money laundering and combating corruption. The BOT system is foreseen to reduce the attractiveness of committing anonymous crimes by registering companies and allows more effective identification of already committed crimes. However, this impact is not taken as a benefit for the media companies.

In the same way, the other benefit that the private sector can receive, for example, in the form of investments, is also great. However, this impact was not mentioned by the respondents of our structured interviews. In practice, investors do not want to deal with companies doing secret,

hidden deals. Also, investors do not want to invest in a company that may be involved in, for example, money laundering or other corruption deals and transactions. And one of the first circumstances that justify the new BOT is how responsible and open the company is in disclosing the data of its real beneficiaries³¹.

There are also a set of concerns on transparency of media business in Armenia. Armenian media companies' representatives agree that transparency of media ownership was a crucial issue for struggling against fake news and disinformation. Media companies are assured that public knowledge of media owners' identities can prevent abuses of media power, such as corruption in the media system, monopolies in the media, as well as undue influences over the media.

Some media managers expressed their fears that BOT reform might create a threat for the freedom of press. According to them, if the BOT register is not used correctly, it can be turned into an instrument to pressure the media in Armenia. This is the most vulnerable issue expressed by the media companies, as any attempt of the state control can ultimately contain some risks of interference. On the other hand, the lack of awareness on who owns the media can eventually make the process fail. So, a golden balance here is of utmost importance. Based on the mandatory BO information provided by media companies, it's up to the civil society, rather than state agencies, to play a significant role in the monitoring and verification of data and identifying any potential inaccuracy or false information.

Apart from the above-mentioned challenge, the media environment should be protected and considered carefully with regard to BO reforms. The civil society and media may continue to think of innovative methods to apply the beneficial ownership information. For example, by researching other companies owned by shareholders of major media outlets, any ties the owners have to local and national political actors and the financing of political parties and electoral campaigns. Or they could consider developing new tools that would help the public and the users of the register to become aware of any potential bias a media outlet might have in its reporting, based on business interests of its owners.

An independent media house, Civilnet, recently revealed the investigation³² based on the BO declarations of the TV companies that submitted their mandatory BO information. However, these kinds of pieces are limited, thus very important. Considering the number of legal entities (including non-commercials) required to submit their BOT data next year, mainstream media can also try to come up with these kinds of ideas.

In the meantime, public discussions with all stakeholders, with media associations, private media companies should be a regular process. Discussions are also important so that a public demand will be created on access to business ownership, and the public will be concerned on becoming aware that it's their rights and legitimate interest to have access to who owns the media business.

³¹ For example, data from beneficial ownership registries in the United Kingdom and Ukraine were used to identify individuals linked to the explosion of August 4, 2020, in Beirut. The data of the BOT register of the United Kingdom is also effectively used to identify officials who have been illegally enriched and to confiscate the acquired property, as happened in 2018 with the former president of the International State Bank of Azerbaijan, who took 9 billion dollars out of the country, and with a part of the laundered money, bought some luxurious and expensive real estate in the UK.

³² The article "Who are the owners of TV companies" is available in Armenian at: <https://www.civilnet.am/news/687511>.

As mentioned earlier, main stream media should develop a strategy to start using the register as a reliable source of information. The lack of skillful journalists can be compensated within the topic related workshops and training courses which CSOs are providing (FOICA is amongst those CSOs which provide training courses for journalists on BOT register). This engagement of the main stream media will help to perform the BOT reform in its full capacity.

Finally, understanding the fact that the Agency of State Registry has limited resources of staff and capacity, civil society groups should be granted with complete and free access to public registry to apply public control over the BO data verification process.

4. CONCLUSIONS

1. Armenia continues to make a progress with its implementation of BOT reform being among the leading implementers worldwide.
2. There is a serious lack of information among all actors and stakeholders. This is true especially for the media companies, other business companies, political parties and non-profit organisations.
3. The state registry provides a potential valuable source of information for the private sector as well as other stakeholders including the media. However, there is a lack of understanding how to use that. Mainstream media is not interested in this topic and do not cover it regularly.
4. A few media organisations and journalists are interested in BO data provided by the legal entities. However, full potential still remains unused also because of lack of full public access to the published data.
5. The private sector appears to have made limited use of the BO register due to low level of awareness of the potential uses and benefits.
6. Few media companies use the BO register as a source of information for investigating the ownership of companies where they suspect conflicts of interest, corruption or other illegal activities. Media practitioners are also lacking proper skills and knowledge to use the published BO data.
7. Concerns are high about the reliability of the data provided in the BO register. The State Registry has limited capacities, staff and toolkit for verification of the provided information.
8. It is still possible for an ultimate beneficial owner to disguise their ownership and avoid appearing in the register. The law enforcement departments are not united and available mechanisms are not synchronized to provide full support to the Agency of State Registry on the proceedings.
9. In the BO declaration form for the legal entities some questions are quite general, some – quite specific and not related to specific form of the companies.
10. The benefit coming from new BOT, both for the state and the private sector is much bigger and more influential than the disadvantages of bureaucracy.

5. Recommendations

The following recommendations are developed that would significantly improve the quantity, quality and usability of the BO data, and help cement Armenia's role as a global model to follow in the area of beneficial ownership transparency.

For the government and state agencies:

1. There should be a consultation with different actors of the private sector to come up with the unilateral form of BO declaration which can be the most suitable for all.
2. Conducting awareness raising campaigns are essential with targeting the private sector to highlight how to fill in and use BO data. Communication campaigns and other awareness-raising initiatives will help drive-up compliance rates.
3. For verification purposes, an analysis should be conducted 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 can be further tightened to improve the data output from the process.
4. Establish a mechanism of verification of the BO data from the State Registry. Do random check of the information provided by the private sector to avoid any speculations in the BO data of a company. Involve the law enforcement bodies in the process of verification of BO data provided by the legal entities.
5. A feedback mechanism should be established in the public register allowing all users to report suspected inaccuracies.
6. Conduct an analysis of data disclosures to identify areas in which quality issues most frequently occur.
7. Giving full access to the State registry information all CSOs and other interested groups, not only to some journalists or media. The access fees should be removed.
8. Make sure that all companies will submit BO data to the State Registry on time and to keep that information up to date.
9. Capacities of the State Registry should be advanced to conduct investigations into BO data submissions, and to integrate this functionality with a comprehensive verification system.

For the media companies and private sector:

1. Help the public to access the BO data and understand how to read and use it and what the reform means for them.
2. To attain a full potential of the information that the register gives.
3. Prepare media campaigns and ensure that the register is fully populated.
4. Take measures to ensure the BO data is reliable.
5. Take measures towards advanced media self-regulatory framework.
6. Train staff members and journalists on usage of the BOT register as a source of information for stories and investigations.
7. Prepare investigative artless revealing beneficial owners of business companies, cover this topic regularly and keeping the public eye open on it.

For the CSOs active in the field of fight against money laundry and corruption

1. Work with the media organisations which have at least a journalist who has full access to the information of the State Registry.
2. Proactively check the publicly available BOT declarations of the businesses which could have ties with the government officials and representatives, and most importantly **report** on it to the State Registry.
3. Train the staff members on how to use the State Registry as a source of information and use this information of their organization's mission.
4. Take part in the awareness raising campaigns or organize own campaigns in regards to the BOT reform and how useful it can be for the business.
5. Play an important role in verification process of the BOT declarations and publicly raise concerns if they find inaccuracy in the declarations.

ANNEX

List of media and private companies which representatives were interviewed by the researchers' team

- 168 online (interview dated on 18/11/2022),
- 5th TV channel (interview dated on 16/11/2022),
- A1+ online TV (interview dated on 15/11/2022),
- Armenia TV (interview dated on 03/12/2022),
- Azatutyun TV (interview dated on 12/11/2022),
- Civilnet (interview dated on 15/11/2022),
- Factor TV (interview dated on 15/11/2022),
- HETQ online (interview dated on 14/11/2022),
- Hraparak (interview dated on 19/11/2022),
- Kentron TV (interview dated on 04/12/2022),
- Lratvakan radio (interview dated on 14/11/2022),
- Mediamax (interview dated on 11/11/2022),
- News.am (interview dated on 03/12/2022),
- Public Radio (interview dated on 13/11/2022),
- Shant TV (interview dated on 01/12/2022),
- Yerkir Media TV (interview dated on 02/12/2022),
- SARERI BARIQ" social enterprise (interview dated on 13/11/2022),
- Mantashyants Entrepreneurs Union (interview dated on 14/11/2022),
- Argrain LLC (interview dated on 14/11/2022).
- Agency of State Registry of Legal Entities (interview dated on 20/12/2022 and 23/12/2022)