

POLICY BRIEF

Current state and future trajectory of Beneficial Ownership Transparency (BOT) in Armenia

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This policy paper was supported by the Center for International Private Enterprise (CIPE).

December 2024

INTRODUCTION

This policy brief outlines the current status of BOT reform in Armenia, highlights key achievements and gaps, and provides recommendations for international and in-country actors.

Armenia became one of the pioneer countries in the world to successfully ensure beneficial ownership transparency (BOT) of all business sectors. As an Extractives Industry Transparency Initiative (EITI) member, Armenia has [committed](#) to beneficial ownership transparency for the extractives sector in 2017. Following this, in 2018 the Government of Armenia (GOAM) has initiated an economy-wide holistic reform on BOT as a part of the government's efforts to combat corruption and meet international commitments. The GOAM has included a [commitment](#) in the Open Government Partnership 4th [National Action Plan 2018-2020](#) to ensure beneficial ownership transparency of all business sectors. In 2019 Armenia has made a strong [commitment](#) to BOT as part of the [Beneficial Ownership Leadership Group](#). In 2020 the GOAM launched the [Multi-Sector Register](#) (MSR), a comprehensive open and freely accessible public register of beneficial owners. Later in 2021 the MSR started capturing and publishing data in line with [Beneficial Ownership Data Standard](#) making Armenia one of the two countries in the world together with Latvia which publishes BO data in the innovative standard.

The preliminary phase of the comprehensive reform covered the extractives sector. In the second phase, starting from September 1st, 2021 public service regulatory organizations and audio-visual media service providers also started to submit mandatory BO declarations. In the final third phase, since January 1st, 2023 the reform has been extended to all sectors of business. According to the State Register of the Legal Entities (SRLE), as of December 1st, 2024, the Multi-Sector Register includes **111,727** BO declarations submitted by companies across all sectors (commercials and non-commercials).

FINDINGS

Armenia has made significant progress in implementing ambitious reform agenda on beneficial ownership transparency, however a few challenges remain in terms of legislation, enforcement, data verification, interoperability and public accessibility of beneficial ownership data.

Legislative Framework

In 2021, Armenia introduced amendments to the Law on State Registration of Legal Entities, mandating that companies of all business sectors disclose their beneficial owners to the State Register of Legal Entities. There are two main legislative gaps which cause obstacles for full implementation of the reform. First gap is related to the **lack of regulations on verification mechanisms** allowing to ensure data verification and accuracy. Companies may submit incomplete or inaccurate information due to limited enforcement mechanisms and weak penalties for non-compliance. In addition, lack of comprehensive verification processes undermines the credibility of the available data and creates huge risks for the efficiency and public trust of the reform. Within the [Anticorruption strategy implementation framework](#)

(subsections 4.7 and 4.8), a package of legal amendments was developed and is pending in January 2025 to ensure that a comprehensive data verification mechanism is applied. Under the proposed amendments, the administrative process will be conducted electronically. Additionally, the legislation establishes risk criteria for companies, enabling the e-system to flag companies associated with specific risks by applying a special note for red flagging. The risk criteria include mining companies, companies with 2 billion turnover, and companies which do not submit their BO declarations more than 3 years.

Another challenge is related to the **public access to BO data of the financial institutions**. Under Armenian [legislation](#) (Law on the State Registration of Legal Entities, Their Separate Subdivisions, Institutions, and Individual Entrepreneurs, Article 1, Clause 2), organizations registered by the Central Bank are not required to submit a BO declaration to the State Register (these are, for example, banks, credit and investment companies, insurance companies corporate investment funds, currency funds, etc.). While these organizations submit their beneficial owners related data to the Central Bank, this data is not publicly accessible, which creates risks for the BOT reform in terms of low public oversight.

The lack of transparency regarding changes in company shareholders is another challenge. Currently, the BO declaration indicates the percentage of shares held by the beneficial owner. If there is a change in ownership, such as a transfer of shares, the declaration updates to reflect the new beneficial owner. However, it does not specify the reason for the change. For instance, it does not clarify whether the transfer occurred through a sale or a donation. This lack of complete data could be critical in certain sensitive sectors, especially when some owners attempt to conceal their connection to a company by donating their shares to other individuals. This information could be highly valuable in uncovering potential corruption-related schemes.

Multi Sector Register for Beneficial Ownership

A central online [Multi Sector Register](#) (MSR) was created and became publicly available containing complete data about the beneficial owners of companies of all sectors. It allows the public and the civil society to easily access ownership information, fostering informed debate and civic engagement. The public register helps journalists to expose hidden interests, flag illicit activities or uncover tax evasion schemes.

All commercial and non-commercial registered companies are required to submit beneficial ownership declarations annually as well as when changes occur. The [Beneficial Ownership Data Standard](#)¹ (BODS) is applied to help facilitate integration of the MSR with the e-procurement system and the Corruption Prevention Commission system, and address data verification challenges. Efforts are underway to improve inter-agency data sharing. BODS also helps exchanging BO data and linking it transnationally. For example, high-quality beneficial ownership data from Armenian mining companies has been added to the [Open Ownership](#)

¹ BODS is the world's leading open standard providing guidance for collecting, sharing, and using high-quality data on beneficial ownership.

[Register](#). It is now more easily searchable and visualized thanks to the country's adoption of the BODS.

The State Register of Legal Entities manages a centralized database for beneficial ownership data. However, it possesses **low human and technical resources** to handle with the growing volume of data. **Public access and data sharing issues** also create problems for the efficient implementation. For example, BO data is only available to those accessing the register from Armenian IP addresses. In addition, there is a problem for a layered access. Full public access to BO data of all 30 mining companies is enabled. For other companies, basic information, such as “name, surname, citizenship, date of becoming a real beneficiary of the legal entity” is provided for free. However, access to additional details, including visual representations of the ownership structure, requires payment of a fee. Moreover, the **limited scope of available data** reduces the effectiveness of the reform as this creates difficulties for the civil society to access full data and apply its watchdog function to record and release inaccuracies and false data. Beneficial ownership **data reliability** is another challenge which is caused by the lack of verification mechanisms and the weak oversight. In the meantime, if any individual has a reasonable suspicion that the Bo declaration contains false information, they can alert the authorized body State Register.

Lack of awareness among the private sector on the importance of the reform

Lack of awareness can be listed as one of the key challenges for the private sector. They are not well aware of the BOT related tasks as well as the reform's potential use and benefits for the private sector. Lack of awareness also results in low fulfillment rate of the mandatory submission of the BO declarations on timely manner. In these cases, the State Register applies measures of administrative responsibility defined by law. According to official data, about 200 administrative proceedings have been initiated on the basis of failure to submit BO declarations within the time period specified by law. Of the initiated administrative proceedings, 91 were terminated on the basis of submitting a declaration, a warning was applied as a measure of administrative liability to 103 legal entities obliged to submit a declaration, and proceedings initiated against 3 legal entities were terminated on the basis of the expiration of the terms for imposing an administrative penalty. As of December 1st, 2024, the Multi-Sector Register includes 111,727 BO declarations submitted by companies across all sectors (commercials and non-commercials). No data is available about the number of organizations not fulfilling the duty of mandatory submission of declarations.

RECOMMENDATIONS

Armenia's strong commitment towards advanced beneficial ownership transparency serves as a positive example for other countries looking to pursue greater transparency in the field. The below recommendations will help addressing the identified challenges to further advance effective implementation of the BOT reform in Armenia.

1. Data Verification and Public Access Enhancement

- 1.1 Robust and automated verification mechanism is needed.** It is also recommended to consider potential of artificial intelligence systems to explore and utilize for automated data verification and validation. For example, AI tools can identify shell companies and layered ownership structures, track ownership or structure changes over time to uncover suspicious patterns, reveal connections to high-risk individuals with a history of non-compliance, etc.
- 1.2** For data verification and validation, it is of utmost importance that the public and civil society has full and free access to the BO data. The role of CSO's in data verification is central as data verification without active participation of the civil society is impossible. Therefore, **it is recommended to grant full access of the Multi Sector Register to all members of the civil society enabling effective oversight.** The access fees should be totally removed. In this regard, legislative amendments are needed to remove access fees for the civil society actors.
- 1.3** In addition, **the civil society should be equipped with necessary knowledge, skills and tools** to improve the use and analysis of beneficial ownership data by CSO representatives and to enable effective oversight.
- 1.4** It is also recommended **to conduct analysis of the BO 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 in the process.
- 1.5** Once the new legislative amendments are adopted in early 2025, **support should be provided to the State Register to fully apply the red flagging** according to the criteria defined by the new amendments. In parallel, capacities and toolkit of the State Register should be advanced to conduct investigations, and to integrate this functionality with a comprehensive verification system. It is also necessary to ensure that the State Register is adequately staffed to deal with the anticipated influx of declaration submissions since 2023. The establishment of a dedicated subdivision within the State Register will be the most effective solution.

2. Enforcement Strengthening

- 2.1 A stronger and more efficient data interoperability** among government agencies (for example, among Central Bank, Corruption Prevention Commission and State Register), is needed to strengthen enforcement and investigative efforts.
- 2.2** More data should be structured and incorporated according to the **beneficial ownership data standard** to ensure interoperability, connectivity and wide access.
- 2.3 Stricter penalties for non-compliance or declaring false data should be ensured.** Up to present a few companies have been notified by the state register for delayed submission of declarations, while no company was fined for submission of false/inaccurate data as of December 1st, 2024.
- 2.4 Advancing capacities and raising awareness on BOT reform is essential,** specifically targeting the private sector. Capacity-building activities and consultations for private sector are needed, to provide guidance on reporting beneficial ownership data. Awareness-raising initiatives will help drive-up compliance rates and fostering private sector engagement and understanding of the reform.