

**Law of the Republic of Armenia
Against Laundering of Illicit Proceeds and Terrorism Financing**

Adopted on 14 December 2004

**Chapter 1
General Provisions**

The objective of this law is to protect the rights, freedoms and legal interests of the citizens, society and the state, as well as to ensure the existence of legal mechanisms necessary for the stability of economic system of the Republic of Armenia through setting up legal mechanism to counter the laundering of illicit proceeds and terrorism financing.

Article 1. Subject of regulation of the law

This law regulates the relations as to fight against laundering of illicit proceeds and terrorism financing, stipulates the system of authorities in charge of fight against laundering of illicit proceeds and terrorism financing, as well as the procedure and terms of cooperation of those authorities.

Article 2. The legal regulation of the fight against laundering of illicit proceeds and terrorism financing

The fight against laundering of illicit proceeds and terrorism financing is regulated by international treaties of the Republic of Armenia, this law, other laws of the Republic of Armenia and in cases stipulated by this law also by other standard acts.

Article 3. The key concepts used in the law

The key concepts used in this law are:

a) illicit proceeds – assets, including monetary means, securities and property rights and by international treaties of the Republic of Armenia also other objects of civil rights that have been gained through illegal way;

b) laundering of illicit proceeds – concluding a deal with illicit proceeds, use of those proceeds for entrepreneurial activities, which aims at hiding or distorting the nature of those proceeds or the rights towards them, sources of origin, the location, movement or real belonging of those proceeds;

c) financing of terrorism – the act stipulated by the Article 217¹ of the Criminal Code of the Republic of Armenia;

d) reporting persons – banks, credit organizations, persons dealing with dealership sales and purchase of currency and extending professional activities of currency sales and purchase, persons dealing with monetary transfers, organizations exercising payment instruments and payment-settlement documents' processing and

clearing, persons specialized in securities market, pawn-shops, persons registering the asset rights, persons verifying transactions in cases and according to the procedure stipulated by law, persons organizing games with prizes and lotteries, casinos, persons exercising asset management, persons providing with insurance activities, persons performing investment activities, non-commercial organizations performing donation activities established by the legislation of the Republic of Armenia (including organizations offering grants);

e) resident of the Republic of Armenia – residents of the Republic of Armenia established by the Republic of Armenia “Law on Securities Regulation and Securities Supervision”;

f) authorized body – the body established by this law in charge of fight against laundering of illicit proceeds and terrorism financing;

g) mandatory supervision – the integrity of measures undertaken by the Authorized Body in line of supervising transactions connected with the monetary means or other assets that is being implemented in accordance with the procedure defined by the law based on the information that has been submitted by reporting persons and has to be checked;

h) third party – legal or natural person that acts on behalf of the customer or by his commitment, performs or is entitled to perform legal or actual activities at the expense of the customer or for the benefit of the customer.

Chapter 2

Prevention of Laundering of Illicit Proceeds and Terrorism Financing

Article 4. The obligations of reporting persons

1. The reporting persons have to undertake measures in accordance with the procedure defined by law and other standard acts to identify and prevent suspicious transactions (deals) by their customers or third party.

2. Under the procedure defined by the law and other standard acts, the reporting persons have to provide to the Authorized Body information about laundering of illicit proceeds and terrorism financing stipulated by this law and other standard acts passed on the basis of it.

Article 5. The demand to provide with information

1. The reporting persons are obliged to inform the Authorized Body about suspicious transactions, as well as other transactions stipulated by this law that are linked with laundering of illicit proceeds and terrorism financing.

In the sense of this law the moment of learning about transaction is the moment, when the reporting person has concluded a deal with the customer or mediated its conclusion or has been otherwise informed about conclusion of that deal or the possibility to conclude such a deal or the moment, when after conclusion of the deal the reporting person comes to have some suspicions.

2. The reporting person, its staff, agents and representatives are not entitled to inform other persons, as well as the person, about whom the information is provided

to the Authorized Body, about the fact of provision of the information, except for cases defined by this law.

The reporting person, its staff, agents and representatives are entitled to inform the person about whom the information is provided to the Authorized Body of the fact of provision of the information, if the person, about whom the information is provided to the Authorized Body, has himself/herself applied to the reporting person.

3. The criminal prosecution bodies can get from the banks information stipulated by this law, as well as information about the fact of providing to the Authorized Body of information by the banks in order established by the Republic of Armenia "Law on Banking Secrecy", and the reporting persons can get such information in order established by the laws and other standard acts of the Republic of Armenia.

4. The provision of information can be done on the papers and in cases established by the standard acts of the Central Bank of the Republic of Armenia (hereinafter referred to as Central Bank) also (or) electronically.

5. In order established by this law the fact of information provision cannot serve as a basis for satisfying the claim of damage compensation put by customer or third party against the person that has reported the information or its staff, representative or agent.

Article 6. Transactions due to be reported

1. The reporting persons, irrespective of cash or non-cash method of payment for transaction, have to provide to the Authorized Body information about the following transactions concluded between them and customer or third party:

a) transactions exceeding 20 million drams, except for real estate sale and purchase transactions;

b) real estate sale and purchase transactions exceeding 50 million dram;

c) suspicious transactions, irrespective of the amount mentioned in this paragraph. The transactions stipulated in part 3 of this Article are not considered suspicious.

2. Transaction (deal) can be considered as suspicious, if:

a) the customer proposes the reporting person to conclude or concludes with him such a transaction, which though complies with laws and other legal acts' requirements, however, this transaction does not disclose the identity of any of the parties or nature of their activities or does not allow the reporting person to get information necessary for the conclusion or performance of the transaction;

b) the terms of the transaction do not comply with the terms that are usually applied to the similar transactions of the given sector or traditions of business community;

c) it becomes clear to the reporting person that the proposed or concluded transaction is obvious not to follow economic or normal objective;

d) the customer does not give to the reporting person explanations and clarifications acceptable for the latter about legal implications of the given transaction. Acceptable explanations and clarifications for the report provider can be oral and written proves submitted by the customer that testify to validity and legitimacy of the concluded or proposed transaction, legality of origin or legal belonging of the asset

which is a subject of transaction. The Board of the Central Bank can set up other criteria of acceptable explanations and clarifications.

The standard acts of the Central Bank can establish other grounds (not mentioned in this part) for considering transactions as suspicious based on which the reporting person has to consider the transaction as suspicious.

3. The money transfer not exceeding 5 million dram that has been made by the natural person working outside of the Republic of Armenia for personal, family or other such purposes, is not considered as suspicious.

4. The Board of the Central Bank, in coordination with the relevant authorized body, establishes the criteria for each of the grounds for considering the transactions suspicious defined by paragraph 2 of this Article as by the groups of report providers.

The criteria of considering the transactions suspicious by the persons licensed by the Central Bank are established by the Board of the Central Bank.

Article 7. The content of information and procedure of providing information

1. The information should contain:

- a) the details of the customer – name, type and details or title of the identification document and other data of legal person available at the report provider (location, number of taxpayer's registration, bank account, state registration, license);
- b) nature of the transaction;
- c) place of transaction conclusion;
- d) cost of the transaction (value);
- e) date of transaction;
- f) in case of presence of beneficiary in the transaction – his requisite data (if available).

2. The information on suspicious transaction should also include the grounds for finding the transaction suspicious.

3. The staff of the reporting persons that implement servicing of the customers, in case of qualifying the transaction (deal) as suspicious, should be notified about the fact that the Authorized Body is informed about the given customer.

4. The Central Bank stipulates the procedure, terms and forms of information provision by the reporting persons that are licensed by the Central Bank, as well as persons not licensed and supervised by the relevant authorized bodies.

The Central Bank, in coordination with the relevant authorized body, stipulates the procedure, terms and forms of information provision by the reporting persons that are licensed and supervised by authorized bodies.

In the order established by this part the Central Bank can stipulate that the information be collected through authorized bodies. In case the information collected through authorized bodies is not sufficient the Central Bank is entitled to require the necessary information from the authorized body and (or) reporting persons.

Article 8. The statements of the founders of the reporting legal persons and individual entrepreneurs

1. The founder of the legal person established in the Republic of Armenia and providing information in accordance with the Article 4 of this law prior to the registration of the legal person shall submit to the authority making state registry of the legal person a statement about the legality of the assets handed over to the legal person or invested in the authorized capital stock, including the composition, size and sources of origin of the consigned assets, if the value of the consigned or invested assets exceeds 40 million dram.

The individual entrepreneur registered in the state registry of the Republic of Armenia that provides information shall submit, prior to the state registration, to the authority making state registry of the legal person a statement about the legality of the assets, which he envisages to use in his activities, including the composition, size and sources of origin of the consigned assets, if the value of the consigned or invested assets exceeds 30 million dram.

2. The Board of the Central Bank stipulates the sample forms of the statements mentioned in this article.

3. The copy of the statement mentioned in this article shall be sent for registration to the Authorized Body by authority in charge of registering legal persons.

Article 9. Identification of the customers, keeping the information and internal supervision bodies of reporting persons

1. In order established by this law and standard acts passed in accordance with this law the reporting persons shall identify the customers, third persons acting on behalf of customers and keep the information.

2. In agreement with the relevant authorized body the Central Bank stipulates the order for identification of the customers, third persons acting on behalf of customers and keeping the information as by the groups of information providers. The Central Bank stipulates the order for identification of the customers, third parties acting on behalf of customers and keeping the information by the reporting persons that are licensed by the Central Bank, as well as persons not licensed and supervised by the relevant authorized bodies.

3. The reporting persons shall have a separate sub-division or employee in charge of prevention of turnover of illicitly made proceeds and countering the financing of terrorism or impose such responsibility upon other sub-division or employee (hereinafter referred to as internal supervision body). The Central Bank stipulates the order of activities of the reporting person, the types of reports and the frequency of their submission.

4. The standard acts of the Central Bank and Article 14 of this law stipulates the peculiarities of activities of internal supervision bodies of the banks and credit organizations.

Chapter 3 The Authorized Body

Article 10. The Authorized Body in charge of the fight against laundering of illicit proceeds and financing of terrorism

The Central Bank is the authorized body in charge of the fight against laundering of illicit proceeds and countering the financing of terrorism.

In the fight against laundering of illicit proceeds and financing of terrorism the task of the authorized body is the centralized collection and maintenance of information, analysis of data, exchange of information and its provision to the state authorized bodies, as well as exchange and provision of such information to international organizations and in cases stipulated by international treaties of the Republic of Armenia also to the authorized bodies of other countries.

The authorized body performs a mandatory supervision over the process of information provision.

With an objective to organize the fight against laundering of illicit proceeds and financing of terrorism and to collect and coordinate the information stipulated by this law a structural sub-division is established in the Central Bank, and the Board of the Central Bank appoints the head and members of it. The functions of the sub-division defined in this part arising from this Law are established by the charter approved by the Board of the Central Bank.

Based on the analysis of data defined by this law the Authorized Body is entitled to submit an application to the Board of the Central Bank about suspending or terminating the suspicious transaction (deal). The Board of the Central Bank reviews the application within three days.

The Authorized Body analyses the information stipulated by this law and in case if there are suspicions about laundering of illicit proceeds or financing of terrorism or about such attempt, the Authorized Body informs the prosecution authorities which have to take measures defined by law.

Article 11. The relationships between the Authorized Body and other authorities

1. With an objective to implement an effective fight against laundering of illicit proceeds and financing of terrorism, the Authorized Body cooperates with other state authorities, in accordance with the procedure and within the framework established by this law.

2. In case of disclosing violations of requirements of this law and other standard acts deriving from it in the result of analyzing the information defined by this law, if the Authorized Body considers that there might be signs of corpus delicti defined by the Articles 190, 217, 217¹, 388 and 389 of the Criminal Code of the Republic of Armenia, then the Authorized Body, in order established by the laws of the Republic of Armenia and other standard acts, has to apply to the relevant prosecution body.

3. Based on the relevant request the Authorized Body can provide the information received in the result of measures undertaken during the fight against laundering of illicit proceeds and financing of terrorism in accordance with the procedure defined by the laws of the Republic of Armenia and other standard acts:

a) the information on activities of insurance organizations, pawn-shops, casinos, persons organizing winning games and lotteries - to state authorized body licensing their activities;

b) the information on activities of notaries, organizations performing asset management and non-commercial enterprises defined by this law - to the Ministry of Justice of the Republic of Armenia;

c) the information on activities of territorial authorities registering the assets title - to the nationwide authority in charge of registration of assets title;

d) to prosecution authorities in case of existence of grounds for bringing an action stipulated by the Criminal Procedures Code of the Republic of Armenia.

4. The Authorized Body is entitled to send requests to the relevant prosecution body to find out the processing of applications established by the paragraph 2 of this article, supplement its database and implement its other tasks defined by this Law. The relevant prosecution bodies shall reply to the Authorized Body within 10 days after receiving the request.

Article 12. The international cooperation

The Authorized Body and other state authorities cooperate with the authorities of foreign states implementing fight against laundering of illicit proceeds and financing of terrorism within the scope of international treaties in accordance with the procedure defined by the law.

Chapter 4

The Peculiarities of the Fight Against Laundering of Illicit Proceeds and Financing of Terrorism in Banks and Credit Organizations

Article 13. The internal legal acts of banks and credit organizations

1. The banks and credit organizations shall have internal legal acts (order, procedure, instruction, regulation) aimed to prevent turnover of illicitly made proceeds and counter the financing of terrorism. The internal legal act envisaged by this part shall stipulate:

a) those mandatory procedures that shall be maintained by the sub-divisions and staff of the banks or credit organizations, while making financial and (or) other transactions with the bank's or credit organization's customers, creditors or other persons;

b) the information that the bank or credit organization should demand from the customers, creditors or other persons while making financial or other transactions;

c) the procedure and conditions for the supervision over compliance with the procedures and requirements defined by the internal legal acts;

d) the responsibility of the bank's management and staff, as well as the responsibility of the sub-division or employee mentioned in the Article 14 of this law for non-compliance with the procedures and requirements defined by the internal legal acts;

e) other provisions established by this law.

The internal act of the bank or credit organization defined by this part can regulate other issues on prevention of circulation of illicitly made proceeds and countering the financing of terrorism not regulated by this Law.

2. The banks and credit organizations shall have internal legal acts (order, procedure, instruction, regulation) about registration and maintenance of customers' data, as well as collection, registration and maintenance of information on suspicious transactions.

3. The bank or credit organization shall provide to the Central Bank one copy of each of the legal acts envisaged by the paragraphs 1 and 2 of this article within one week after their approval or amendment.

Article 14. The internal supervision bodies of the banks and credit organizations

1. The banks and credit organizations shall have a separate sub-division or employee in charge of prevention of turnover of illicitly made proceeds and countering the financing of terrorism or impose such responsibility upon other sub-division or employee – internal supervision body.

2. In order and frequency established by the authorized management body of the bank (credit organization) the internal supervision body of the bank or credit organization shall review the financial transactions of the bank (credit organization), the activities of structural and territorial sub-divisions and staff of the bank (credit organization) to check their compliance with this law, other standard acts passed on the basis of it, as well as the internal normative acts of the bank (credit organization) passed on their basis (regulations, procedures, instructions, guidelines, etc).

3. After the review envisaged by the paragraph 2 of this article the internal supervision body of the bank or credit organization shall submit, within the time period defined by authorized management body of the bank (credit organization), a written report on the results of the review to the executive body of the bank (credit organization), and in cases established by the internal legal acts of the bank (credit organization) also to the board (board of directors or observers). The bank or credit organization shall submit to the Central Bank one copy of the report mentioned in this part.

Article 15. The peculiarities of information collection

1. In case of opening and maintaining an account for the customer the bank shall identify the details on the customer due to be reported under this law and other legal acts.

In case another person acts on behalf of customer, creditor or other person as agent, representative or authorized body, the bank or credit organization shall identify the real beneficiary of that bank account or transaction, as well as in order established by this law collect the information about agent, representative or authorized body defined by the internal acts of the bank or credit organization.

The identification by the bank or credit organization of details on the agent, representative or authorized body mentioned in this part is not mandatory, if this agent, representative or authorized body is a person licensed to perform certain financial transactions in the financial markets.

2. If the customer, creditor or other contractual party is a legal person registered and (or) acting in offshore country or territory, a natural person or person not having the status of legal person according to the legislation of that country, then the bank or credit organization in order established by this law and its internal acts shall also identify and register the center of vital interests and the sources of income of such persons.

3. The information defined by the paragraph 2 of this article has also to be identified, when the person is a high risk customer. The list and criteria of high risk customers are approved by the Board of the Central Bank.

The transactions with high risk customers are concluded by the resolution of the executive body of the bank or credit organization.

4. The bank is entitled to turn down the application of a customer to open an account, close an account or make another transaction (deal), if the funds put on the account or the future account holder are suspected in turnover of illicitly made proceeds or financing of terrorism.

5. The information envisaged by this law collected by the bank or credit organization about the customers, creditors or other contractual parties, including the information about suspicious transactions made by them, shall be kept by the bank or credit organization in paper and (or) electronic form for at least five years.

Article 16. Implementation of financial transactions: Limitations for opening and maintaining accounts by the banks

1. The banks and credit organizations can implement financial transactions envisaged by the legislation of the Republic of Armenia only after receiving the necessary information stipulated by this law and registering them in accordance with the procedure defined by this law and internal legal acts of the bank (credit organization).

2. The banks are prohibited to open and maintain anonymous or fictitiously named accounts, as well as accounts expressed in digits, letters and other conventional signs.

3. By keeping to the requirements of this law and other legal acts passed on the basis of this law, the banks shall stipulate by their legal acts the procedure of opening and maintaining correspondent accounts of other banks, as well as peculiarities of opening and maintaining their correspondent accounts in other banks.

4. The banks, when opening accounts for legal persons, and the credit organizations, when attracting loans, shall demand from legal persons a copy of their statute, a copy of state registration certificate and also a copy of the license, if available.

5. The rules for opening accounts and making financial transactions defined by this law shall also be applied in cases, when the account is opened or financial transaction is made electronically or by correspondence.

6. In the documents serving as a basis for making a money transfer without opening an account the banks shall include the name or title and location or address of the sender.

In the documents serving as a basis for making a money transfer the other persons legally entitled to make money transfers shall include the name or title, location or address of the sender and also account number, if available.

The person legally entitled to make money transfer shall reject the transfer or payment demand, if any of the data stipulated by this part is missing from the documents serving as a basis for making a money transfer.

Article 17. Opening accounts in foreign countries and territories

1. The residents of the Republic of Armenia are not entitled to open bank or other accounts in foreign countries or territories, if in the given foreign country or territory there is no legislation on fight against laundering of illicit proceeds and financing of terrorism.

2. The Board of the Central Bank, in agreement with the Ministry of Foreign Affairs, establishes the list of the states and territories mentioned in the paragraph 1 of this article based on the data published by international organizations involved in fighting against laundering of illicit proceeds and financing of terrorism.

3. The banks and credit organizations shall instruct their branches and representations in foreign countries to keep to the requirements of this law and other normative acts passed on the basis of this law, if this law stipulates more strict norms than the laws and other legal acts of the state where the branch or representation is located.

Chapter 5

Suspension and Termination of Suspicious Transactions

Article 18. Suspension and termination of transactions

1. The reporting persons are entitled to suspend or terminate the suspicious transaction – by informing the Authorized Body about it.

The reporting persons, on the basis of the decision of the Central Bank, shall suspend or terminate transactions with those accounts which are suspected in turnover of illicit proceeds and financing of terrorism.

The Board of the Central Bank defines the procedure, terms, form of informing the Authorized Body about suspended or terminated transaction, as well as the procedure and terms of removing such suspension or termination.

The Board of the Central Bank discusses and makes a decision on the issue of suspension or termination of transactions within five days after receiving the information.

2. The standard legal acts of the Central Bank can demand from the bank, credit organization, other reporting person or from the bank's, credit organization's or other reporting person's customer, creditor, counter-party, participant or person acquiring participation the necessary documents or information not defined by this law about legitimacy of sources of origin of the funds.

In case of having suspicions about legitimacy of sources or turnover of such funds, if the given person does not prove the opposite, the Central Bank is entitled to reject any application or petition for preliminary agreement, agreement, approval,

registration or any similar application or petition defined by the law, as well as apply measures of bringing to responsibility established by law.

3. The reporting persons shall remove the suspension or termination of the transaction (deal), if the customer of the reporting person has submitted explanations and clarifications acceptable to the reporting person, which explicitly indicate that the given transaction is not suspicious – by informing about it the Central Bank.

If the transaction (transactions) was suspended or terminated basing on the decision of the Board of the Central Bank, the reporting person removes the suspension or termination of the transaction (deal), if the explanations and clarifications are found acceptable by the Board of the Central Bank.

Chapter 6

Measures of Responsibility for Violating the Legislation

Article 19. Responsibility for violating the requirements of this law

1. For non-compliance with the requirements of this law and legal acts passed on the basis of this law the reporting persons shall pay a fine to the state budget: for the first time non-compliance – 200-fold of the minimal salary rate; for the second time non-compliance – 300-fold of the minimal salary, for the three and more times non-compliance – 500-fold of the minimal salary.

2. The persons licensed and supervised by the Central Bank, as well as reporting persons not supervised or licensed by authorized bodies shall pay the fine envisaged by the paragraph 1 of this article by the decision of the Board of Central Bank, other reporting persons licensed or supervised by authorized bodies – by written application of the Central Bank, with the decision of the authorized body.

3. For non-compliance with the requirements of this law and legal acts passed on the basis of this law the officials of the persons providing with reports licensed and supervised by the Central Bank will bear responsibility in order established by the laws regulating their activity and the Republic of Armenia “Law on the Central Bank of the Republic of Armenia”.

For non-compliance with the requirements of this law and legal acts passed on the basis of this law the officials of other reporting persons shall be fined at 100-fold of the minimal salary and for violations that have been repeated within one year after imposing the fine defined by this paragraph – at 200-fold of the minimal salary. The above-mentioned fine is imposed in accordance with the procedure defined by Administrative Violations Code of the Republic of Armenia.

4. The report providers, as well as their managers and employees cannot be brought to responsibility, including compensation of losses to customer or other person, for legal performance of their duties arising from this law and other legal acts passed on the basis of this law.

5. For disclosing the information of banking secrecy submitted to the Authorized Body on the basis of this law and legal standard acts passed on the basis of this law, as well as illegal disclosure of information that is commercial or official secret, the employees of the Authorized Body shall bear responsibility in accordance with the procedure defined by the law of the Republic of Armenia.

For the damage caused to legal and natural persons as a result of illegal activities of the employees of the Authorized Body, compensation at the amount not exceeding the amount of the damage, shall be paid in accordance with the procedure defined by the law of the Republic of Armenia.

6. The damage caused by illegal activities (inactivity) of state authorities or their officials will be compensated by the Republic of Armenia.

Chapter 7 Transitional Provisions

Article 20. Coming into effect of this law

1. This law comes into effect on the sixtieth day after its publication.

2. This law applies to persons performing dealership sale and purchase of currency, persons performing sale and purchase of currency, persons performing money transfers, organizations performing processing and clearing of payment instruments and payment-settlement documents, persons performing professional activities in the securities market, pawn-shops, bodies performing title registration, persons ratifying transactions in cases and order established by the law, persons organizing winning games and lotteries, casinos, persons performing asset management, persons performing insurance activities, persons performing investment activities, non-commercial organizations performing donations in accordance with the procedure defined by the Republic of Armenia legislation from July 1, 2005.

3. The bank deposits made in the banks of the Republic of Armenia by the citizens of the Republic of Armenia before July 1, 2005 will not be considered as suspicious in the sense of this law.

Signed on 11 January 2005

Came into effect on 22 March 2005

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