CHAPTER 1. GENERAL PROVISIONS

This law has a purpose to protect rights, freedom and legal interests of citizens, the society and the state by way of establishing legal frameworks for counteracting the legalization of criminal proceeds and financing of terrorism (LCP/FT), and ensure there are legal frameworks in place for the stability of the Armenian economic system.

Article 1. Subject of the Law

This Law regulates relations linked to combating the LCP/FT, determines the system of authorities, engaged in combating the LCP/FT, and scope and terms of cooperation between these authorities.

Article 2. Legal regulation of combating LCP/FT

Combating LCP/FT shall be regulated by international agreements of the Republic of Armenia, this Law, other laws of the Republic of Armenia, and other regulations as stipulated by this Law.

Article 3. Basic terms

The basic terms used in this Law include:

a) “criminal proceeds” property, including funds, securities and property rights, and other objects of civil rights as stipulated by international agreements of the Republic of Armenia, acquired through offences, stipulated by Article 190 of the Criminal Code of the Republic of Armenia;

b) “legalization of criminal proceeds (money laundering)” offence, stipulated by Article 190 of the Criminal Code of the Republic of Armenia;

c) “terrorism financing” offence stipulated by Article 217 of the Criminal Code of the Republic of Armenia

d) “reporting entities” banks, credit organizations; dealer traders of foreign currency, foreign currency traders; entities performing money transfers; organizations involved in processing and clearing of payment instruments and payment documents; entities specialized in securities market;

* LA-13-S, 11.01.05. Includes changes and supplements under RA laws:
AL-251-S, 08.12.05,
AL-39-S, 24.01.07.
pawnshops; authorities registering property rights; entities verifying transactions according to the procedure and in cases, determined by the law; entities, organizing prize games and lotteries; casinos; trust managers; entities engaged in insurance; entities engaged in investing; non-trading organizations giving gifts (also organizations extending grants), according to the law of the Republic of Armenia;

c) “resident of the Republic of Armenia”
residents of the Republic of Armenia defined by the Republic of Armenia law on “Currency regulation and currency control”;

f) “mandatory supervision”
a complex of measures on supervising operations, linked to funds or other property, undertaken by the Authorized body, based on data provided by reporting entities and subject to review;

g) “Authorized body”
a body combating LCP/FT determined by this Law;

h) “third party”
a legal or a physical entity, acting on behalf of the customer or on his/her instructions, or performing or entitled to perform de jure and de facto actions in the customer’s favor.

(Changed according to LA-39-S, 24.01.07)

CHAPTER 2. PREVENTION OF LCP/FT

Article 4. Obligations of reporting entities

1. Reporting entities shall take measures to recognize and prevent suspicious transactions (operations), performed by their customers or third parties, in conformity with the law and other regulations.

2. Reporting entities shall provide the Authorized body with data on LCP/FT, determined by this Law and respective regulations, in conformity with the law and other regulations.

Article 5. Request for information

1. Reporting entities shall report suspicious transactions connected with LCP/FT, and other transactions, stipulated by this Law, to the Authorized body.

For the meaning of this Law, awareness of the transaction occurs when the reporting entity has entered into a transaction with the customer or intervened for its performance or in any other way has been informed about performing or a possibility to perform such a transaction or the reporting entity has doubts on the transaction after its performance.

2. The reporting entity, its employees, agents and representatives have no right to notify the party of the fact that information about it has been given to the Authorized body, nor other parties about this fact.

(Changed according to LA-251-S, 08.12.05)

3. Criminal prosecution bodies shall obtain from banks information, specified by this Law, and the fact that information has been given to the Authorized body, as determined by the Armenian Law on Bank Secrecy. Other reporting entities shall obtain the above information as determined by Armenian laws and other regulations.

4. Information shall be provided in a hard copy and/or electronically in cases, stipulated by normative regulations of the Central Bank of Armenia (hereinafter – Central Bank).

5. The fact of providing information in conformity with this Law shall not be used as basis for upholding a claim for damages of the customer or a third party on the entity or its employee, representative or agent, which has provided the information.
Article 6. Transactions to be reported

1. Irrespective of cash or non-cash payment against the transaction, the reporting entities shall report information on the following transactions to the Authorized body:
   (*Changed according to LA-251-S, 08.12.05*)
   a) transactions with value exceeding AMD 20 mln, except for real estate purchase/sale transactions
   b) real estate purchase/sale transactions with value exceeding AMD 50 mln
   c) suspicious transactions irrespective of the value. Operations specified in point 3 of this Article should not be deemed suspicious.

2. Transaction (operation) may be deemed suspicious, if:
   a) the customer offers the reporting party to conclude, or concludes, a transaction, which though meets the requirements of the law and other regulations, yet it is impossible to ascertain identity of any of the parties or nature of the activity or obtain data, required for the reporting party to perform the transaction;
   b) transaction terms do not comply with similar transaction terms concluded in entrepreneurial activity or a customary business;
   c) it is evident for the reporting party that the transaction offered or concluded obviously pursues no economic or lawful purpose;
   d) the customer does not provide the reporting party with reasonable explanations and explications on legal consequences of the transaction. Explanations and explications acceptable for the reporting party shall be any of the customer’s oral or written evidence of validity, propriety of the transaction offered or concluded, or legality of origin and true possession of the property, which is the subject of the transaction. The Central Bank Board shall define other criteria of acceptable explanations and explications.
   Normative regulations of the Central Bank may provide for grounds other than those mentioned in this point for rendering the transaction suspicious, based on which the reporting party must render the transaction suspicious.

3. A money transfer shall not be rendered suspicious if its volume does not exceed AMD 5 mln and an individual working outside Armenia for personal, family or other similar purposes performs it.

4. In agreement with a relevant competent authority, the Central Bank Board shall define criteria of each of the grounds for rendering a transaction suspicious, as stipulated in point 2 of this Article, by groups of reporting entities.
   The Central Bank Board shall define criteria of grounds for rendering a transaction suspicious for entities licensed by the Central Bank.

Article 7. Contents of information and reporting

1. An information shall contain:
   a) data on the customer, i.e. name, type or name and data of the identification document and other information on the legal entity of the reporting party (location, the taxpayer’s registration number, banking account number, state registration and license number);
   b) essence of the transaction;
   c) place of concluding the transaction;
   d) price of the transaction;
   e) date of concluding the transaction;

2. requisites (if any) of the beneficiary of the transaction, if any.
2. A report on a suspicious transaction shall also contain grounds for rendering a transaction suspicious.
3. Employees of the reporting entity, who service clients, shall be aware of the fact of providing the Authorized body with information about the customer if the transaction (operation) is rendered suspicious.
4. The Central Bank shall define procedure for, term and manner of providing data by entities licensed by the Central Bank, other entities not licensed and supervised by relevant competent authorities.

Procedure for, term and manner of providing data by reporting entities licensed and supervised by competent authorities shall be defined by the Central Bank in agreement with a relevant competent authority.
Under procedures stipulated in this point the Central Bank may establish that data be collected through competent authorities. If the data collected through competent authorities are insufficient, the Central Bank has a right to require the necessary information from the competent authority and/or the reporting entity.

**Article 8. Declarations of founders of legal entities and sole entrepreneurs**

1. The founder of a legal reporting entity under article 4 of this Law created in Armenia shall submit a declaration on legality of the property to be assigned to the legal entity or invested in its statutory or share capital to the State Register before registering the legal entity. The declaration shall contain information on the composition, size and sources of origin of the property, if the value of the property to be assigned or invested exceeds AMD 40 mln.

Reporting sole entrepreneurs to be registered in Armenia shall submit a declaration on legality of the property to be used in his/her entrepreneurial activity to the State Register before being registered. The declaration shall contain information on the composition, size and sources of origin of the property, if the value of the property to be assigned or invested exceeds AMD 30 mln.
2. The Central Bank Board shall define a model for declarations stipulated in this Article.
3. The State Register shall deliver a copy of the declaration stipulated in this Article to the Authorized body for registration.

**Article 9. Customer identification, record keeping and internal control bodies in reporting entities**

1. Reporting entities must execute identification of customers, third parties acting on behalf of customers and keep records in conformity with this Law and respective regulations.
2. The Central Bank shall define procedure for identification of customers, third parties acting on behalf of customers, and record keeping by groups of reporting entities in agreement with a relevant competent authority. The Central Bank shall also define procedure for identification of customers, third parties acting on behalf of customers, and record keeping by groups of reporting entities for entities licensed by the Central Bank and those not licensed and supervised by relevant competent authorities.

3. Reporting entities shall have a separate unit or an employee dealing with the prevention of circulation of criminal proceeds and financing of terrorism or shall delegate these obligations to other structural unit or employee (hereinafter – internal control). The Central Bank shall define procedure for the activity of the internal control of the reporting entity, reports to be submitted and their frequency.
4. Peculiarities of activity of the internal control of a bank or a credit organization shall be defined by article 14 of this Law and regulations of the Central Bank.

CHAPTER 3. AUTHORIZED BODY

Article 10. Authorized body on combating LCP/FT

The Central Bank is the body authorized to combat LCP/FT. The objective of the Authorized body is the centralized collection and filing of information on combating LCP/FT, data analysis, exchange and transmittal of information to intra-governmental competent authorities, also exchange and delivery of such information to international organizations, and competent authorities of other countries, and if stipulated by international agreements of Armenia – to competent bodies of other countries. The Authorized body shall exercise mandatory supervision over the delivery of information. In order to coordinate the combating LCP/FT, collect and process information stipulated by this Law, a structural unit shall be created in the Central Bank. The Central Bank Board shall appoint the head and members of such unit. The functions of the above-mentioned unit ensuing from this Law shall be determined by the statute approved by the Central Bank Board. The Authorized body has a right to apply to the Central Bank Board with a statement on suspending or terminating a suspicious transaction (operation) based on the analysis of data stipulated by this Law. The Central Bank Board shall discuss the statement within five days. The Authorized body shall analyze data stipulated by this Law and notify a relevant criminal prosecution authority of a case of LCP/FT or where there arises a suspicion of an attempt, to take measures set by the law.

(Changed according to LA-251-S, 08.12.05)

Article 11. Relations between the Authorized body and other governmental authorities

1. For the increased effectiveness in combating LCP/FT the Authorized body shall cooperate with other governmental authorities under this Law.
2. If violations of this Law and respective regulations are disclosed as a result of analysis of information stipulated by this Law, and where the Authorized body believes properties of corpus delicti stipulated by Articles 190, 217, 217\textsuperscript{1}, 388 and 389 of the Criminal Code of the Republic of Armenia are possible, the Authorized body shall apply to a relevant criminal prosecution authority in conformity with Armenian laws and other regulations.
3. In conformity with Armenian laws and other regulations the Authorized body may deliver information obtained through measures against LCP/FT based on an inquiry, as follows:
   a) information linked to the activity of casinos, entities organizing prize games and lotteries to State Authorized Body which licenses such entities, (Changed according to LA-251-S, 08.02.05)
   b) information linked to the activity of notaries, trust managers and non-trading organizations stipulated by this Law to the Ministry of Justice of Armenia,
   c) information linked to the activity of regional authorities registering property rights to the Republican authority registering property rights,
   d) to criminal prosecution bodies if there are grounds for instituting a legal proceeding stipulated by the Criminal Procedure Code of the Republic of Armenia.
4. The Authorized body has a right to send a letter of inquiry to criminal prosecution body for clarifying the course of statements stipulated by point 2 of this Article, completing the
Article 12. International cooperation

1. The Authorized body and other state authorities shall cooperate with foreign authorities combating LCP/FT under international agreements and procedures, specified by legal acts. The Authorized body may also cooperate without international agreements.
2. The Authorized body shall exchange information mutually, on its own initiative or in case of an inquiry with foreign bodies, performing similar functions, which ensure equal secrecy.

   This information shall be used only with a view to combat money laundering and terrorism financing.
3. The Authorized body shall not have the competence to reveal any third party, or use the received information for criminal proceedings, administrative matters or in court without preliminary consent of the foreign body, which has provided this information.
4. Within the context of this Article the Authorized, body has the right to conclude agreements with foreign bodies, performing similar functions, which ensure equal secrecy.
   (Added according to LA-39-S, 24.01.07)

CHAPTER 4. PECULIARITIES OF COMBATING LCP/FT IN BANKS AND CREDIT ORGANIZATIONS

Article 13. Internal regulations of banks and credit organizations

1. Banks and credit organizations shall have internal policies (rules, procedures, directives, regulations) in place for preventing circulation of criminal proceeds and terrorism financing. Such internal regulations shall define:
   a) the procedures required to perform by bank or credit organization units and employees in carrying out financial and other operations with bank or credit organization customers, creditors or partners;
   b) the information the bank or credit organization would require from customer, creditor or partner in carrying out financial and other operations;
   c) the procedure and conditions of exercising control over adherence to procedures and requirements set forth in internal regulations;
   d) the scope of responsibility of bank management, staff and responsible unit or employee, set forth in article 14 of this Law, for non-adherence to procedures and requirements set forth in internal regulations;
   e) other provisions set forth in this Law.

Such internal regulations shall regulate other issued not regulated by this Law and related to prevention of circulation of criminal proceeds and terrorism financing.
2. Banks and credit organizations shall have internal regulations (rules, procedures, directives, regulations) in place for registration and keeping of information on customers and collecting, recording and filing information on suspicious transactions.
3. Approved copies of each of such internal regulations provided for in points 1 and 2 of this Article, with supplements and changes therein, shall be presented by bank or credit organization to the Central Bank within a week.

Article 14. Internal control unit in banks and credit organizations
1. Banks and credit organizations must have in place a unit, or an employee, to deal with prevention of circulation of criminal proceeds and terrorism financing, or assign another unit or employee – the internal control, with such responsibility.

2. The internal control unit of a bank or a credit organization must, in a frequency and manner defined by a bank/credit organization management body, examine compliance of financial operations performed by, and action of structural and territorial units and staff of, the bank/credit organization to this Law, other respective regulations and respective internal regulations (regulations, procedures, directives, guidelines, etc.).

3. After the examination stipulated in point 2 of this Article the internal control unit of a bank or a credit organization shall report in writing on results of the examination to its executive body and also to the Board in cases specified by its internal regulations within the period set by its management body. The bank or the credit organization shall submit a copy of the report to the Central Bank.

**Article 15. Collection of information**

1. If a customer opens and operates an account, the bank must require the information to be provided by the customer under this Law and other regulations. If a person acts as an agent, representative or an authorized person of a customer, creditor or other person, the bank or credit organization must find out the real beneficiary of the account or operation, and in conformity with this Law collect information stipulated by internal regulations of the bank/credit organization regarding the agent, representative or authorized person.

   The bank/credit organization shall not require information regarding the agent, representative or authorized person, if the agent, representative or authorized person is a person holding a license for performing certain financial operations in financial market.

2. If the customer, creditor or any party to a contract is a legal entity registered and/or operating in an offshore country or zone, an entity without a status of legal entity under legislation of that country or an individual, the bank/credit organization must also find out and record these persons’ center of material interest and sources of income in conformity with this Law and its internal regulations.

3. Information stipulated by point 2 of this article shall also be required if the party is a high risk generating customer. The Central Bank Board shall define the list and criteria of high risk generating customers.

   Transactions with high risk generating customers shall be concluded by the decision of executive body of the bank/credit organization.

4. The bank shall waive the customer’s application for opening or closing an account or performing any transaction (operation), if the funds due for the account are suspected to be in circulation of criminal proceeds or the future account holder is suspected in financing of terrorism.

5. The bank/credit organization shall keep the above information on customers, creditors or other parties to a contract, including data on suspicious transactions, on hard copies and/or electronically for at least five years.

**Article 16. Performance of financial transactions. Limitation for opening and operating accounts by banks**
1. Banks and credit organizations shall perform financial operations stipulated by the Armenian legislation only after they receive information required by this Law and record it in conformity with this Law and internal regulations of the bank/credit organization.

2. Banks are prohibited to open and operate anonymous or fictitious accounts and accounts expressed in digits, letters or other conventional signs.

3. For adherence to requirements of this Law and respective regulations banks shall define a procedure for opening and operating "vostro" and "nostro" correspondent accounts by their internal regulations.

4. Banks, when opening accounts for legal entities, and credit organizations, when attracting borrowings, must require from legal entities a copy of charter, copy of state register certificate and license, if available.

5. Rules set forth in this Law for opening accounts and performing transactions shall also apply if the account shall be opened or the financial transaction shall be performed electronically or through written communication.

6. Banks must indicate the sender’s name, domicile or location in documents serving as basis for money transfer without opening an account. Other persons permitted to transfer money by law must indicate the sender’s name, domicile or location and account number (if available) in documents serving as a basis for money transfer. A person holding a right to transfer money must dishonor a transfer or payment claim, if documents serving as a basis for transfer miss any data stipulated by this point.

### Article 17. Opening of accounts in foreign countries and territories

1. Residents of the Republic of Armenia are prohibited to open banking or other accounts in foreign countries or territories, if such a country or territory has no legislation on combating LCP/FT.

2. The Central Bank Board shall define the list of countries and territories mentioned in point 1 of this Article in agreement with the Ministry of Foreign Affairs of Armenia based on data provided by international organizations engaged in combating LCP/FT.

3. Banks and credit organizations must instruct their branches and representative offices abroad to adhere to requirements of this Law and other ensuing regulations, if the norms set by this Law are stricter than those set by laws and other regulations of the country where the branch or representative office is located.

### CHAPTER 5. TERMINATION AND SUSPENSION OF SUSPICIOUS OPERATIONS, FREEZE OF TERRORISM-RELATED PROCEEDS

#### Article 18. Termination and suspension of operations

1. Reporting entities have a right to terminate or suspend a suspicious transaction, notifying the Authorized body about such a termination or suspension. Reporting entities must, based on the Central Bank Board resolution, terminate or suspend operations with accounts suspected in circulation of criminal proceeds and financing of terrorism.

The Central Bank Board shall define procedure, term and manner of notifying the Authorized body about terminated or suspended operations, and procedure and term of termination, suspension and cancellation of termination or suspension of operations.
The Central Bank Board shall discuss the issue of termination or suspension of operations and makes a decision within five days upon receipt of data.

2. According to the procedure stipulated by the normative regulations of the Central Bank it may require of a bank, a credit organization, or other reporting entity, the bank’s, credit organization’s or other reporting entity’s customer, creditor, counter-party, participant or a person acquiring participation to present documents or data on legal origin of resources not stipulated by this Law.

(ch. LA-251-S, 08.12.05)

If there are suspicions concerning the origin or lawfulness of circulation of these resources, unless the person proves the contrary, the Central Bank is authorized to waive an application for preliminary consent, consent, approval, registration or any similar application or letter of intermediation stipulated by law, and undertake liability measures stipulated by law.

3. Reporting entities shall cancel suspension or termination of the transaction (operation) if the customer provides explanations and explications acceptable for the reporting entity and apparently removing suspicions in respect of the transaction, and inform the Central Bank about this.

If the transaction (operations) has been terminated or suspended based on the Central Bank Board decision, the reporting entity shall cancel suspension or termination of the transaction if explanations and explications provided are acceptable for the Central Bank Board.

**Article 18**

1. **Freeze of proceeds derived from terrorism.**

1. To execute the resolutions of UN Security Council and the provisions of international agreements of the Republic of Armenia the Authorized body shall ensure the immediate freeze of proceeds of those parties, which are included in the list of parties involved in terrorism.

   The decision to freeze may be taken by either the reporting entity or the Authorized body. The decision shall be effective within 7 days upon presentation of a copy of the decision to the Authorized body, if the decision is taken by the reporting entity and upon the day of taking the decision if it is taken by the Authorized body.

2. The Authorized body shall specify the procedures, as follows:
   a) the procedure of publication of lists specified by the Authorized body, changes in and amendments to them, procedure of informing the reporting entities about these lists, and the procedure of immediate freeze of proceeds of parties included in these lists carried out by the reporting entities,
   b) the procedure of freeze of proceeds of parties included in the lists carried out by the Authorized body,
   c) upon expiry of the term of freeze of the proceeds of parties included in the lists – the procedure of presentation of the materials to the bodies of criminal prosecution to put an arrest on the proceeds of parties included in the lists according to Criminal Code of the Republic of Armenia,
   d) in case of freeze of proceeds of conscientious third parties – the procedure of informing them about the decision of freeze and consideration of possible objections,
   e) the competence of the Authorized body to make payments to the expense of frozen proceeds for domestic, medical and other personal purposes of the parties included in the lists and the procedure thereof,
   f) the procedure of termination of the decision to freeze the proceeds (defrosting) carried out by the Authorized body, if the names of those parties have been excluded from the respective lists.
CHAPTER 6. LIABILITY MEASURES FOR VIOLATIONS OF THE LAW

Article 19. Liability for violations of this Law

1. Reporting entities shall pay to the benefit of the budget a penalty at 200-fold of the minimum salary for the first violation of the requirements of this Law and respective regulations; a penalty at 300-fold of the minimum salary for the second violation; and a penalty at 500-fold of the minimum salary for three and more violations.

2. Reporting entities licensed and supervised by the Central Bank, not supervised or licensed by competent authorities shall pay the above-mentioned penalty by the Central Bank Board decision. Reporting entities licensed and supervised by competent authorities shall pay such penalty by the decision of a competent authority as recommended in writing by the Central Bank.

3. For violations of requirements of this Law and respective regulations reporting entities licensed and supervised by the Central Bank shall be held liable under laws regulating their activity and the Armenian law “On the Central Bank of Armenia”.

For violations of this Law and respective regulations a penalty at 100-fold of the minimum salary shall be imposed on officials of reporting entities. If violations re-occur within a year upon imposing a penalty in conformity with this point, a penalty at 200-fold of the minimum salary shall be imposed. Such penalty shall be imposed in conformity with the Code of Administrative Infringement of the Republic of Armenia.

4. Reporting entities, their managers and employees shall not be held liable for performance of their duties ensuing from this Law and respective regulations under the law, including paying damages incurred by customer or other person.

5. Employees of the Authorized body shall be held liable for divulging information containing banking secrecy provided to the Authorized body in conformity with this Law and respective regulations and for illegal divulging of information containing trading and service secrecy in conformity with the law.

Damage caused to legal entities and individuals as a result of illegal actions of employees of the Authorized body shall be indemnified in conformity with the Armenian law, to the extent however not exceeding the amount of damage.

6. The Republic of Armenia shall indemnify damage caused as a result of illegal actions of state authorities or their officials.

CHAPTER 7. TRANSITIONAL PROVISIONS

Article 20. Entry of this Law into force

1. This Law shall enter into effect in 60 days upon publication.

2. This Law shall, since July 1, 2005, apply to dealer traders of foreign currency, foreign currency traders; entities performing money transfers; organizations involved in processing and clearing of payment instruments and payment documents; entities specialized in securities market; pawnshops; authorities registering property rights; entities verifying transactions and, in cases determined by the law, entities organizing prize games and lotteries; casinos; trust managers; entities engaged in insurance; entities engaged in investing; non-trading organizations giving gifts, according to the law of the Republic of Armenia.

3. To set that banking deposits deposited with Armenian banks by citizens of the Republic of Armenia before July 1, 2005 shall not be deemed as suspicious operations.