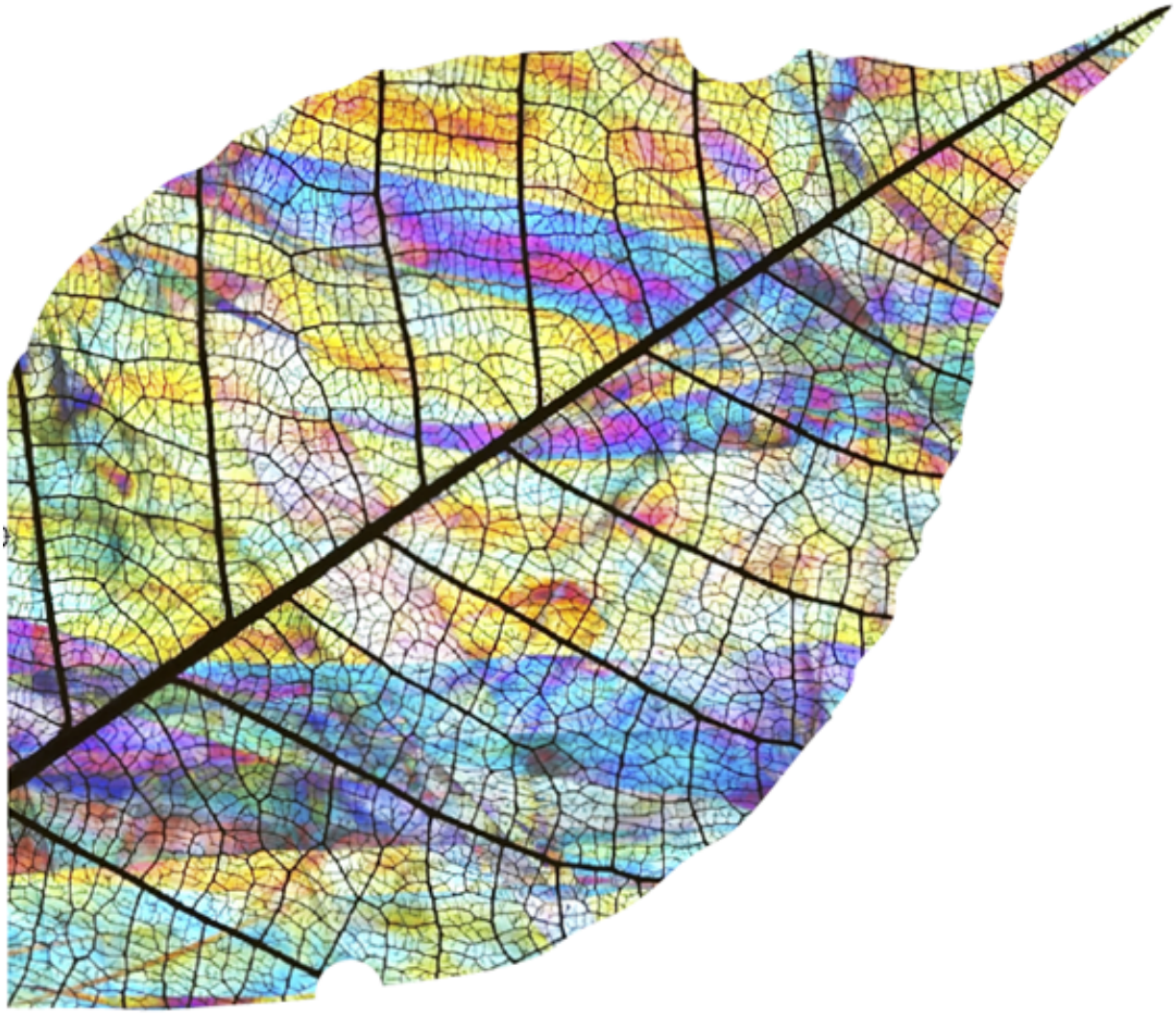
World Universities Comparative Law Project

Legal rating of Armenia

Carried out by Yerevan State University

A production of the Allen & Overy Global Law Intelligence Unit



September, 2017

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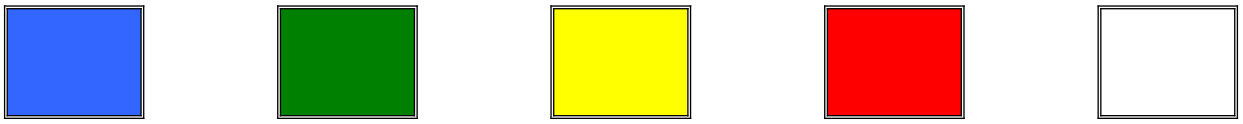

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World Universities Comparative Law Project

The World Universities Comparative Law Project is a set of legal ratings of selected jurisdictions in the world carried out by students at leading universities in the relevant jurisdictions. This legal rating of Armenia was carried out by students at the Yerevan State University.

The members of the Faculty of Law at the Yerevan State University who assisted the students were:

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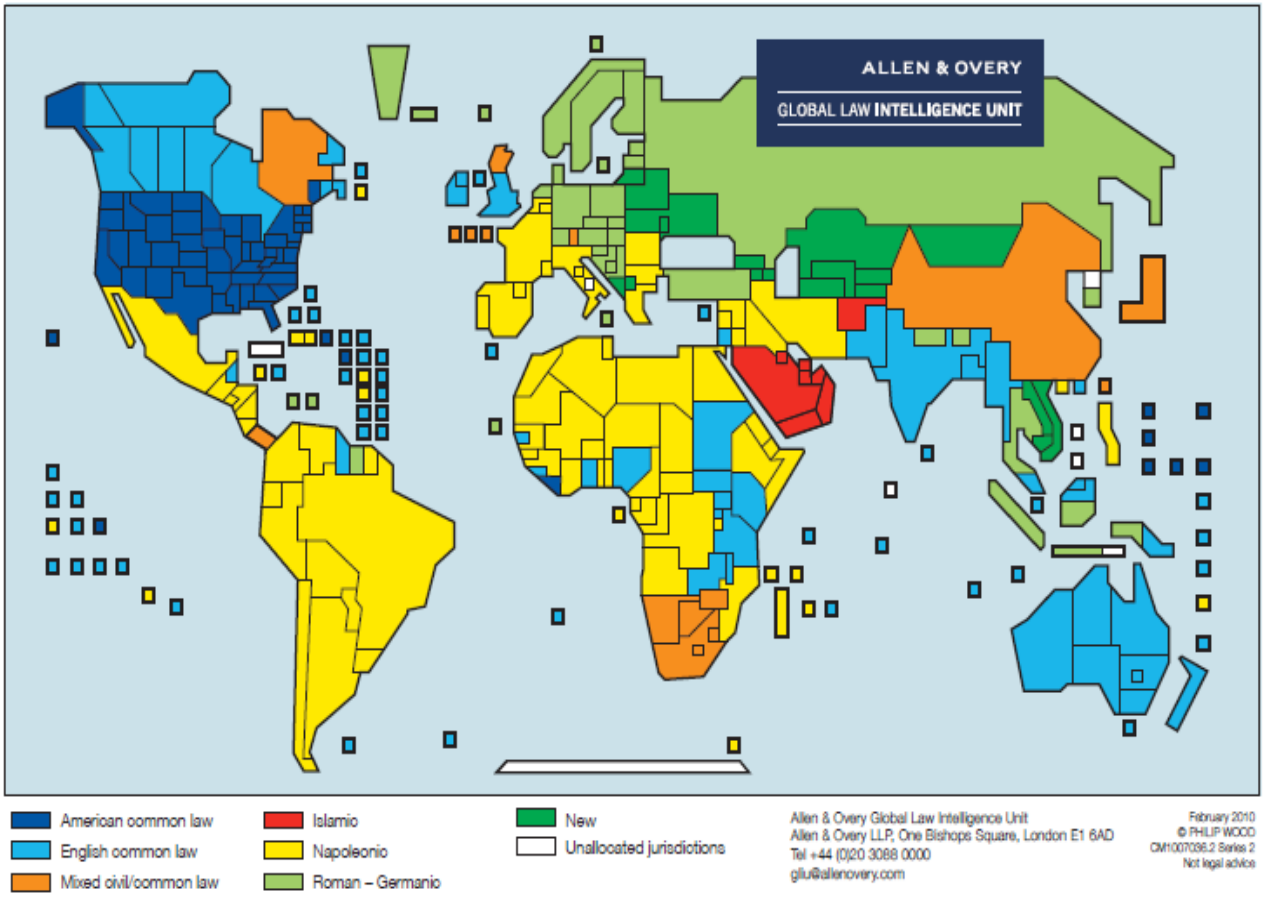
The Allen & Overy Global Law Intelligence Unit produced this survey and is most grateful to the above for the work they did in bringing the survey to fruition.

All of those involved congratulate the students who carried out the work.

Families of law



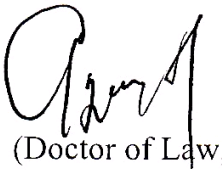
Foreword

The Faculty of Law of the Yerevan State University is one of the oldest faculties of Alma Mater with rich educational and scientific traditions.

The Faculty of Law is truly the leader in the field of higher legal education and the main institution preparing lawyers specialised in various fields. Most of the graduates of the faculty are employed by the governmental agencies, judicial bodies as well as banks, international organizations and private sector.

The Faculty's scientific staff members are involved in constitutional and judicial reforms carried out in Armenia. Many part-time lectures, who are legal practitioners, significantly contribute to the faculty's activities. Some of the professors manage various scientific centres functioning at the faculty, such as the Centre of European Law and Integration, the Centre of Environmental Law and the Centre of Criminal-Legal and Criminological Studies.

It is worth mentioning that the students of the Faculty of Law take part in different competitions and projects in international law. The World Universities Comparative Law Project is the first international project in private law the students of the Faculty are engaged with. It is in line with the Faculty's policy to broaden student's experience in international projects. In this regard, the Faculty of Law of the Yerevan State University proudly contributes to this project.



Prof. Gagik Ghazinyan
(Doctor of Law, Yerevan State University,
Dean of the Faculty of Law)

Description of the legal rating method

Introduction

This paper assesses aspects of the law in Armenia with a view to rating the law in the relevant areas. The survey is concerned primarily with wholesale financial and corporate law and transactions, not with retail law.

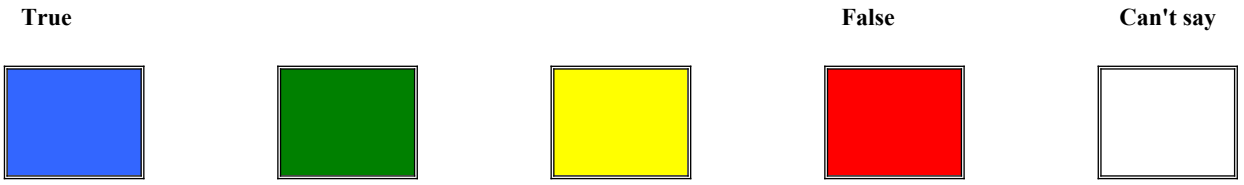
Legal risk has increased globally because of the enormous growth of law; because of its intensity; because many businesses are global but the law is national; because nearly all countries are now part of the world economy; and because the law is considered to play a very significant role in the fortunes of our societies. Liabilities can be very large and reputational losses severe.

The survey was carried out by students at Yerevan State University. The survey was designed by the Allen & Overy Global Law Intelligence Unit.

The students were requested to express their views freely and in their own way. The views expressed are their views, not necessarily those of the Yerevan State University, the members of the Practitioner Expert Panel or the Global Law Intelligence Unit, the members of Allen & Overy.

Methodology

The survey uses colour-coding as follows:



Blue generally means that the law does not intervene and the parties are free, ie the law is liberal and open.

Red generally means that there is intense legal intervention, usually in the form of a prohibition.

Green and **yellow** are in-between.

The purpose of this colour-coding is to synthesise and distil information in a dramatic way, rather than a legal treatise. The colours correspond to a rating of 1, 2, 3 or 4, or A, B, C or D.

The cross in the relevant box signifies the view of the students carrying out this assessment of the position of Armenia. This is followed by a brief comment, e.g. pointing out qualifications or expanding the point. These comments were written by the students.

The colour-coding does not usually express a view about what is good or bad. Whether the law should intervene in a particular arena is a matter of opinion. The scale is from low legal intervention to intense legal intervention or control. This is not a policy or value judgment as to whether or not the law should or should not intervene. Jurisdictions often disagree on whether the law should intervene and how much. So one of the main purposes of this survey is to endeavour to identify some of the points of difference so as to promote fruitful debate.

Black letter law and how it is applied

This survey measures two aspects of law. The first is black letter law, ie what the law says or the written law or law in the books.

The second measure is how the law is applied in practice, regardless of what it says. Thus, the law of Congo

Kinshasa and Belgium has similar roots but its application is different.

Although there is a continuum, these two measures have to be kept separate. Otherwise we may end up with just a blur or noise or some bland platitude, eg that the law depends upon GDP per capita.

In fact, only the last two questions deal with legal infrastructure and how the law is applied. All of the others deal with the written law, without regard to enforcement or application.

Key indicators

The survey uses key indicators to carry out the assessment. It is not feasible to measure all the laws or even a tiny fraction of them. The law of most jurisdictions is vast and fills whole libraries.

The key indicators are intended to be symptomatic or symbolic of the general approach of the jurisdiction. To qualify as useful, the indicator must usually be (1) important in economic terms, (2) representative or symbolic and (3) measurable. In addition, the indicators seek to measure topics where jurisdictions are in conflict. There is less need for measuring topics where everybody agrees.

An important question is whether this method is useful or not, and, if it is, whether the indicators are relevant.

Legal families of the world

Most of the 320 jurisdictions in the world, spread just under 200 sovereign states, can be grouped into legal families. The three most important of these are: (1) the common law group, originally championed by England; (2) the Napoleonic group, originally championed by France; and (3) the Roman-Germanic group, originally championed by Germany, with major contributions from other countries.

The balance of jurisdictions is made up of mixed, Islamic, new and unallocated jurisdictions.

Many aspects of private law are determined primarily by the family group, but this is not true of regulatory or economic law.

Excluded topics

This survey does not cover:

- transactions involving individuals
- personal law, such as family law or succession
- competition or antitrust law
- intellectual property
- auditing
- general taxation
- macroeconomic conditions, such as inflation, government debt, credit rating or savings rates
- human development, such as education, public health or life expectancy
- infrastructure, such as roads, ports, water supply, electricity supply
- personal security, such as crime rates, civil disorder or terrorism.

Banking and finance

Introduction

Banks and bondholders (typically also banks, but also insurance companies, pension funds and mutual funds) provide credit or capital. Their main risk is the insolvency of the debtor and therefore the key indicators intended to measure whether the law supports those habitual creditors or debtors, such as large corporations as borrowers, when it matters, ie on bankruptcy. This is when commercial law is at its most ruthless in deciding who survives and who drowns.

This debtor or creditor decision is implemented mainly through the bankruptcy ladder of priorities. A feature of common law systems is the presence of super-priority creditors who are paid before anyone else - creditors with a set-off or a security interest and beneficiaries under a trust. For example, if a bank has universal security over all the assets of a company, the bank is paid before all other creditors, including employees and trade creditors. This regime therefore protects significant creditors who such as banks.

Jurisdictions based on the English common law model give super-priority to all three claimants. Traditional Napoleonic jurisdictions typically do not allow insolvency set-off, have narrower security interests and do not recognise the trust. Their bankruptcy ladder favours greater equality of creditors. Most traditional Roman-Germanic jurisdictions are in-between. They allow insolvency set-off and have quite wide security but most do not recognise the trust. There are wide exceptions to these generalisations.

Insolvency set-off

Generally If set-off of mutual debts is allowed on insolvency, the creditor is paid. If it is not allowed, then effectively the creditor is not paid. Very large amounts are involved in markets for foreign exchange, securities, derivatives, commodities and the like, so that the question of whether exposures should be gross or net is a matter of policy as to who the law should protect.

Q1 In Armenia, creditors can set off mutual debts on the insolvency of a debtor if they are incurred before notice of the insolvency.

True			False	Can't say
		X		

Comment:

In the Republic of Armenia insolvency (bankruptcy) is regulated by the Law on Bankruptcy (2006). Article 39 of the Law on Bankruptcy states, that from the moment of accepting the bankruptcy application for proceedings it is prohibited to off-set any liability assumed by the creditor occurred prior to submitting a bankruptcy application, with respect to the debtor with the claims towards a debtor. This regulation is also known as moratorium- freezing of creditors' claims.

Article 40 of the Law on Bankruptcy provides that upon the request of creditor or debtor, the court shall - during the moratorium - permit offsetting of mutual liabilities of the same type. Offsetting shall not be allowed, where:

(a) the claim against the debtor has been transferred to the creditor from another person, within 90 days prior to filing the bankruptcy application, and where the debtor has been insolvent during such period;

(b) the creditor assumed liability towards the debtor within 90 days prior to filing the bankruptcy application, with the purpose of settlement of the claim towards the debtor.

In other words, as a rule, in the course of bankruptcy proceedings it is not allowed to set off debts due to the impact of moratorium though the law allows the court permit the offsetting.

Security interests

Generally Security interests give priority to the creditor with security - typically banks - who are the main providers of credit in most countries.

In traditional common law jurisdictions, a company can create universal security over all its present and future assets to secure all present and future debt owed to a bank. Once registered, the security is valid against all creditors, except that the floating collateral ranks after preferred creditors - typically wages and taxes. The security can be granted to a trustee for creditors. On a default there are no mandatory grace periods and the creditor can enforce out-of-court by appointing a receiver (a type of possessory manager) or by private sale. But in some common law jurisdictions there are freezes on enforcement in the event of a judicial rescue of the debtor. Also, in some of these jurisdictions there are stamp duties.

On the other hand, in many traditional Napoleonic jurisdictions, universal security is not possible, neither is security for all future debt. There is no trustee to hold the security. On enforcement, there are grace periods and no receiver. Sale is through the court and a public auction. Preferential creditors rank ahead. Some countries have a freeze on enforcement under a judicial rescue statute.

The main policy issue is therefore whether security should be encouraged or whether the law should intervene to impose greater equality.

The main tests are (1) scope of eligible assets, (2) debt secured, (3) trustee, (4) priority over preferred creditors, (5) private enforcement and receiver, (6) no rescue freezes and (7) low costs.

Q2 In Armenia, the law offers a security interest which is highly protective of the secured creditor.

True			False	Can't say
	X			

Comment:

Unlike many common law jurisdictions there is no universal security over present or future assets of the company in Armenia. However, the Civil Code of Armenia provides a variety of means of security. Two of them are the pledge and retention of property of the debtor. Under the Civil Code the pledge is a highly protective measure of a security interest as the secured creditor's rights are highly protected under such security measure. For example, upon the liquidation of a legal person, firstly the claims of creditors secured by pledge are satisfied. A creditor whose claim is secured by a pledge (a pledgee) has priority over other non-secured creditors. Both movables and immovables can be a subject to pledge (the Law on the Securities Over Immovables (2015)). In both cases the pledge is a subject to a registration.

Satisfaction of a claim of the pledgee at the expense of pledged property without court permit is allowed only if the contract of pledge is verified by the public notary. The claims of the pledgee shall be satisfied from the sum obtained as a result of property sale after the deduction of the amount of money necessary to cover the

expenses for levying execution on the property and for its vending, and the remaining sum is transferred to the pledger. If the sum obtained on the vending of the pledged property is insufficient to cover the claim of the pledger, he has the right to receive the difference from other property of the debtor, unless otherwise provided by the contract. In this case the pledgee does not enjoy the priority right based on the pledge.

The Civil Code also provides retention of the property as a type of a security. The retention of property may serve as security for claims, even those not connected with payment for the property or compensation of costs for it and other losses, but which arose from an obligation whose parties acted as entrepreneurs. A creditor may retain property despite the fact that it is acquired by a third party. Claims of a creditor who is retaining property are satisfied from its value in the scope and by the procedure provided for satisfaction of claims secured by a pledge.

Universal trusts

Under a trust, one person, called the trustee, holds title to the assets of another person, called the beneficiary, on terms that, if the trustee becomes insolvent, the assets go to the beneficiary and are not used to pay the trustee's private creditors. The assets are immune and therefore taken away from the debtor-trustee's bankrupt estate.

The main examples of trusts are custodianship of securities, pension funds, securities settlement systems and trustees of security for bondholders and syndicate banks. The amounts involved are enormous.

All jurisdictions have an effective trust of goods (called bailment or deposit). The common law group has a universal trust for all other assets (land and intangible property). Most members of the civil code group do not have a universal trust, subject to wide exceptions, especially for custodianship of securities. A few countries in this group have a universal trust by statute, e.g. France and China.

Q3 Armenia has a universal trust for all assets.

True			False	Can't say
			X	

Comment:

Trusts as known from common law jurisdictions are generally not a recognised legal concept under Armenian law. Armenia did not ratify the Hague Convention on the Law Applicable to Trusts. Though we can say that there is a similar institution under the Civil Code of RA called entrusted management of assets. Under the Armenian law the owner may transfer its property in entrusted management to another person (an entrusted manager) for a specified time period and the other party has the duty to conduct management of this property in the interests of the founder of the management or of a person indicated by it (the benefit-receiver). The transfer of property into entrusted management does not entail the transfer of the right of ownership to it to the entrusted manager. Individual objects related to immovable property, commercial paper and securities, rights evidenced by undocumented securities, exclusive rights, and other property may be objects of entrusted management. Money may not be an independent object of entrusted management.

To sum up all types of objects can be the object of entrust management, except money. But the legal concept of trusts in its form is not provided by Armenian law.

Other indicators

Other bankruptcy indicators not measured here include freezes on the termination of contracts, fraudulent preferences, the priority of rescue new money, the presence and intensity of corporate rescue proceedings and recognition of foreign insolvencies. Director liability for deepening the insolvency is dealt with below.

Other financial law topics not covered in this survey include the regulatory regime, especially capital, liquidity, authorisation of financial business, conduct of business, control of prospectuses, control of market abuse and frauds, such as insider dealing, and the insolvency regime for banks. Financial regulation is a very large field.

Corporations

Introduction

Financial law involves competition between debtors and creditors so that jurisdictions can be positioned on a straight line. Corporate law however involves three main competitors: (1) shareholders, (2) creditors and (3) managers - a triangle. If the key indicators show that a jurisdiction strongly favours one or other of the parties at the points of the triangle, whether creditors, shareholders or management, then one can begin to build up a picture of the choices which the jurisdiction habitually makes in resolving the conflicting interests of the parties.

For example, a very tough prohibition on financial assistance (which is protective of creditors against shareholders) tends also to support an attitude to other principles of the maintenance of capital or to support the proposition that mergers by fusion are difficult (because they can prejudice creditors). This would be true of the English regime in 1948. Similarly, a view which easily imposes personal liability on directors for deepening an insolvency might also show a legal approach which is not supportive of the veil of incorporation in other areas, eg shareholder liability and substantive consolidation on insolvency.

The two extreme corporate law models are the Delaware model and the traditional English model, exemplified by the English Companies Act 1948 (now superseded). Napoleonic and Roman-Germanic models are in-between to varying degrees.

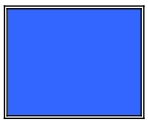
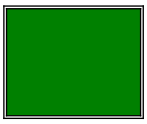
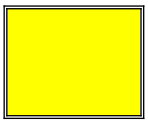
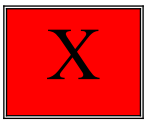
The Delaware regime is highly protective of management in the key areas. The traditional English regime favours creditors on most of the key contests and, where creditor interests are not involved, it tends to favour shareholders as opposed to managers.

Director liability for deepening an insolvency

Generally If the law imposes personal liability on directors for deepening an insolvency, eg carrying on business and incurring debts where there is no reasonable prospect of paying them, then the regime is hostile to the interests of management. The legal risks of management are increased.

There are basically four regimes internationally: (1) directors are hardly ever liable for deepening the insolvency, eg Delaware and most US jurisdictions, plus some traditional English jurisdictions which only punish fraudulent trading; (2) directors are liable for serious negligence (England, Singapore, Australia, Ireland); (3) directors are liable for mere business misjudgements deepening the insolvency (France); and (4) directors are liable if they fail to file for an insolvency proceeding after the company becomes insolvent (France, Germany and others).

Q4 In Armenia the law rarely imposes personal liability on directors for deepening the insolvency and there is no rule that the directors must file for insolvency when the company is insolvent.

True			False	Can't say
				

Comment:

Armenian legislation in the field of bankruptcy gives some regulations that protect and promote development of the competitive market. The Law on Insolvency provides two main procedures on declaring bankruptcy: forced bankruptcy, based on the request of the creditor, and bankruptcy based on debtor's own initiative. In accordance with Article 5 of the aforementioned law the debtor is obligated to apply to court for declaring own bankruptcy if the debtor's liabilities exceed the value of its assets according to an estimation conducted on the basis of estimation standards. The value of assets shall not include the value of those assets which may not be levied in execution in accordance with the law. The example of those assets is amounts that are paid for resignation from employment as a resignation benefit. It is obvious that filing for insolvency is an obligatory requirement prescribed by the Law.

In accordance with Article 10 on behalf of legal entities the bodies or representatives, functioning within the scope of powers reserved by law or the statute, are obligated to file and withdraw the application. As long as whatever the structure of legal entity is, director (CEO) can always represent the interests of organization without any authorization, he is considered to carry the obligation to file the application. Thus, it is obvious that national legislation puts direct obligation on legal entity's director to apply for insolvency if all the criteria correspond.

The Law on Insolvency provides with definition of intentional insolvency: if the debtor has been declared bankrupt by the fault of the shareholder/participant or other persons, who may give binding instructions to the debtor or predetermine the latter's decisions, including the executive of the debtor, the founders of the debtor-organization or the given persons shall bear joint personal responsibility for the liabilities of the debtor, in case of insufficiency of the latter's property (Article 9).

Moreover, Criminal Code imposes liability for intentional bankruptcy. Under Article 193 the director will bear personal liability if found guilty for making grounds for insolvency or deepening the company's insolvency.

It may be concluded that if insolvency is a result of director's actions he/she will be responsible as much as company's property is insufficient.

Financial assistance to buy own shares

Generally Many jurisdictions prohibit a company from giving financial assistance to buy its own shares. The typical example would be where a bidder finances the acquisition of a target company by a loan and after the takeover arranges for the target to guarantee the loan and charge its assets to secure the guarantee. The commercial effect is similar to the repayment of the share capital of the target before its creditors are paid. Shareholders should be subordinated to creditors.

The prohibition therefore favours creditors against shareholders of the target.

The Delaware regime does not prohibit financial assistance. The traditional English regime has a wide prohibition (not England any more). Most Roman-Germanic regimes are against it, with Napoleonic regimes hesitant. The EU has a prohibition against financial assistance by public companies. Some countries allow financial assistance by private companies if solvency is established.

A contravening transaction is usually a criminal offence and void.

Q5 Armenia permits a company to grant financial assistance for the purchase of its own shares.

True		False		Can't say
	X			

Comment:

Generally Armenian legislation does not provide with direct restrictions on granting financial assistance by company for the purchase of its own shares.

Article 54 of the Law on Joint-stock Companies provides with regulation on acquisition of outstanding shares that is under a decision of the Shareholders' Meeting on reducing company's capital. A company may buy back a part of its outstanding shares to reduce the total quantity of company's shares, if designated by the charter of the company. Article 55 of the above mentioned law states that a company may not acquire its outstanding ordinary/preferred shares if:

a) a company's capital has not been paid-up in full;

b) as of the time of acquisition, the condition of a company is consistent with the insolvency

(bankruptcy) criteria stipulated by law, or a company will become insolvent (bankrupt) due to the acquisition of shares; and

c) as of the time of acquisition, a company's net assets either are less than the sum of capital, reserve capital, and the total difference between the liquidation and nominal values of preferred shares, or will become less as a result of share acquisition.

No other restrictions are applicable.

Public takeover regime

Generally A public takeover regime which is free and open tends to favour managers who can guard against takeovers by poison pills and the like and who have relative freedom to acquire other companies. An example is the Delaware regime. A restrictive regime on the lines of the British system tends to favour shareholders.

The chief features of a restrictive regime are: (1) the bidder must make a mandatory bid in cash when a threshold of shares in the target is reached, eg 30%; (2) the bidder must pay the same price to all shareholders (sharing the control premium); (3) no partial bids (getting control on the cheap); (4) proof of certain funds to implement the offer; (5) compulsory acquisition of dissenting minorities (squeeze-out); (6) fixed timetable; (7) no ability of the managers to frustrate a bid by poison pills without shareholder approval; and (8) control of the content of circulars, especially forecasts.

Q6 Apart from exchange controls and restrictions on foreign direct investments, the public takeover regime in Armenia is open and has few restrictions.

True			False	Can't say
			X	

Comment:

The regulation on foreign investments and regime o f public takeovers is provided by the Law on Securities Market (11 October 2007). There are no specific restrictions on buying shares in stock market which is now operated by NASDAQ. However, there are many regulations on processing of public offerings as well as on acquiring significant participation in the investment firms. For example, under Article 54 the entity which intends to acquire significant participation in the investment firm or increase its participation so that its participation in the capital of the investment firm provides voting right amounting to at least 20, 50 or 75 percent, must get a preliminary consent from the Central Bank by submitting application to the Central Bank.

Along with other necessary documents the entity shall also submit to the Central Bank a statement providing that through its participation no other entity will gain status of entity with significant indirect participation in the investment firm (participation is considered to be significant if that gives 10% or more voting right). Otherwise the entity shall be obligated to submit to the Central Bank the documents and information on entities acquiring indirect significant participation, specified in regulations of the Central Bank. Besides the entity acquiring significant participation has to clarify the legitimacy of resources used for the acquisition of participation; should not be declared insolvent or have outstanding (non-remitted) debts; must assure that the transaction is not targeted, or leads or may lead to the restriction of free economic competition in investment services, etc. (Article 55). Failing to provide above mentioned information will amount to the refusal of the application by the Central Bank.

As it may be concluded public takeover regime in Armenia is highly regulated and has many restrictions.

Other indicators

Other important indicators are corporate governance (difficult to measure), free ability to merge companies by fusion, the one-share-one-vote rule, and, to a lesser extent, minority protections. Other indicators relate to quick and cheap incorporation, the *ultra vires* rule, maintenance of capital, no par value shares, shareholder liability, substantive consolidation on insolvency and disclosure. These are not measured here.

Commercial contracts

Introduction

Contract is at the heart of commercial life, and is everywhere. In fact, the main tenets of contract law across the main families of jurisdictions are consistent - it is in the fields of insolvency and property law where the main differences emerge. It is true that there are contract differences, for example, between writing requirements, open offers, the time of acceptance and specific performance, but often these differences are of lesser significance in practice in the business field.

The key indicators the survey chooses all tend to symbolise whether the approach of the jurisdiction to contract is hard or soft. If the approach is hard, then the jurisdiction tends to support predictability in business contracts so that certainty and freedom of contract are valued more than mitigating the risk of

occasionally abusive behaviour and unfair results, especially for weaker parties. A soft jurisdiction tends to give greater primacy to notions of good faith and the like.

Exclusion of contract formation

Generally Commercial parties often wish to be able to negotiate heads of terms commercially without being bound by a contract. In some jurisdictions, the courts are ready to infer that the parties are bound if the terms are sufficiently clear, even if they have said expressly that they do not intend to be bound.

Q7 In Armenia, parties are not bound to heads of terms if they expressly state that the terms are "subject to contract" or some such clear phrase.

True			False	Can't say
X				

Comment:

The conclusion of contracts and the validity of contracts are different in Armenian contract law. According to the Article 448 of the Civil Code of Armenia a contract shall be considered concluded if an agreement has been reached on all the essential terms of the contract among the parties in the required form. The essential terms are those on the subject of the contract, terms that are named in a statute or other legal acts as essential or necessary for contracts of the given type, and also all those terms with respect to which by declaration of one of the parties an agreement must be reached. A contract may be concluded by the sending of an offer (a proposal to conclude a contract) by one of the parties and its acceptance (adoption of the proposal) by the other party.

Parties are bound only by valid contracts. In general, contracts are valid when parties conclude the contracts: under Article 441 a contract shall enter into force and become obligatory for the parties from the time of its conclusion.

To sum up parties are allowed to negotiate any term of the contract prior to its conclusion unless the terms agreed by the parties violate fundamental principles enshrined in the Civil Code.

Termination clauses

Generally Many contracts, especially loan contracts, leases of goods and long-term sales contracts, contain events of default on the occurrence of which one party can terminate the contract. Jurisdictions which uphold freedom of contract and the literal interpretation of contract give effect to these clauses and do not rewrite the contract according to the court's notions of what is fair. Other jurisdictions prefer good faith. We ignore consumer contracts - where there may be consumer protections.

Q8 In Armenia, a termination clause in a loan or sale of goods contract between sophisticated companies (not individuals) providing for the termination of the contract immediately on certain events is usually upheld, even if the event concerned is relatively trivial.

True			False	Can't say
		X		

Comment:

Generally, contracts can be terminated either by consensus or by law. According to the Article 466 of the Civil Code of Armenia upon demand of one of the parties a contract may be terminated by decision of a court only in case of a substantial breach of the contract by the other party or in other cases mentioned in a statute or in a contract. A violation of a contract by one party shall be considered substantial if it entails for another party such damage that it to a significant degree is deprived of that which it had the right to expect at the conclusion of the contract.

In case of unilateral refusal to perform a contract in whole or in part, when such a refusal is allowed by a statute or agreement of the parties, the contract shall be considered respectively cancelled or changed.

A substantial change of circumstances from which the parties proceeded in the conclusion of the contract is a basis for its change or termination unless otherwise provided by the contract or follows from its nature.

Exclusion clauses

Generally Contracting parties often seek to exclude their liability for defective performance of the contract. So the issue is whether these exclusion clauses are generally upheld if they are clear and whether freedom of contract is allowed in this area.

Q9 In Armenia, exclusions of liability in most commercial contracts between sophisticated companies, such as a sale of goods contract, are generally upheld if they are clear.

True			False	Can't say
	X			

Comment:

In Armenia, exclusions of liability in commercial contracts between sophisticated companies, such as a sale of goods contract, are generally upheld if they are clear. Yet, there are certain exceptions stipulated in Civil Code of Armenia. Specifically, an agreement, including liability waiver for the cases taking of the goods acquired from the buyer by third parties, is void (Article 477 § 2).

The acceptance by a buyer of an immovable not corresponding to the terms of the contract of sale shall not be a basis to remove liability from the seller in case of the improper performance of the contract (Article 568 § 4).

Liability waiver does not remove the liability of the contracting party if the defects have arisen as a result of faulty actions or inactions of the party (Article 721 § 4).

Other indicators

Other contract indicators not assessed here include writing formalities, open offers, mistake, frustration, damages, penalties, specific performance and whether notice of assignment of the contract to the debtor is mandatory if the assignment is to be valid on the insolvency of the assignor.

Litigation

Introduction

The first three key indicators of governing law, jurisdiction and arbitration tend to show whether the jurisdiction does or does not place a high value on international comity and freedom of contract as opposed to national primacy.

The indicator on class actions tends to show whether or not the jurisdiction's litigation system is orientated towards plaintiffs, especially mass plaintiffs in product liability cases. This indicator may also show the attitude of the jurisdiction to the protection of individual parties as against business parties, both in terms of the incidence of costs and enforcement.

Governing law clauses

Generally Most countries apply a foreign governing law of a contract even if there is no connection between the contract and the jurisdiction. If the courts do not uphold the governing law, the effect is that the contract obligations may be different.

Q10 The Armenia courts will apply an express choice of a foreign law in a loan or sale of goods contract between sophisticated companies, even though the contract has no connection with the foreign jurisdiction, but subject to Armenian public policy and mandatory statutes.

True			False	Can't say
	X			

Comment:

Article 1284 of the Civil Code of Armenia states that the contract shall be governed by the law of the state designated upon the agreement of the parties. It means that the Armenian legislation fixes *Lex voluntaris* over the content of contract. According to the same Article the agreement by the parties about the designation of the applicable law shall be clearly expressed or shall directly follow from the conditions of the contract, moreover the parties to a contract may designate the law applicable both to the whole contract and to the individual parts thereof.

Where there is no agreement by the parties on the applicable law, according to Article 1285 of Civil Code of Armenia the contract shall be governed by the law of the state where the following party has been founded, has its residence or main place of activities: (…)(3) the seller — in a purchase and sales contract; (…)(14) the creditor — in a loan or other credit contract. Thus, it is clear that the law uses *Lex venditoris* as mandatory rule instead of *Lex voluntaris* in the cases where the parties have not made a choice of foreign law. It is also worth mentioning that Article 1258 of the Civil Code states that the foreign law shall not apply where the consequences of its application explicitly contradict the fundamentals of the legal system (public order) of Armenia. In this case, the relevant norm of the Armenia law shall apply, as necessary.

Foreign jurisdiction clauses

Generally Many contracts confer jurisdiction, sometimes exclusive, on the courts of a foreign jurisdiction, usually accompanied by a choice of foreign governing law.

Q11 The Armenian courts will generally uphold a clear submission in a loan or sale of goods contract between sophisticated companies to the exclusive jurisdiction of the courts of a foreign country, even if there is no connection between that country and the contract.

True		False	Can't say
	X		

Comment:

Under Article 84 of the Code of Civil Procedure of Armenia parties can agree to choose the jurisdiction of the courts unless the dispute concerns the issue where the rules of exclusive jurisdiction applies (Article 85). Although the parties can choose the jurisdiction of the courts of a foreign country it is not a common practice in Armenia to submit the dispute to the court of a foreign country.

On the contrary where one of the parties is a well-known foreign company exclusive jurisdiction of the foreign country's courts is included in the contracts.

Arbitration recognition

Generally Contracting parties, especially in trading and construction contracts, but less so in loan contracts, wish to submit disputes to arbitration, sometimes in a foreign country. The resulting award is often enforceable locally under the New York Arbitration Convention of 1958, to which most countries have adhered.

Q12 In Armenia, the courts allow sophisticated contracting parties to submit contract disputes to a foreign arbitral tribunal to the exclusion of the Armenian courts.

True		False		Can't say
	X			

Comment:

Contract parties are allowed to submit disputes to a foreign arbitral tribunal by arbitration agreements, which should be in accordance with Article 7 of the Law on Arbitral Tribunal. Article 35 of the same law clearly states that the decision made by the arbitral tribunal set in Armenia or foreign arbitral tribunals must be recognized as mandatory decisions and have to be executed according to the requirements of law. However, execution of the foreign (international) arbitration courts' judgments are subject to initial approval by the domestic courts unless otherwise stipulated by an international treaty in respect of the particular international arbitration court (Article 247.6 of the Code of Civil Procedure).

Generally, there are no restrictions to submit contract disputes to a foreign arbitral tribunal to the exclusion of the Armenian courts.

Class actions

Generally In some countries, such as the United States, a plaintiff can be authorised by the court to sue on behalf of all claimants who are similarly situated. Claimants have to opt out or they are bound.

Q13 In class actions where the class is bound if they do not opt out are generally not allowed.

True		False		Can't say
			X	

Comment:

The Code of Civil Procedure as in force now doesn't provide legal regulations for the institution of “class actions”. However, according to Article 194 of the draft Code of Civil Procedure “class action” refers to a kind of litigation where minimum twenty plaintiffs unify their claims against the same respondent or respondents. At court, the cases of class actions shall be conducted by the

representatives, but not more than five representatives in the frameworks of one action. Representative can be one of the plaintiffs or a lawyer with proper authorizations. The acts of litigation taken by these representatives shall bind all the litigants who they represent.

The judgments or written orders delivered by the court shall bind all those interested people who have registered their rights with the court. An appeal in the framework of class action can be lodged against the judgment on behalf of all plaintiffs.

Other indicators

Other indicators not covered by this survey include contingent costs, loser pays the costs of the winner, prejudgment freezes or arrests, appeals, scope of disclosure (discovery of documents), efficacy of waivers of sovereign immunity and the enforceability of foreign judgments.

Real property

Ownership of land

Generally In most countries, nationals can own land absolutely and are not restricted simply to leases for a limited term or simple rights of occupancy. However, in some jurisdictions, absolute ownership of land is not available to nationals or local corporations. If this is so, then the jurisdiction would be colored green if citizens can lease land for a very long term without material restrictions, such as 999 years, and can also mortgage or sell the land or give it away or bequeath it under their wills without official consent because the ownership is a close proximate of absolute ownership. If on the other hand citizens are entitled only to a lease of, say, 70 years or less, or to similar rights of occupancy, and if there are limitations on dealing with the land without official consent, such as mortgaging, selling or bequeathing it, then the jurisdiction would be red.

Q14 In Armenia nationals and local corporations are entitled to own land absolutely.

True			False	Can't say
X				

Comment:

Armenia was a part of the Soviet Union for a long time and suffered the effects of communism, which resulted in 70 years ban on private ownership of land. After the collapse of the Soviet Union Armenia established the private ownership of land which is enshrined in the Constitution (adopted in 1995). The citizens and corporations of Armenia endowed with land ownership right. Foreign citizens and stateless persons shall not enjoy the right of ownership over land, except for the cases prescribed by law for example persons with special residence status. The content of this right in Armenia includes all traditional elements of the right of property, while maintaining restrictions and other conditions prescribed by law.

The right of ownership to a plot of land is extended to terrestrial and underground territory within the boundaries thereof, except for the cases provided for by law for example it can be used only for its intended purpose. Owner of the land shall have the right to use everything situated on and under the surface of his or her plot of land, unless otherwise provided for by law and unless it violates the rights of other persons.

The Land Code of Armenia proscribes citizens and corporations to own lands described in Article 60 of the Code. They are mainly valuable historical, scientific and cultural lands. Though that lands can be transferred to citizens and corporations with the aim to restore and/or to construct the plot of land.

There are some special conditions for land ownership described in the Land Code of Armenia. In particular the land owners are obliged to take certain measures for land conservation, agricultural lands should be used and not using them for three years can lead to the termination of property rights.

Besides ownership to a plot of land Armenia's legislation also provides other types of rights, such as the right to use, lease, construction license, servitude. These rights can be allocated for different terms. For example, right to construction may be granted for up to 99 years, while the lease or use of state or municipal land, depending on the category, can be granted for up to 25 years in some cases, and up to 60 years in case of forest lands.

Security of land title and land registers

Generally many jurisdictions improve the security of title to land by a registration system which, although not necessarily state-guaranteed, has high reliability. An example is the Torrens system developed in Australia and used in many other countries, eg Canada and England.

Most countries in the civil code groups do not have a title register but instead require documents concerning land to be notarised and filed at the registry so that they can be searched. The United States does not generally have title registers for land although there may be mortgage registers. They rely on title registration companies which provide title insurance.

Q15 Most land in Armenia is registered in a land register which records most major interests in land, eg ownership, mortgages and longer-term leases.

True			False	Can't say
X				

Comment:

There is a unified Cadaster of Real Estate in Armenia (Cadaster). The Cadaster is reliable system of fixing information on real estate's natural, economic and legal status, location and size, their qualitative characteristics, registration of ownership and other property rights and their limitations.

The right of ownership and other property rights to immovable property, restrictions on these rights, the arising, transfer and termination thereof shall be subject to state registration. The right of ownership, the right of use, mortgage, longer-term leases, servitudes, as well as, in the cases provided for by the Civil Code, the Land Code and other laws, other rights to immovable property shall be subject to registration.

On the basis of registration property owners are granted certificates. Service provided by the Cadaster is paid (state fee) but it is not expensive, so they are available for citizens and corporations. The procedure for registration of the rights to property and the grounds for refusal of the registration thereof shall be defined by the Law on State Registration of Property Rights. Cadastral records are taken into account during allocations of land, planning of using land, calculating land taxes etc.

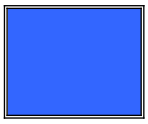
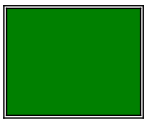
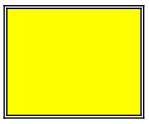
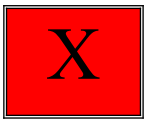
The importance of land registration is that by the registration of rights state recognizes only registered rights of owners of immovables, including land and undertakes obligation to protect those rights if necessary. This principle is stated by the Land Code, which provides that the State does not guarantee the protection and inviolability of unregistered rights on land.

As a result of reforms of judicial and legal systems of Armenia the functions and activities of Cadaster has simplified and also introduced Cadaster’s electronic system.

Land development restrictions

Generally Many countries restrict development and the change of use of land and require permits to be obtained for any development or change of use.

Q16 In Armenia, apart from environmental controls (dealt with later), the control of commercial development and the change of use of land is very light and, where required, permits are quick and cheap to obtain.

True			False	Can't say
				

Comment:

The lands of Armenia are divided into nine categories, each of which has its own legal status. Each category of land can only be used in accordance with its status, and this is why it sometimes becomes necessary to change the use of land for commercial purposes.

The general rules governing the process of the change of use is provided by the Land Code. More details can be found in the decrees delivered by the Government. This procedure is associated with high expenses and is a rather difficult and lengthy process.

The process begins by the municipal authorities and after considering the matter, the draft decision is sent to the Marzpets (Governors of provinces). After discussing of the issue in the Regional Committee, it transfers to the Ministry of Territorial Administration. Later the draft decision is transferred to the government inter-agency committee. In case of unanimous consent of all members of this committee the issue will be settled positively. Subsequently the draft decision will be returned to the municipal authorities in the same order. Finally, the community leader needs an approval from the local council.

This kind of regulation of changing land category creates obstacles because it requires a lot of discussions in various instances. Therefore, the control of commercial development and the change of use of land is not light and permits are prolonged and expensive to obtain.

Other indicators

Other indicators not surveyed include transfer costs, stamp duties and lessee protections.

Employment law

Generally The indicator here is whether it is easy or hard to hire and fire employees. The measures include high minimum wages, maximum hours, minimum holidays, maternity rights, equal pay for equal work (non-discrimination) and severance costs.

Q17 In Armenia, there are few controls on hiring and firing employees or on the terms of employment.

True			False	Can't say
			X	

Comment:

Labor law of Armenia is based on three types of legislation; statutes, such as the Labor Code, individual agreements between employers and employees and collective agreements between employers and employees. The most common way of the regulations of labor relations in Armenia is the normative settlement. Particularly there are many imperative rules in the Labor Code which cannot be changed by agreements.

Contracts in labor relations are important, but they are mainly perceived as a basis of originating legal relations. The employer shall have the right to independently, directly (without competition or other procedures) fill the vacant or newly created positions by concluding employment contracts provided for by the Labor Code. Therefore, in this case the employer is relatively free.

The same cannot be said about the rescission of contract. The Labor Code establishes the grounds on which a contract can be terminated by the employer. However, it should be noted that in the case of two-party consent, the contract can be easily terminated. The employment contract shall be rescinded in case of expiry of the contract; upon the initiative of the employee or employer; if the employee has been deprived of the rights to perform certain activities in the manner prescribed by legislation; in case of change of the essential conditions of employment; in case of death of the employee or a natural person employer and in other cases stipulated by the Labor Code. In the cases prescribed by the Labor Code, rescission of the employment contract shall be formulated by the individual legal act adopted by the employer.

Armenia, guided by the principle of the protection of the interests of workers, ratified a number of international conventions on labor issues, among which are the Conventions on Minimum Age, on the Minimum Wage and on Equal Remuneration.

The Labor Code of Armenia defines the allowed working time as consisting of no more than 40 (forty) hours per week. It should be noted that this time may not exceed 8 (eight) hours per working day. Each person employed in the Republic of Armenia has the right to take annual leave. The Labor Code also provides benefits for pregnant women and persons caring for children of up to three years of age. The Labor Code provides guarantees for employees in case of illness, work related injuries, as well as, for pregnant employees and when caring for children aged up to three years. These guarantees are always present, whether or not it is separately provided by the labor contract.

In conclusion, there are many controls on terms of employment in Armenia.

Environmental restrictions

Q18 In Armenia the rules governing the environment and liability for clean-up are very light and relaxed.

True			False	Can't say
			X	

Comment:

In Armenia, the rules governing the environment and liability for clean-up are regulated comprehensively. There are two groups of acts regulating issues concerning the environment. First, the codes and other laws which regulate subject other than environment but contain general provisions in respect of the environment, for example, the Civil Code, the Criminal Code, the Code of Administrative Offenses, the Law on Non-governmental Organisations etc. The second group consists of acts regulating the environment in particular, such as, the Land Code, the Forest Code, the Water Code, the Code on Mining, the Law on the Expert Examination and Evaluation of the Effect on the Environment. As far as Armenia has a nuclear station providing electricity, there is a solid volume of acts governing activities regarding nuclear processing and wasting.

There are several acts, regulating the issues of environmental protection and provides administrative or criminal liability for pollution. According to the Code of Administrative offenses, administrative liabilities are considered the ones, which fulfil the activity without the positive effect of the expert conclusion (Article 94). Certain offenses, i.e. polluting the atmosphere, are subject to criminal liability under the Criminal Code of Armenia (Article 289).

One of the most important acts governing the environment is the Law on Expert Examination and Evaluation of the Effect on the environment, which thoroughly controls the public relationships of this aspect. Generally speaking any activity concerning mining, water resources, waste, forests, energy etc., need to pass examination and evaluation under the above-mentioned act.

In addition, the Republic of Armenia joined the UNECE Convention on Access to Information, Public Participation in Decision-making and Access to Justice in Environmental Matters. This convention has been implemented through various amendments in domestic legislation.

Openness to foreign business

Generally These indicators measure the degree to which the country is open to foreign businesses. The indicators are quite generic and therefore subjective.

Foreign direct investment

Q19 In Armenia foreigners may freely own and control local companies outside protected industries, such as media, banks and defence.

True			False	Can't say
X				

Comment:

Under the Law on Foreign Investments, foreign investors are free to make foreign direct investments in Armenia and they shall be subject to equal treatment along with domestic investors. Foreign legal entities may have their representations and branches in the Republic of Armenia. These general rules apply for almost all industries except for banking and defence. Representations and branches are not legal entities and shall function on the basis of the statutes approved by the legal entity. Heads of representations and branches are appointed by the legal entity and shall act on the basis of its power of credentials. Foreigners can buy local companies or shares in the companies or establish new ones (Article 4).

At the end of 2016 the National Assembly of Armenia amended the Civil Code and some other laws. Due to these changes in corporate law, a new instrument for redomiciliating entities was introduced. New regulations (Articles 59.1-59.3 of the Civil Code of Armenia) offer great opportunities for potential investors, by allowing to painlessly replace the "citizenship" of the company. Redomiciliation primarily affects commercial organizations. Change of the jurisdiction can be also applied to all non- profit organizations with the exception of political parties, religious and community organizations, state and municipal non-profit organizations and condominiums. The law also stipulates that redomiciliation cannot be implemented by an organization that has selected one of the organizational- legal forms not provided for in the Civil Code, or has chosen the legal form of the transition which is impossible under the law of Armenia. The law provides that the provisions of redomiciliation do not apply to organizations licensed by the Central Bank of the Republic of Armenia and under its supervision. Redomiciliation is only possible when it is not expressly prohibited by the charter of the organization. The initial stage of redomiciliation is carried out in accordance with the personal law of the company. Registration in the Republic of Armenia will only be possible if there is a foreign company statute, as well as, the termination of registration as a legal entity, or registration information on redomiciliation in the register of legal entities of a foreign state. The main advantage of this instrument is that following the completion of the change of domicile in the country the newly registered Armenian companies or organizations retain all rights and responsibilities, with a few exceptions provided for by law. Redomiciliation in the Republic of Armenia starts with the filing of the prior application together with all the necessary information and documents to the registering authority. At the same time the statement is necessary to choose the legal form of company. If the application does not reveal the circumstances precluding redomiciliation, then the State Register responsible for the implementation of the pre-registration of a legal entity must be provided with the corresponding extract from the register of legal entities. During, or after the pre- registration, the authorised body issues the legal entity wishing to redomicile a preliminary document of succession concerning redomiciliation in the RA. Following this, the legal entity is obliged to present to the register a document confirming the termination of legal registration of persons in the register of legal entities of a foreign state. This document must be certified in compliance with the requirements of the international legalisation of documents by way of consular legalisation, or an Apostille stamp, and translated into Armenian language certified by a notary. After these actions, the register carries out the final registration of the foreign legal entity in the Republic of

Armenia and provides a document of continuity, which is a recognition of redomiciliation of the company in Armenia.

Exchange controls

Q20 In Armenia, there are no exchange controls. Businesses may therefore have foreign bank deposit accounts in foreign currency, borrow in foreign currency and repatriate profits to foreign shareholders in foreign currency.

True		False	Can't say
	X		

Comment:

The Central Bank of the Republic of Armenia defines the licensing order of realisation of foreign currency transactions, definition of Armenian dram's (national currency of Armenia (AMD)) and foreign currency exchange rate, as well as foreign currency trade transactions.

The Central Bank:

1. Adopts rules and conditions for realisation and regulation of foreign currency transactions;

2. Manage and order activities of dealers, brokers and banks, which make foreign currency transactions;

3. Define the methods of AMD exchange rate.

The Law on Currency Regulation and Control provides that the transactions in the territory of Armenia can be done both in national currency (Article 6) and foreign currency (Article 7) depending on certain conditions. There are no restrictions for resident or non-resident companies to open foreign bank accounts or borrow in foreign currency (Article 7 § 8). Residents and non-residents of Armenia have the right to buy and sell foreign currency without any limitations. Banks and credit organisations have the right to make their financial, credit and deposit transactions in foreign currency.

To sum up there are no major restrictions in respect of the use of foreign currency.

Alien ownership of land

Q21 In Armenia, foreign-controlled companies have the same rights as nationals or residents to own or lease land without a permit.

True		False	Can't say
		X	

Comment:

According to the Article 60, § 6 of the Constitution of Armenia foreign citizens and individuals having no citizenship do not have the right to land ownership, except from the cases defined in laws.

Article 4 § 2 of the Land Code of Armenia provides that the communities of the Republic of Armenia, citizens and legal entities of the Republic of Armenia and other countries, international organizations and persons of other status are considered the subjects of land relations. However, the foreign nationals and overseas registered companies cannot obtain ownership over land, they can only lease the land (Article 4 § 3 of the Land Code of Armenia).

Application of the law

Generally These indicators deal with the application of the law, as opposed to what the law actually says. They are bound to be generic and subjective, a matter of impression.

Q22 In Armenia, the higher courts usually treat big businesses as fairly as they treat individuals and do not favour local interests over foreigners.

True			False	Can't say
				X

Comment:

The principle of equality is stipulated in Constitution of Armenia. Thus, the Cassation Court of Armenia, the highest court in the judicial system, follows that principle.

Compared to individuals, it is hard to say whether big companies are treated unfairly. There is no simple and direct answer to this question due to the absence of distinct empirical data. Big companies have stronger financial support than individuals to compete in the lawsuit, but the courts do not necessarily rule in favour of them, it depends on the circumstances of the case.

There are two administrative cases, in which the Cassation Court acted in favour of foreign company. In the cases of *Vest LLC v. Armenian Intellectual Property Agency and Mc Donald Corporation* (no. ՎԴ/0830/05/14 and no. ՎԴ/1621/05/14), examining Mc Donald Corporation's claims against Armenian Vest company, the Cassation Court found for the Mc Donald Corporation.

Costs and delays of commercial litigation

Q23 The costs and delays of commercial litigation in the higher courts in Armenia are not considered materially greater than in other comparable countries.

True			False	Can't say
	X			

Comment:

The costs and delays of commercial litigations in the higher courts in Armenia are not considered materially greater than in other comparable countries.

It derives from Article 9 of the Law on State Fee that for lodging appeals with the Civil Court of Appeals state fee amounts to three percent of the amount or monetary claim indicated in the appeal and for the Cassation Court of Armenia, the applicant should pay three percent of the main claim amount subject to a minimum fee of 10,000 AMD (aprox. GBP 16) and maximum fee of 1,000,000 AMD (aprox. GBP 1,600). There are also other fees, such as for providing additional copies of the judgments, which, however, are not significant and not always apply to the parties.

As for the remuneration of the barristers the amount paid by the parties differs from case to case. There is no fee scale for barristers and the rules of the competitive market apply. Based on the practice the average amount varies between GBP 500 and GBP 8,000 for one litigation, or from GBP 50 to 80 per hour.

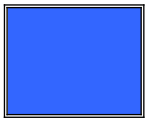
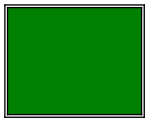
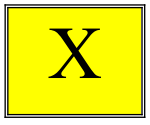
As to the length of the commercial proceedings, the Cassation Court examines the case and makes a decision in a reasonable time period (Article 236 of the Civil Procedure Code of Armenia). In this regard, the Cassation Court follows the standards of reasonable length of proceedings defined by the European Court of Human rights. In average it takes from four to ten months to deliver the judgment or decision on the case.

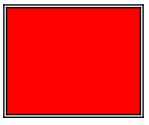
Overall ranking

This overall ranking is achieved by a survey of all the rankings as shown in this table:

	Question	Rating
1.	Insolvency set-off	
2.	Security interest	
3.	Universal trusts	
4.	Director liability for deepening insolvency	
5.	Financial assistance to buy own shares	
6.	Public takeover regime	
7.	Exclusion of contract formation	
8.	Termination clauses	
9.	Exclusion clauses	
10.	Governing law clauses	
11.	Foreign jurisdiction clauses	
12.	Arbitration recognition	
13.	Class action	
14.	Ownership of land	
15.	Security of land title and land registers	
16.	Land development restrictions	
17.	Employment law	
18.	Environmental restrictions	
19.	Foreign direct investment	
20.	Exchange controls	
21.	Alien ownership of land	
22.	Court treatment of foreign big business	
23.	Costs and delays of commercial litigation	

True **False** **Can't say**




Commentary and suggestions for change

In general, the Republic of Armenia has created favourable conditions for foreign investors. The Country is 38th in the World's Bank Ease of Doing Business ranking. For the last 25 years legislation has been changed dramatically adopting new regulations from the western countries. Not only has the judiciary reconstructed but also law enforcement bodies guaranty more efficient execution of the judgment.

Having said that there are still issues which need to be addressed promptly to foster foreign investment in the country.

First, the rights of minority shareholders should be extended. For the time being their rights are regulated under the general provisions for shareholders provided for by the Civil Code and some other laws. These regulations do not allow minority shareholders to leverage rights for their own benefit and keep the balance in the relation with the majority shareholders. The role of minority shareholders in the decision- making process is thus not tangible. Specific rules in respect of minority shareholders are of utmost importance to address the issue. We hope that upcoming amendments to the Civil Code will tackle the problem.

Second, the role of arbitration and alternative dispute resolution (ADR) is crucial for safeguarding the promptness and efficiency of the dispute resolution. Despite the existence of several arbitration bodies and introducing new regulations on ADR, the courts are still processing overwhelming majority of cases. For recent three years the number of cases pending before the courts has been increased dramatically for recent three years. ADR can play a key role in mitigating increase. Besides, ADR is more affordable for companies in terms of fees and is faster compare to the court proceedings.

Finally, the role of the public agencies, such as Cadaster, agencies in charge of issuing various licenses, registering rights etc. is crucial for law enforcement. After the collapse of the Soviet Union their role and structure have been changed dramatically. The agencies are less bureaucratic now and more functional. For instance, online registration of a limited liability company in average takes fifteen minutes. Yet, there are still proceedings which takes enormous amount of time, such as construction permits or getting electricity. We believe that in order to foster investment in Armenia more changes in law enforcement are crucial.

Profiles

The survey was carried out by the following students:

Ms Louisa Meliqsetyan

Louisa is a fourth-year law student. She is interested in corporate and business law.

Louisa is the Vice-President of Student Scientific Society of Faculty of Law at Yerevan State University.

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Ms Arpine Araqelyan

Arpine is a fourth-year law student. She is interested in international private and international human rights law. Arpine is a Vice President for academic activities at ELSA Armenia and national coordinator of Legal Research Group on Migration law.

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Allen & Overy Global Law Intelligence Unit

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