

THE LAW OF THE REPUBLIC OF ARMENIA “ON FOREIGN INVESTMENTS”

SECTION 1 GENERAL PROVISIONS

Article 1. Subject of the Regulation of the Law

1. The law shall regulate relations pertaining to implementation, promotion, protection and management of foreign investments in the territory of the Republic of Armenia.

Article 2. Objectives of the Law

1. The law aims to increase the transparency of regulatory environment and the competitiveness of the country, increase the volume of investments in Armenia, and promote development of economic cooperation with foreign states, as well as guaranteeing the protection of the rights and legal interests, and the property of foreign investors.

Article 3. Main Definitions used in the Law

1. Under the law:

“**Foreign investor**” shall mean an individual or legal entity permanently residing or operating outside the territory of the Republic of Armenia, who plans or has undertaken an investment in the Republic of Armenia.

“**Foreign investment**” shall mean any asset foreseen in this law that an investor owns or controls, directly or indirectly, which has been invested in Armenia in one of the methods stipulated hereof, as well as income received on investment and not yet repatriated, and property and amounts generated from realization of investment.

“**Enterprise with foreign investment**” shall mean a legal entity established in compliance with the legislation of the Republic of Armenia, wherein a foreign investor acts as a participant.

“**Freely convertible currencies**” shall mean those defined as such by the International Monetary Fund under its Articles of Agreement.

Article 4. Types of Property and Rights Invested as Foreign Investment

1. Foreign investors shall be entitled to implement investments in the territory of the Republic of Armenia by means of the following property and rights:

1) the national currency of the Republic of Armenia;

- 2) foreign currency, other currency values, in compliance with the currency legislation of the Republic of Armenia;
- 3) property and any property right related thereof;
- 4) stocks, bonds and other securities as defined by the legislation of the Republic of Armenia, in compliance with the currency legislation of the Republic of Armenia;
- 5) any right to claim money or performance of contractual obligations, in compliance with the currency legislation of the Republic of Armenia;
- 6) any right to intellectual property;
- 7) a right, conferred by the legislation of the Republic of Armenia or by contract, to engage in business activities;
- 8) paid services, and
- 9) any other types of investment not prohibited by the legislation of the Republic of Armenia.

Article 5. Methods of Implementing Foreign Investments

1. Foreign investors shall be entitled to implement investments through the following methods and acquisition of the following assets:

- 1) establishment of enterprises entirely owned by foreign investors, creation of branches, divisions and representative offices owned by foreign legal entities, and the takeover of ownership of existing enterprises;
- 2) establishment of new enterprises with the participation of legal entities or citizens of the Republic of Armenia, or acquisition of interest in exiting enterprises;
- 3) acquisition, within the limits defined by the legislation of the Republic of Armenia, of stocks, bonds, and other securities as established by laws of the Republic of Armenia;
- 4) provision of money or property to individuals or legal entities in the Republic of Armenia through loan, credit, leasing or other contracts;
- 5) attainment of the right to use subsoil independently or with the participation of other persons, in the territory of the Republic of Armenia;
- 6) acquisition of other property rights not forbidden by the legislation of the Republic of Armenia, and
- 7) other methods not prohibited by the legislation of the Republic of Armenia.

SECTION 2

STATE GUARANTEES CONCERNING THE PROTECTION OF FOREIGN INVESTMENTS

Article 6. National Treatment

1. With exceptions envisaged in paragraph 2 of this Article, the Republic of Armenia shall accord to foreign investors and foreign investments treatment no less favourable than that it accords in like situations to local investors and their investments, with respect to the establishment, acquisition, expansion, implementation, management and other matters concerning investments.

2. Laws of the Republic of Armenia may define those areas and territories of the Republic of Armenia, wherein the activities of foreign investors and enterprises with foreign investment are limited or prohibited.

Article 7. Most-Favoured-Nation Treatment

1. The Republic of Armenia shall accord to foreign investors and foreign investments treatment no less favourable than that it accords in like situations to investors of any other country, with respect to the establishment, acquisition, expansion, implementation, management, protection and other matters concerning investments.

Article 8. Fair and Equitable Treatment and Minimum Standard

1. Foreign investors and/or foreign investments in the Republic of Armenia shall be protected by fair and equitable (including full protection and security) treatment and minimum standards. The fair and equitable treatment provides greater protection to a foreign investor and/or foreign investment than the minimum standard.

The fair and equitable treatment shall include the following components:

- 1) Respect of legitimate, objective and reasonable expectations of investors, which balances with public interests regulated by the State;
- 2) Ensuring access to justice and fundamental justice;
- 3) Prohibition of discrimination against foreign investors and their investments on grounds of gender, race, social origin, genetic features, language, religion, world outlook, political or other views, belonging to national minority, property status, place of birth, disability, age, and other circumstances of personal or social nature.
- 4) Exclusion of abuse of public power and illegal, unlawful pressures, and
- 5) Prohibition of unlawful administration i.e., actions and inaction of administrative bodies not deriving from or contradicting the law.

2. Before enacting any legislative changes directly related to the activities of foreign investors, which may affect foreign investments, the Republic of Armenia shall hold public discussions with the participation of foreign investors, in a manner stipulated by the legislation of the Republic of Armenia.

3. Implementation of foreign investments may be prohibited or limited only in cases and in the manner provided by the legislation of the Republic of Armenia.

4. The minimum standard, as customary international law, shall be interpreted in compliance with international law practice.

5. Should the fair and equitable treatment (including full protection and security) in international treaties ratified by the Republic of Armenia provide less protection than that established by this Law, foreign investors, at their choice, may enjoy fair and equitable treatment provided by this law.

Article 9. Stability of the Law

1. In case of any change in this law, the foreign investor, by notifying in writing the RA Government within six months after such change becomes effective, shall continue enjoying guarantees and rights foreseen by the law that has been effective as of the date of investment, during the whole period of his investment.

Article 10. Prohibition of Expropriation of Investment, and Compensation

1. Expropriation, forced alienation or indirect expropriation of foreign investments shall be prohibited in the Republic of Armenia, with the exception of cases stipulated by the Law of the Republic of Armenia “On Alienation of Property for Public and State Needs”, while ensuring the guarantees foreseen in the same law.

2. In case of expropriation the compensation is to be paid in freely convertible currency and by choice of the foreign investor may be transferred outside of the territory of the Republic of Armenia.

Article 11. Guarantee on Damage Recovery

1. Foreign investors shall be entitled to compensation judicially, for material and moral damages, including lost profits, caused to them due to unlawful administration by the Republic of Armenia administrative bodies or their officials, as well as improper performance by those bodies or their officials of their obligations established by the law of the Republic of Armenia toward foreign investors or enterprises with foreign investment.

2. Amounts of compensation defined in paragraphs 1 and 3 of this Article shall be subject to indemnification during the same financial year at current market prices or prices determined by independent experts. This compensation shall be paid either in the currency invested, or in any other freely convertible currency. The recalculation of foreign currency into Armenian dram is done based on not higher than the exchange rate published by the Central Bank of Armenia of average exchange rate settled on currency market.

3. For the period from the moment of origination of the right to compensation through the moment of its execution, interests on the due amount of compensation shall be calculated at the rate of exchange rate established by the Central Bank of Armenia, unless other laws or a contract establish higher rates.

Article 12. Disposal of a Foreign Investor's Profit and Other Means

1. A foreign investor's profit (income), after paying the taxes, shall remain under his/her disposal.

2. Foreign investors shall be entitled to open in the banks of the Republic of Armenia current, settlement and other accounts envisaged by the legislation of the Republic of Armenia, in a manner established by the legislation of the Republic of Armenia.

3. Foreign investors shall be entitled to use their monetary assets and other means in the internal market of the Republic of Armenia, in consideration of existing legislative general regulations and limitations.

Article 13. Export of Funds

1. A foreign investor shall be entitled to export, promptly and freely, the foreign investment, property and other funds from the territory of the Republic of Armenia. Such investment, property and other funds shall include: (a) contributions to capital; (b) profits, dividends, capital gains, and proceeds from the sale of all or any part of the foreign investment or from the partial or complete liquidation of the foreign investment; (c) interests, royalty payments, management fees, and technical assistance and other fees; (d) payments made under contracts, including loan agreements; (f) payments deriving from disputes; (e) any amounts paid for alienation of the property for the public and state needs, and (g) payments for works and services.

2. A foreign investor shall be entitled to export the investment stipulated by paragraph 1 of this Article in foreign currency, calculated at the market rate of exchange prevailing as of the date of transfer.

3. A foreign investor shall be entitled to returns in kind relating to a foreign investment foreseen in paragraph 1 of this Article to be made, unless limitation of return in kind was seen in legislation at the time of investment and the limitations are still in force.

4. Notwithstanding paragraphs 1-3 of this Article, the Republic of Armenia may impose limitation on export of investment as a result of non-discriminatory and good faith application of its laws regulating the following matters: (a) bankruptcy, insolvency, and the protection of the rights of creditors; (b) issuing, trading and dealing in financial instruments, including securities and bonds; (c) criminal or penal offences; (d) filing of reports with financial regulatory authorities and record keeping, and (e) ensuring execution of orders, judgments and other public legal acts in

judicial or administrative proceedings. For purposes of maintaining financial system stability, combating circulation of illicitly obtained funds and terror financing, preventing business risks or for statistical purposes, a specific procedure and conditions for movement of capital and currency transactions may be established by law.

SECTION 3

CONDITIONS OF ACTIVITIES OF ENTERPRISES WITH FOREIGN INVESTMENT AND FOREIGN INVESTORS

Article 14. Scopes of Activities of Enterprises with Foreign Investment

1. Enterprises with foreign investment may conduct any type of economic activity not prohibited by the laws of the Republic of Armenia, by meeting the requirements of legislation of the Republic of Armenia.

Article 15. Exportation and Importation of Products, Works and Services

1. Enterprises with foreign investment shall be entitled to export their own products, works and services and import products, works and services for their own needs without seeking any additional permission, with the exception of cases stipulated by the legislation of the Republic of Armenia and by international treaties.

2. The procedure of recognizing products, works and services being imported as own products shall be established by the legislation of the Republic of Armenia.

Article 16. Taxation of Enterprises with Foreign Investments

1. Enterprises with foreign investment shall pay taxes and enjoy tax incentives in the general manner established by the legislation of the Republic of Armenia.

Article 17. Establishment of Incentives for Enterprises with Foreign Investment

1. For the purposes of drawing up the balance sheet and inventory, an enterprise with foreign investment shall convert foreign currency into the national currency of the Republic of Armenia at the exchange rate determined by the law of the Republic of Armenia.

2. Foreign enterprises may enjoy rights defined by the RA Law “On Free Economic Zones”, including applying to the RA Government for the establishment of a free economic zone.

3. To promote foreign investments, the RA Government shall adopt and implement a relevant government program. The procedure and timeline of elaboration and implementation of the government program shall be established by the RA Government.

4. The RA Government shall define a competent authority entitled to assist foreign investors in matters concerning implementation of investments, including enjoying guarantees and incentives stipulated hereof.

5. The Government of Armenia shall be entitled, in accordance with the requirements of the RA legislation, to provide additional guarantees and incentives for investments in specific fields of economy and in specific geographical areas, including free of charge provision of land, subsidy to cover loan interests, guaranteed offtake of production, provision of state guarantees, simplification of administration, etc.

6. The goods imported (to be imported) from the territory of third countries to the territory of Customs territory, which is to form part of investment of the foreign investor into the share capital of a company, within the time limits foreseen in the founding documents necessary for formulation of share capital will be exempt from the payment of customs duties. The procedure of application of tariff privileges is established by the Commission of the Eurasian Economic Union.

Article 18. Procedure for Resolution of Disputes

1. Any disputes arising in respect of foreign investments in the Republic of Armenia shall be resolved between Parties through negotiations, consultations or mediation, where appropriate.

2. For resolving existing disputes and protecting their rights, foreign investors shall have the right to seek all remedies allowed by the legislation of the Republic of Armenia, as well as remedies accepted by private international law for settlement of disputes.

3. Disputes arising between foreign investors and the Republic of Armenia in respect to foreign investments, including disputes falling under the jurisdiction of administrative courts and civil courts of Armenia shall be considered by the courts of the Republic of Armenia in a manner established by the legislation of the Republic of Armenia, or by choice of foreign investor shall be settled by arbitration, whereas:

1) The arbitration court will be ICC International Court of Arbitration, ICSID. any permanent arbitration center acting in Armenia, as well as ad hoc arbitration court acting by rules envisaged in point 3) of this part;

2) The language of the arbitration by choice of the investor will be Armenian or English, unless the Republic of Armenia and the investor agree on other language by a separate agreement; the language of arbitration of cases falling under the jurisdiction of the Administrative Court of the Republic of Armenia shall be Armenian;

3) The rules of arbitration will be effective edition of UNCITRAL Arbitration Rules, arbitration rules of ICC International Court of Arbitration, ICSID Arbitration Rules or rules of any permanent arbitration center acting in the Republic of Armenia.

4. The Republic of Armenia shall accept the jurisdiction of any arbitration complying with conditions stipulated in this law, including in matters related to compulsory execution, and shall be committed to execute decision of the specified arbitration in a manner stipulated by international treaties and the legislation of the Republic of Armenia.

Article 19. Legal regulation of foreign investment

1. If by international treaties more beneficial regime compared to this law for the foreign investment is established, then the regulations of the international treaty will be applicable.

SECTION 4

TRANSITIONAL PROVISIONS

Article 20. Transitional Provisions

1. This law shall enter into force on the tenth day after its official promulgation.

2. From the moment, this law enters into force the RA Law HO-115 on Foreign Investments from 31 July 1994 is repealed.

3. This law shall apply to investments made after its coming into force and existing at that moment.

4. Within five years since this law becomes effective, provisions of the RA Law HO-115 on Foreign Investment from 31 July 1994 may apply to existing investments, provided that the foreign investor or the enterprise with foreign investment notifies in writing the Government of the Republic of Armenia, within two months after entry of this law into force.

THE LAW OF THE REPUBLIC OF ARMENIA
“ON MAKING SUPPLEMENTS TO THE LAW OF THE REPUBLIC OF ARMENIA ON
FUNDAMENTALS OF ADMINISTRATIVE ACTION AND ADMINISTRATIVE
PROCEEDINGS”

Article 1. To supplement Article 70.1 of the Law of the Republic of Armenia “On Fundamentals of Administrative Action and Administrative Proceedings” (HO-41-N, dated 18 February 2004) with the following sentence:

“Legal entities or sole entrepreneurs (hereinafter referred to in this Article as “investor”) may appeal the act also at the arbitration court”.

Article 2. To supplement Article 70 of this law with a new (5) provision of the following content:

“5. At the request of an investor and meeting the timelines stipulated by the Administrative Procedure Code of the Republic of Armenia, the lawfulness of actions, inactions of administrative bodies, or adopted administrative decisions may be appealed at arbitration court, by adhering to the following conditions:

1) The arbitration court will be ICC International Court of Arbitration, ICSID. any permanent arbitration center acting in Armenia, as well as ad hoc arbitration court acting by rules envisaged in point 3) of this part;

2) The language of the arbitration by choice of the investor will be Armenian, or Russian, or English, unless the administrative body and the investor agree on other language by a separate agreement;

3) The rules of arbitration will be effective edition of UNCITRAL Arbitration Rules, arbitration rules of ICC International Court of Arbitration, ICSID Arbitration Rules or rules of any permanent arbitration center acting in the Republic of Armenia, or other rules agreed on by the investor and the administrative body.

4) The Republic of Armenia shall accept the jurisdiction of any arbitration complying with conditions stipulated in this law, and shall be committed to execute decision of the specified arbitration in a manner stipulated by international treaties and the legislation of the Republic of Armenia.

Article 3. This law shall enter into force on the tenth day following the date of its official promulgation.

THE LAW OF THE REPUBLIC OF ARMENIA
“ON MAKING A SUPPLEMENT TO THE LAW OF THE REPUBLIC OF ARMENIA ON
COMMERCIAL ARBITRATION”

Article 1. To supplement clause 4 of part one of Article 2 of the Law of the Republic of Armenia on Commercial Arbitration (HO-55-N, dated 25 December 2006) with “as well as appeal of actions and inactions of administrative bodies and administrative acts by sole entrepreneurs” wording, after the words “any disputes of commercial nature”.

Article 2. This law shall enter into force on the tenth day following the date of its official promulgation.