CIVIL CODE OF THE REPUBLIC OF ARMENIA

Adopted by the National Assembly

on 5 May 1998

FIRST SECTION

GENERAL PROVISIONS

CHAPTER 1

CIVIL LEGISLATION AND OTHER LEGAL ACTS CONTAINING NORMS OF CIVIL LAW

Article 1. Relations regulated by civil legislation and by other legal acts containing norms of civil law

1. The civil legislation of the Republic of Armenia consists of this Code and other laws containing norms of civil law.

Norms of civil law contained in other laws must comply with this Code.

2. Civil legislation, as well as the decrees of the President of the Republic of Armenia and the decisions of the Government of the Republic of Armenia containing norms of civil law (hereinafter referred to as "other legal acts") shall determine

the legal status of participants in civil circulation, the grounds for arising and the procedure for the exercise of the right of ownership and other property rights, exclusive rights to the results of intellectual activity (intellectual property), shall regulate contractual and other obligations as well as other property relations and personal non-property relations related thereto.

Participants in relations regulated by civil legislation and other legal acts shall be deemed to be natural persons — the citizens of the Republic of Armenia, citizens of foreign states, stateless persons (hereinafter referred to as "citizens") — and legal persons, as well as the Republic of Armenia and the communities (Article 128).

Rules prescribed by the civil legislation and other legal acts shall apply to the relations with the participation of foreign legal persons, unless otherwise provided for by law.

3. Civil legislation and other legal acts shall regulate the relations among persons exercising entrepreneurial activity or those with the participation thereof.

4. Family, labour relations, relations pertaining to the use of natural resources and protection of the environment shall be regulated by civil legislation and other legal acts, unless otherwise provided for by family, labour, land, nature conservation and other special legislation.

5. Relations pertaining to the exercise and protection of inalienable human rights and freedoms and other intangible assets shall be regulated by civil legislation and other legal acts, unless otherwise arises from the essence of these relations.

6. Civil legislation and other legal acts shall not apply to property relations, including tax, financial and administrative relations, based on administrative or other authoritative subordination of one party over another, unless otherwise provided for by the legislation.

Article 2. Entrepreneurial activity

Entrepreneurial activity shall be considered the independent activity of a person conducted at own risk, the basic purpose of which is to gain profit from the use of property, sales of goods, performance of works, or provision of services.

Article 3. Principles of civil legislation

1. Civil legislation is based on the principles of equality, autonomy of will, and property autonomy of the participants of relations regulated thereby, inviolability of ownership, freedom of contract, impermissibility of arbitrary interference by anyone in private affairs, necessity of unhindered exercise of civil rights, ensuring the reinstatement of violated rights, judicial protection thereof.

2. Citizens and legal persons shall acquire and exercise civil rights upon their will and to their benefit. They shall be free in the establishment of their rights and responsibilities on the basis of a contract, in determining any condition of the contract not contradicting with the legislation.

Civil rights may be restricted only by law, where it is necessary for the purposes of protection of state and public security, public order, health and morals of the public, rights and freedoms, honour and good reputation of others.

3. Goods, services and financial means shall move freely in the entire territory of the Republic of Armenia.

Restrictions on movement of goods and services may be introduced in accordance with law where those are necessary for ensuring the safety of people, protection of life and health, preservation of nature and of cultural values.

Article 4. Other legal acts

1. In accordance with Article 78 of the Constitution of the Republic of Armenia, the relations stipulated in Article 1 of this Code may — within the term prescribed by the National Assembly of the Republic of Armenia — be regulated also by the decisions of the Government of the Republic of Armenia that have the force of law.

2. On the basis of this Code and other laws and for the execution thereof, the President of the Republic of Armenia shall have the right to adopt decrees containing norms of civil law.

3. On the basis of this Code and other laws, of the decrees of the President of the Republic of Armenia and for the execution thereof, the Government of the Republic of Armenia shall have the right to adopt decisions containing norms of civil law.

4. In case a decree of the President of the Republic of Armenia, a decision of the Government of the Republic of Armenia contradicts this Code or other law, this Code or the respective law shall apply.

5. The operation and application of norms of civil law contained in the decrees of the President of the Republic of Armenia and the decisions of the Government of the Republic of Armenia shall be determined by the rules of this Chapter.

6. Ministries and other bodies of executive power, as well as local self-government bodies may issue acts containing norms of civil law only in the cases and to the extent provided for by this Code, other laws and legal acts.

Article 5. Operation of civil legislation and other legal acts in time

1. Acts of civil legislation and other legal acts shall not have retroactive effect and shall apply to relations having arisen after the entry into force thereof.

The operation of law shall extend to the relations having arisen before the entry into force thereof only in the cases where it is directly provided for by law.

2. With respect to the relations having arisen before the entry into force of an act of civil legislation or other legal act, it shall apply to the rights and responsibilities having arisen after the entry into force thereof. Relations of parties to a contract concluded before the entry into force of an act of civil legislation or other legal act shall be regulated in accordance with Article 438 of this Code.

Article 6. Civil legislation, other legal acts and international treaties

1. International treaties of the Republic of Armenia shall apply directly to the relations mentioned in Article 1 of this Code, except for the cases when it follows from the international treaty that promulgation of a domestic act is required for the application thereof.

2. Where an international treaty of the Republic of Armenia prescribes norms other than those provided for by the civil legislation and other legal acts, the norms of the international treaty shall apply.

Article 7. Customary business practices

1. Customary business practice shall be the rule of conduct developed and widely applied in any area of entrepreneurial activity, not provided for by the legislation, regardless of the fact of being fixed in any document.

2. Customary business practices contradicting the mandatory provisions of legislation or contract shall not be applied.

Article 8. Interpretation of civil law norms

Civil law norms must be interpreted in accordance with the literal sense of the words and expressions contained therein.

In case of different interpretations of the words and expressions used in the text of civil law norms, preference shall be given to the interpretation complying with the principles of civil legislation as stated in point 1 of Article 3 of this Code.

Article 9. Application of civil law norms by analogy

1. In the cases where relations provided for in Article 1 of this Code are not directly regulated by law or upon agreement of the parties and there is no customary business practice applicable thereto, the norms of civil legislation regulating similar relations (analogy of statute) shall be applied to such relations, unless it contradicts the essence thereof.

2. In case of impossibility to use analogy of statute, the rights and responsibilities of parties shall be determined on the basis of principles of civil legislation (analogy of law).

3. Application by analogy of norms restricting civil rights and prescribing liability shall not be permitted.

CHAPTER 2

ARISING OF CIVIL RIGHTS AND RESPONSIBILITIES EXERCISE OF CIVIL RIGHTS

Article 10. Grounds for arising of civil rights and responsibilities

1. Civil rights and responsibilities shall arise from the grounds provided for by law and other legal acts, as well as from the actions of citizens and legal persons which, despite not being provided for by law or other legal acts, give rise to civil rights and responsibilities by virtue of principles of civil legislation.

In accordance therewith, civil rights and responsibilities shall arise:

(1) from contracts and other transactions provided for by law, as well as from the contracts and transactions which, despite not being provided for by law, do not contradict thereto;

(2) from the acts of state and local self-government bodies that are provided for by law as grounds for the arising of civil rights and responsibilities;

(3) from a judicial act prescribing civil rights and responsibilities;

(4) as a result of obtaining property on the grounds permitted by law;

(5) as a result of creating works of science, literature, art, of inventions and other results of intellectual activity;

(6) as a consequence of causing damage to another person;

(7) as a result of unjust enrichment;

(8) as a result of other actions of citizens and legal persons;

(9) as a result of events with respect to which the law or other legal act envisages generation of civil law consequences.

2. Rights to property, subject to state registration, shall arise from the moment of the registration thereof.

Article 11. Exercise of civil rights

1. Citizens and legal persons shall at their discretion exercise the civil rights belonging thereto, including the right of protection thereof.

2. Renunciation by citizens and legal persons to exercise their rights shall not entail termination of these rights, except for the cases provided for by law.

Article 12. Extent of exercise of civil rights

1. Actions of citizens and legal persons exercised solely with the intention to cause damage to another person, as well as abuse of a right in other form shall not be permitted.

Use of civil rights for the purpose of limiting the competition, as well as abuse of a dominant position in the market shall not be permitted.

2. In case of not maintaining the requirements provided for by point 1 of this Article, the court or the arbitration tribunal may refuse a person in respect of the protection of the right belonging thereto.

(Article 12 amended by HO-68-N of 25 December 2006, edited by HO-74-N of 19 June 2015)

CHAPTER 3

PROTECTION OF CIVIL RIGHTS

Article 13. General provisions

1. Protection of civil rights shall be carried out by the court or the arbitration tribunal (hereinafter referred to as "court"), in accordance with the jurisdiction over cases prescribed by the Civil Procedure Code of the Republic of Armenia.

2. A contract may provide for regulation of a dispute between the parties before applying to court.

3. Protection of civil rights through administrative procedure shall be carried out only in the cases provided for by law. A decision taken under administrative procedure may be appealed against in the court.

(Article 13 supplemented by HO-74-N of 19 June 2015)

Article 14. Ways of protection of civil rights

Protection of civil rights shall be carried out through:

(1) recognition of the right;

(2) restoration of the situation having existed before the violation of the right;

(3) prevention of actions violating the right or creating a threat for the violation thereof;

(4) applying the consequences of the invalidity of a void transaction;

(5) declaring a disputable transaction as invalid and applying the consequences of the invalidity thereof;

(6) declaring an act of a state or local self-government body as invalid;

(7) not applying by the court of the act of a state and local self-government body that contradicts the law;

(8) self-protection of the right;

(9) enforcing the performance of the duty in kind;

(10) compensation for damages;

(11) levy a default penalty;

(12) termination or alteration of a legal relation;

(13) other ways provided for by law.

Article 15. Declaring as invalid the act of a state or local self-government body

1. The act of a state or local self-government body not complying with law or other legal acts and violating the civil rights and interests protected by law of a citizen or a legal person may be declared as invalid by the court.

In case of declaration of an act as invalid by the court, the violated right shall be subject to protection by ways provided for by Article 14 of this Code.

2. The Constitutional Court of the Republic of Armenia shall, in accordance with Article 100 of the Constitution of the Republic of Armenia, determine the compliance of the laws, the decisions of the National Assembly of the Republic of Armenia, the decrees and executive orders of the President of the Republic of Armenia, the decisions of the Government of the Republic of Armenia with the Constitution of the Republic of Armenia.

Article 16. Self-protection of civil rights

A person shall have the right to self-protection of his or her civil rights by all the means not prohibited by law.

Ways of self-protection must be proportionate to the violation and not go beyond the limits of actions necessary for the restraint.

Article 17. Compensation for damages

1. A person whose right has been violated may require full compensation for the damages caused thereto, unless a l esser amount for the compensation of damages is provided for by law or by contract.

2. Damages shall comprise expenses, incurred by the person whose right has been violated, which have been or must be covered by said person in order to restore the violated right, the loss of or harm to the property thereof (actual damage), unearned income that this person would have received under the usual conditions of civil practices had the right thereof not been violated (lost benefit), as well as intangible damages.

3. Where the person, having violated the right, has received income as a result thereof, the person whose right has been violated shall have the right to claim compensation for the lost benefit along with other damages in the amount not less than such income.

4. Intangible damages shall be subject to compensation only in cases provided for by law.

5. The content of, procedure and conditions for the redress for victims of torture shall be prescribed by this Code.

(Article 17 edited, supplemented by HO-21-N of 19 May 2014, amended by HO-184-N of 21 December 2015, supplemented by HO-241-N of 16 December 2016)

Article 18. Compensation for damages caused by state or local self-government bodies

Damages caused to a citizen or a legal person as a result of illegal actions (omissions) of state and local self-government bodies or the officials thereof, including as a result of rendering an act of a state or local self-government body that does not comply with law or other legal act, shall be compensated by the Republic of Armenia or by the respective community.

Article 19. Protection of honour, dignity and business reputation

(Title edited by HO-97-N of 18 May 2010)

1. Honour, dignity and business reputation shall be protected from insult and slander publicly expressed by other person in the cases and under the procedure provided for by this Code and other laws.

2. The protection of the honour and dignity of a citizen may, upon the request of interested parties, be permitted also following his or her death.

3. In case of impossibility of identifying the person who has disseminated information disgracing a person's honour, dignity or business reputation, the person in respect of which such information was disseminated shall have the right to apply to court with a request of declaring the disseminated information as not corresponding to the reality.

(Article 19 edited by Ho-97-N of 18 May 2010)

SECOND SECTION

PERSONS

(SUBJECTS OF CIVIL RIGHTS)

CHAPTER 4

CITIZENS

Article 20. Passive legal capacity of the citizen

1. The capacity of holding civil rights and bearing obligations (civil passive legal capacity) shall be recognised equally for all the citizens.

2. The passive legal capacity of a citizen shall arise from the moment of his or her birth and shall terminate by death.

Article 21. The content of passive legal capacity of citizens

Citizens may:

(1) have property by the right of ownership;

(2) inherit and bequeath property;

(3) engage in entrepreneurial and any other activity not prohibited by law;

(4) establish a legal person independently or jointly with other citizens and legal persons;

(5) conclude transactions not contradicting the law and bear obligations;

(6) select the place of residence;

(7) hold author's rights of works of science, literature and art, inventions and other results of intellectual activity protected by law;

(8) hold other property and personal non-property rights.

Article 22. Name of the citizen

1. A citizen shall acquire and exercise rights and responsibilities under his or her own name which includes his or her surname and first name, and also the patronymic name if he or she wishes so.

A citizen may use a pseudonym (fictitious name) in the cases provided for and as prescribed by law.

2. A citizen shall have the right to change his or her name as prescribed by law. Changing the name of a citizen shall not constitute a ground for the termination or alteration of his or her rights and responsibilities acquired under the previous name.

A citizen shall be obliged to inform his or her debtors and creditors about the change of the name and shall bear the risk of damages caused as a result of lack of information of these persons on the change of his or her name.

A citizen having changed his or her name shall have the right to require at his or her expense the entry of respective changes in the documents formalised under his or her former name.

3. The name received by the citizen at birth, as well as a change of his or her name shall be subject to registration under the procedure prescribed for the registration of civil status acts.

4. Acquisition of rights and responsibilities under the name of another person shall not be permitted.

5. The damage caused to a person upon illegal use of his or her name shall be subject to compensation in accordance with this Code.

In case of distorting or using the name of a citizen in a way or in a form that affects his or her honour, dignity or business reputation, the rules provided for by Article 1087.1 of this Code shall apply.

(Article 22 amended by HO-97-N of 18 May 2010)

Article 23. Place of residence of a citizen

1. The place of residence shall be deemed to be the place where the citizen permanently or primarily resides.

2. The place of residence of minors who have not attained the age of fourteen or of citizens under guardianship shall be considered the place of residence of their legal representatives — parents, adopters or guardians.

Article 24. Active legal capacity of the citizen

1. The capacity of a citizen to acquire and exercise civil rights, to create civil responsibilities therefor and perform them by his or her actions (civil active legal capacity) shall arise in full from the moment of reaching the age of majority, namely upon attaining the age of eighteen.

2. A minor having attained the age of sixteen may be declared as having full active legal capacity where he or she works under an employment contract or, with the consent of his or her parents, adopters or the curator, is engaged in entrepreneurial activity.

Declaration of a minor as having full active legal capacity (emancipation) shall be made on the basis of the decision of the guardianship or curatorship body, upon the consent of their parents, adopters or the curator; whereas in case of the absence of such consent — upon the civil judgment of the court.

Parents, adopters, and the curator shall not be liable for the obligations of a minor declared as having full active legal capacity, in particular for the obligations that have arisen as a result of the damage caused thereby.

3. In case where the law permits the entry into marriage before attaining the age of eighteen, a citizen shall acquire full active legal capacity from the moment of entry into marriage.

Active legal capacity acquired as a result of entry into marriage shall be retained in full also after divorce before attaining the age of eighteen.

When declaring a marriage as invalid the court may deliver a civil judgment on the full loss of active legal capacity by the minor spouse as from the moment determined by the court.

Article 25. Impermissibility of depriving a citizen of his or her passive legal capacity and active legal capacity and that of limitation thereof

1. The passive legal capacity and active legal capacity of a citizen may not be limited otherwise than in the cases provided for and as prescribed by law.

2. Failure to observe the conditions and procedure prescribed by law for the limitation of the active legal capacity of citizens or the rights thereof to engage in entrepreneurial or other activity shall entail the invalidity of the act of the state authority or other body having imposed the respective limitation.

3. Transactions aimed at full or partial renunciation by a citizen of his or her passive legal capacity or active legal capacity and those aimed at limitation of his or her passive legal capacity or active legal capacity shall be considered as null and void.

Article 26. Entrepreneurial activity of a citizen

1. A citizen shall have the right to establish business companies or be a participant therein with a view to engage in entrepreneurial activity.

2. From the moment of being recorded as an individual entrepreneur, the citizen shall have the right to engage in entrepreneurial activity without forming a legal person. Citizens shall have the right to engage in entrepreneurial activity without state registration (without forming a legal person or being registered as an individual entrepreneur) when they are considered as license fee payers or have concluded a joint venture agreement for the purpose of producing agricultural products, as well as in other cases prescribed by laws. A citizen engaged in agricultural production shall be considered as a subject of entrepreneurial activity only within the limits of the given joint venture agreement.

3. The rules of this Code that regulate the activities of legal persons regarded as commercial organisations shall be applied to the entrepreneurial activity of citizens conducted without the formation of a legal person, unless otherwise derives from law, other legal acts or the essence of the legal relation.

4. With respect to the transactions of a citizen conducting entrepreneurial activity in violation of the requirements of points 1 and 2 of this Article, the court may apply the rules of this Code concerning the obligations related to the conduct of entrepreneurial activity.

(Article 26 supplemented by HO-243-N of 26 December 2008, amended, supplemented by HO-217-N of 21 December 2010, supplemented by HO-176-N of 20 November 2014)

Article 27. Property liability of a citizen

A citizen shall be liable for his or her obligations with all the property belonging thereto, except for the property whereon execution is not levied in accordance with law.

Article 28. Bankruptcy of a citizen

1. A citizen, including an individual entrepreneur, may be declared as bankrupt upon a court judgment where he or she is unable to satisfy the claims of creditors.

2. The grounds and procedure for declaring a citizen as bankrupt by the court shall be prescribed by law.

3. In case of declaring a citizen as bankrupt by the court, the procedure for satisfaction and the grounds for cessation of creditors' claims, as well as the specific aspects of satisfaction of creditors' claims shall be prescribed by the law regulating bankruptcy relations.

(Article 28 amended by HO-163 of 3 April 2001, edited by HO-54-N of 25 December 2006)

Article 29. Active legal capacity of minors under the age of fourteen

1. Transactions for minors who have not attained the age of fourteen (juniors) may be concluded on their behalf only by their parents, adopters or guardians, with the exception of the transactions referred to in point 2 of this Article.

2. Juniors aged six to fourteen shall have the right to conclude independently:

(1) small household transactions;

(2) transactions directed at obtaining gratuitous benefits, not requiring notary certification or state registration of rights arising from transactions;

(3) transactions for the disposal of means provided by the legal representative or, with the consent of the latter, by a third person, for a certain purpose or for free disposal.

3. Property liability for the transactions of a junior, including transactions concluded independently thereby, shall be borne by his or her parents, adopters or the guardian, unless they prove that the obligation has been violated without their fault. These persons shall, in accordance with law, bear liability also for the damage caused by the junior.

Article 30. Active legal capacity of minors aged fourteen to eighteen

1. Minors aged fourteen to eighteen may conclude transactions upon the written consent of their legal representatives — the parents, adopters or the curator — with the exception of transactions referred to in point 2 of this Article.

The transaction concluded by such minor shall be valid also in case of a later written approval given by his or her parents, adopters or curator.

2. Minors aged fourteen to eighteen shall — without the consent of the parents, adopters or the curator — have the right to:

(1) dispose their salary, stipend and other income;

(2) exercise author's rights of a work of science, literature or art, of invention, or of other result of intellectual activity protected by law;

(3) make deposits to credit institutions and dispose them in accordance with law;

(4) conclude small household transactions and other transactions provided for by point 2 of Article 29 of this Code.

Upon attaining the age of sixteen, a minor shall also have the right to be a member of a cooperative in accordance with the laws on cooperatives.

3. Minors aged fourteen to eighteen shall independently bear property liability for the transactions concluded thereby in accordance with points 1 and 2 of this Article. Such minors shall bear liability for the damage caused thereby in accordance with this Code.

4. Upon the motion of parents, adopters or the curator or the guardianship and curatorship body the court may — in case of sufficient grounds — restrict the right of a minor aged fourteen to eighteen to independently dispose his or her salary, stipend or other income or may deprive him or her of that right, except for the cases where the minor has acquired active legal capacity in full in accordance with points 2 and 3 of Article 24 of this Code.

Article 31. Declaring a citizen as having no active legal capacity

1. A citizen who as a result of mental disorder is unable to realise the meaning of his or her actions or control them, may be declared by the court as having no active legal capacity as prescribed by the Civil Procedure Code of the Republic of Armenia. Guardianship shall be established over him or her.

2. The transactions on behalf of a citizen who has been declared as having no active legal capacity shall be concluded by his or her guardian.

3. Where the grounds, by virtue whereof a citizen has been declared as having no active legal capacity have been eliminated, the court shall recognise him or her as having active legal capacity. Guardianship established over him or her shall be terminated on the basis of a court judgment.

Article 32. Limiting the active legal capacity of a citizen

1. Active legal capacity of a citizen having driven his or her family into a difficult material situation as a result of alcohol or drug abuse, as well as addiction to

gambling, may be limited by the court as prescribed by the Civil Procedure Code of the Republic of Armenia. Curatorship shall be established over him or her.

He or she shall have the right to independently conclude only small household transactions.

He or she may conclude other transactions, as well as receive salary, stipend and other income and dispose them only upon the consent of the curator. Such citizen shall independently bear property liability for the transactions concluded and the damage caused thereby.

2. Where the grounds, by virtue whereof the active legal capacity of a citizen has been limited, have been eliminated, the court shall abolish the limitation of the active legal capacity thereof. Curatorship established over a citizen shall be terminated on the basis of a court judgment.

Article 33. Guardianship and curatorship

1. Guardianship and curatorship shall be established for the protection of the rights and interests of citizens having no or limited active legal capacity. Guardianship and curatorship shall be established over minors also for the purpose of their upbringing. In accordance therewith, the rights and responsibilities of guardians and curators shall be prescribed by the Family Code of the Republic of Armenia.

2. Guardians and curators shall without special authorisation act in protection of the rights and interests of their wards in the relations with any persons, including in the court.

3. Guardianship and curatorship shall be established over minors in case of absence of parents, adopters, in case of depriving the parents of parental rights by the court, as well as in the cases where minors have been left without parental care

for other reasons, particularly, where the parents have avoided to raise or protect the rights and interests thereof.

Article 34. Guardianship

1. Guardianship shall be established over minors who have not attained the age of fourteen, as well as over citizens who have been declared by the court as having no active legal capacity as a result of a mental disorder.

2. The guardians shall be deemed as the representatives of their wards by virtue of law and shall conclude all necessary transactions on behalf and in the interests thereof.

Article 35. Curatorship

1. Curatorship shall be established over minors aged fourteen to eighteen, as well as over citizens who have been declared as having limited active legal capacity.

2. Curators shall give consent to conclude transactions that persons under curatorship are not entitled to conclude independently.

Curators shall support the persons under curatorship in exercising their rights and performing their responsibilities, as well as shall protect them from abuse by third persons.

Article 36. Guardianship and curatorship agencies

1. Guardianship and curatorship agencies shall be prescribed by law.

2. Within three days after the date of entry into force of the judgment on declaring a citizen as having no active legal capacity or on limiting the active legal capacity

thereof, the court shall be obliged to inform thereon the guardianship and curatorship agencies of the place of residence of the citizen for establishing guardianship or curatorship over him or her.

3. The guardianship and curatorship body of the place of residence of the ward shall exercise oversight over the activities of guardians and curators.

Article 37. Guardians and curators

1. A guardian or a curator shall be appointed by the guardianship and curatorship body of the place of residence of the person needing guardianship or curatorship, within a period of one month from the day when the mentioned body has become aware of the necessity of establishing guardianship or curatorship over the citizen. Prior to the appointment of a guardian or a curator over a person needing guardianship or curatorship, the responsibilities of the guardian or the curator shall be performed by the guardianship and curatorship body.

The appointment of a guardian or a curator may be appealed against in the court by interested persons.

2. Adult citizens with active legal capacity shall be appointed as guardians and curators. Citizens having been deprived of parental rights may not be appointed as guardians and curators.

3. The appointment of a guardian or a curator shall be carried out upon the consent thereof. Moreover, his or her moral and other personal qualities, ability to perform responsibilities of a guardian or a curator, relationships between him or her and the person needing guardianship or curatorship and, if possible, also the wish of the ward must be taken into account.

4. The guardians and curators of citizens needing guardianship or curatorship and kept or placed in respective upbringing, medical institutions or in those for social protection of population or other similar institutions shall be deemed to be these institutions.

Article 38. Responsibilities of guardians and curators

1. Guardianship and curatorship responsibilities shall be performed gratuitously, with the exception of cases provided for by law.

2. Guardians and curators of minor citizens shall be obliged to live jointly with their wards. The guardianship and curatorship body may permit a curator to reside separately from his or her ward who has attained the age of sixteen where this has no adverse impact on the upbringing of the ward, protection of the rights and interest thereof.

Guardians and curators shall be obliged to inform the guardianship and curatorship agencies about the change of their place of residence.

3. Guardians and curators shall be obliged to provide for the maintenance of their wards, ensure their care and medical treatment, education, and upbringing, protect their rights and interests.

4. The responsibilities referred to in point 3 of this Article shall not be assigned to curators of adult citizens declared by the court as having limited active legal capacity.

5. Where the grounds by virtue whereof a citizen has been declared as having no or limited active legal capacity have been eliminated, the guardian or the curator shall be obliged to file a motion with the court for declaring the ward as having active legal capacity and terminating the guardianship or curatorship over him or her.

Article 39. Disposal of the property of the ward

1. The income of the citizen considered as ward — including the income to be received by the ward from the management of the property thereof, with the exception of the income that the ward may dispose independently — shall be expended by the guardian or the curator only in the interests of the ward upon the prior permission of the guardianship and curatorship body.

A guardian or a curator shall have the right to make necessary expenditures at the expense of the income of the ward for the maintenance of the ward, without prior permission of the guardianship and curatorship body.

2. Without the permission of the guardianship and curatorship body the guardian shall not have the right to conclude and the curator shall not have the right to give consent to the conclusion of transactions for alienation of the property of the ward, including exchange or gift, lease transactions, transactions on the transfer of property for gratuitous use or pledge transactions entailing a renunciation of rights belonging to the ward, to divide his or her property or to separate shares therefrom as well as conclude any other transaction entailing reduction of the property of the ward.

The procedure for the management of the property of the ward shall be prescribed by law.

3. The guardian, the curator, their spouses and close relatives shall not have the right to conclude transactions with the ward, with the exception of the transfer of property to the ward as a gift or for gratuitous use, as well as to represent the ward in course of concluding transactions between the ward and the spouse of the guardian or curator and the close relatives thereof or in the course of conducting court cases.

Article 40. Trust management of the property of the ward

1. In case of necessity of permanent management of immovable and valuable movable property of the ward, the guardianship and curatorship body shall conclude a trust management agreement for such property with the manager appointed thereby. In this case the guardian or the curator shall retain his or her powers in respect of the property of the ward, which has not been assigned for trust management.

The rules provided for by points 2 and 3 of Article 39 of this Code shall extend to the trust manager of property of the ward.

2. Trust management of the property of the ward shall terminate on the grounds provided for by law for the termination of the agreement on trust management of property, as well as in case of termination of guardianship or curatorship.

Article 41. Releasing guardians and curators from the performance of their duties

1. The guardianship and curatorship body shall release a guardian or a curator from the performance of the duties thereof in case the minor is returned to his or her parents, or adopted.

2. In case of placing a ward in a respective upbringing, medical institution, in that for social protection of population or other similar institution, the guardianship and curatorship body shall release the previously appointed guardian or curator from performing his or her duties, unless this contradicts the interests of the ward.

3. In case of reasonable excuses (illness, change in property status, absence of mutual understanding with the ward, etc.), the guardian or curator may — upon his or her request — be released from performing his or her duties.

4. In cases of improper performance of duties by a guardian or a curator, including the cases of using guardianship or curatorship for mercenary purposes or leaving

the ward without supervision and necessary help, the guardianship and curatorship body may release the guardian or curator from performing those responsibilities and take necessary measures for subjecting him or her to liability provided for by law.

Article 42. Termination of guardianship and curatorship

1. Guardianship and curatorship over adult citizens shall terminate upon the request of the guardian, the curator or the guardianship and curatorship body, on the basis of a court judgment on declaring the ward as having active legal capacity or on abolishing the limitations of his or her active legal capacity.

2. Guardianship over a junior ward shall terminate upon his or her attainment of the age of fourteen, and the citizen performing the responsibilities of the guardian shall become — without an additional decision thereon — the curator of the minor.

3. Curatorship over a minor shall terminate — without a special decision — upon his or her attainment of the age of eighteen, as well as prior to reaching the age of majority in case of marriage and in other cases of acquiring full active legal capacity (points 2 and 3 of Article 24).

Article 43. Patronage over citizens having active legal capacity

1. Patronage may be established over an adult citizen having active legal capacity upon his or her request, who cannot exercise and protect his or her rights and perform responsibilities due to bad health.

Establishment of patronage shall not entail limitation of the rights of the citizen.

2. The guardianship and curatorship body shall appoint a patron (assistant) for an adult citizen having active legal capacity upon the consent of the given citizen.

3. The property of an adult citizen having active legal capacity shall be disposed by the patron (assistant) on the basis of a delegation contract or trust management contract entered into with the citizen. Household and other transactions aimed at the maintenance of the citizen and satisfaction of the household needs thereof shall be entered into by a patron (assistant) upon the consent of the citizen.

4. In accordance with point 1 of this Article, patronage established over an adult citizen with active legal capacity shall terminate by the request of the citizen under patronage.

A patron (assistant) of a citizen under patronage shall be released from the performance of his or her responsibilities in the cases provided for by Article 41 of this Code.

Article 44. Declaring a citizen as missing

1. Upon application of interested persons, the court may declare a citizen as missing when, in the place of his or her residence, there is no information on the place of location thereof within a one-year period.

2. Where it is impossible to determine the day of receipt of the last information on the missing person, the start of calculating the term for declaration as missing shall be considered the first day of the month following the month when the last information on the missing person has been received, and in case it is impossible to determine this month — the first of January of the following year.

Article 45. Consequences of declaring a citizen as missing

1. In case of necessity for permanent management of the property of a citizen declared as missing, the property thereof shall be transferred to the person appointed

by the guardianship and curatorship body, who is acting on the basis of a trust management contract entered into with that body.

2. The manager of property of a citizen declared as missing shall redeem his or her debts on the account of the property of the missing person, shall dispose the property to the benefit of that person, shall provide allowances to the persons whose maintenance was the obligation of the missing person.

3. The guardianship and curatorship body may, where appropriate, before the expiry of one year from the day of receiving the last information on the missing person, appoint a manager of his or her property on the basis of a court judgment.

4. Where the court judgment on declaring the citizen as missing has not been abolished after three years from the date of appointing a manager, and no application has been filed with the court on declaring the citizen as dead, the guardianship and curatorship body shall be obliged to apply to court for declaring the citizen as dead.

5. The consequences — not provided for by this Article — of declaring a citizen as missing shall be prescribed by law.

Article 46. Consequences of abolishing the judgment on declaring a citizen as missing

In case of appearance of a person declared as missing or identifying his or her place of location, the court shall abolish the judgment on declaring him or her as missing. Trust management of property of that citizen shall be terminated on the basis of a court judgment.

Article 47. Declaring a citizen as dead

1. A citizen may be declared as dead by the court if there has been no information about the place of location thereof in the place of his or her residence within a period

of three years, and if he or she has disappeared for six months under such circumstances that threatened death or give grounds for supposing that he or she has died from a certain accident.

2. A military servant or other citizen missing in connection with military operations may be declared as dead by the court not earlier than two years after the end of military operations.

3. The day of death of a citizen declared as dead shall be considered the day of entry into force of the court judgment on declaring him or her as dead. In case of declaring a citizen as dead — who has disappeared under such circumstances that threatened death or give grounds for supposing that he or she has died from a certain accident — the court may declare the day of his or her supposed death as the day of death.

Article 48. Consequences of appearance of a citizen declared as dead

1. In case of appearance of a citizen declared as dead or identifying his or her place of location, the court shall abolish the judgment on declaring him or her as dead.

2. Regardless of the time of his or her appearance, the citizen may claim from each person the return of preserved property which gratuitously passed to that person after the declaration of the citizen as dead, except for the cases provided for by point 3 of Article 275 of this Code.

3. The persons having acquired the property of a citizen declared as dead through non-gratuitous transactions shall be obliged to return the property thereto, where it is proved that in the course of acquiring the property they were aware that the citizen declared as dead was alive. In case of impossibility to return that property in kind, its cost shall be compensated.

4. Where the property of a citizen declared as dead has passed to the community by the right of succession and has been realised in observance of the conditions provided for by this Article, the amount received from the realisation of the property shall be returned to the citizen after abolishment of the judgment on declaring him or her as dead.

Article 49. Registration of civil status acts

1. The following acts of civil status shall be subject to state registration:

(1) birth;

(2) marriage;

(3) dissolution of marriage;

(4) adoption;

(5) establishment of paternity;

(6) change of name;

(7) death of citizen.

2. Civil status acts shall be registered by civil status acts registration bodies, through making corresponding records in the registers of civil status acts (Books of Acts) and through issuing certificates to citizens on the basis of those records.

3. The civil status acts registration body shall — in case of existence of sufficient grounds and absence of dispute between the interested parties — correct and amend the records made in the civil status acts.

In case of dispute between the interested parties or in case of refusal by the civil status acts registration body to make a correction or amendment to the record, the dispute shall be resolved by the court.

The body of the registration of civil status acts shall, on the basis of a court judgment, denounce or reinstate the records of civil status acts.

4. The bodies registering civil status acts, the procedure for the registration of those acts, for amending, reinstating and denouncing the records of civil status acts, the forms of books of acts and certificates, as well as the procedure for and terms of maintaining the books of acts shall be determined by the law on civil status acts.

CHAPTER 5

LEGAL PERSONS

§ 1. BASIC PROVISIONS

Article 50. Concept of a legal person

1. A legal person shall be the organisation which has separate property as ownership and bears liability for its obligations with that property, may, in its name, acquire and exercise property and personal non-property rights, bear responsibilities, act as a plaintiff or defendant in court.

A legal person shall have an independent balance.

2. In connection with the participation in the formation of property of a legal person, its founders (participants) shall have or shall not have rights of obligation with respect to that legal person.

3. Economic partnerships and companies are among legal persons with respect to which their founders (participants) have rights of obligation.

4. Non-governmental associations, funds and unions of legal persons are among legal persons with respect to which their founders do not have rights of obligation.

Article 51. Types of legal persons

1. Legal persons may be, as to their activities, for-profit organisations (commercial organisations) or not-for-profit organisations not distributing the received profit among the participants (non-commercial organisations).

2. Legal persons that are commercial organisations may be established in the form of economic partnerships and companies.

3. Depending on the nature of their activities, cooperatives may be for-profit (commercial) organisations or non-for-profit (non-commercial) organisations.

4. Legal persons considered as non-commercial organisations may be established in the forms of non-governmental associations, funds, unions of legal persons, as well as in other forms provided for by law.

Non-commercial organisations may carry out entrepreneurial activities only in the cases where this serves the achievement of the objectives for which they have been established, and complies with these objectives. For the purpose of carrying out entrepreneurial activities, non-commercial organisations shall have the right to create economic companies or be a participant therein.

Article 52. Passive legal capacity of a legal person

1. A legal person may have civil rights in accordance with the objectives of its activities provided for by its articles of association and bear obligations in connection with these activities.

2. Commercial organisations may have civil rights necessary for the conduct of any type of activities not prohibited by law and may bear civil obligations.

A legal person may engage in certain types of activities — the list of which shall be prescribed by law — only on the basis of a special permit (license). In cases prescribed by law, a legal person may engage in certain types of activities only after submitting a notification on engaging in such activities.

3. Rights of a legal person may be limited only in the cases provided for by law and as prescribed by law. A legal person may appeal in the court against the decision on limitation of its rights.

4. Passive legal capacity of a legal person shall arise from the moment of its establishment (point 3 of Article 56) and shall terminate from the moment of completion of its liquidation (point 7 of Article 69).

5. The right of a legal person to engage in such activities for the conduct of which a special permit (license) or submission of a notification is required, shall arise from the moment of obtaining such a permit (obtaining the right to conduct activities subject to notification) or within the term indicated therein and shall terminate on the expiration of its period of validity, unless otherwise prescribed by law or other legal acts.

(Article 52 supplemented, edited by HO-128-N of 13 November 2015)

Article 53. Establishment of a legal person

1. Founders of a legal person shall enter into a contract which shall define the procedure for joint activities for the foundation of the legal person, the conditions of transfer of their property to the legal person and the conditions of their participation in its management.

2. Based on the contract, the founders shall draft the statute of the legal person being established.

Article 54. Liability of founders of a legal person

Founders of a legal person shall bear joint and several liability for the obligations that have arisen with respect to the establishment of the legal person before the state registration of the legal person.

Article 55. Articles of association of a legal person

1. The articles of association of a legal person shall be the statute approved by its founders (participants) or the body authorised for it by the statute.

2. The statute of a legal person shall define the name of the legal person, its registered office, as well as shall contain other information provided for by this Code and/or by law for respective types of legal persons.

The statute of a non-commercial organisation shall define the subject and goals of its activities.

The statute of a commercial organisation may provide for the subject and goals of its activities.

3. Amendments to the statute shall acquire legal force for third persons from the moment of their state registration, and in the cases provided for by law — from

the moment of informing about these amendments to the state body performing such registration. However, legal persons and their founders (participants) shall not have the right to invoke the lack of registration of such amendments in relations with third persons who have taken such amendments into account.

(Article 55 supplemented, amended by HO-217-N of 21 December 2010)

Article 56. State registration of legal persons

1. A legal person shall be subject to state registration, as prescribed by law. Data for state registration — including the trade name of commercial organisations — shall be recorded in the state register of legal persons, which shall be open for general information.

2. The grounds for rejecting state registration of a legal person shall be prescribed by law.

It shall not be permitted to reject the registration of a legal person on the motive of inexpedience of its establishment.

Rejection of state registration, as well as evasion from registration may be appealed against in the court.

3. A legal person shall be considered established from the moment of its state registration.

4. A legal person shall be subject to re-registration only in the cases prescribed by law.

(Article 56 edited by HO-39-N of 26 December 2008)

Article 57. Bodies of a legal person

1. A legal person shall acquire civil rights and assume civil responsibilities through its bodies which function in conformity with the law, other legal acts and the statute of the legal person.

The procedure for the election or appointment of the bodies of a legal person shall be prescribed by this Code, by law and/or by the statute of the legal person.

2. In the cases provided for by law, a legal person may acquire civil rights and assume civil responsibilities through its participants, as well as through representatives.

3. A person acting in the name of a legal person by virtue of law or the statute thereof must act in good faith and reasonably for the interests of the legal person represented by him or her. Upon the request of the founders (participants) of the legal person, he or she shall be obliged to compensate for the damages caused to the legal person by him or her, unless otherwise provided for by law or contract.

(Article 57 amended by HO-217-N of 21 December 2010)

Article 58. Name of a legal person

1. A legal person shall have its name which shall contain an indication of the organisational and legal form thereof. The name of a non-commercial organisation shall contain an indication on the nature of activities of the legal person.

2. A legal person considered as a commercial organisation shall have a trade name.

A legal person, the trade name whereof is registered as prescribed by law, shall have an exclusive right of using it.

The procedure for the registration and use of trade names shall be prescribed by law and other legal acts.

3. It shall not be permitted to acquire rights and responsibilities under the trade name of another legal person.

A person illegally using the trade name of another person shall be obliged to terminate its use upon the request of the right holder of the trade name and compensate for the damages caused.

Article 59. Registered office of a legal person

The registered office of a legal person shall be the place of location of its permanently functioning body.

Article 59.1. Concept of redomiciliation of a legal person

1. Redomiciliation of a legal person shall be the transfer of the legal person from one jurisdiction to another, resulting in the change of the personal law of the legal person. Redomiciliation shall be certified by a certificate of continuation.

2. All commercial organisations may be redomiciled. All non-commercial organisations, with the exception of political parties, religious and non-governmental organisations, state and community non-commercial organisations, condominiums, as well as with the exception of organisations which have not adopted an organisational and legal form provided for by this Code, or the organisational and legal form of which is impossible to replace by the organisational and legal form chosen by them and provided for by this Code, shall have the right to be redomiciled.

3. A legal person may be redomiciled only when such possibility is not prohibited by its statute.

4. Redomiciliation of a legal person shall be carried out on the basis of the decision of the competent body prescribed by the personal law of the legal person and in the manner prescribed by said personal law.

5. Provisions on redomiciliation of legal persons shall not apply to organisations licensed and controlled by the Central Bank of the Republic of Armenia.

(Article 59.1 supplemented by HO-206-N of 17 November 2016)

Article 59.2. Redomiciliation of a foreign legal person to the Republic of Armenia

1. A foreign legal person may — as prescribed by the legislation of the Republic of Armenia — be redomiciled to the Republic of Armenia after obtaining a statute complying with the requirements of the legislation of the Republic of Armenia and terminating its registration in the foreign country as a legal person of that country or registering the information on redomiciliation.

2. Following the redomiciliation of a foreign legal person, the foreign legal person shall retain all of its rights and obligations, unless otherwise provided for by law.

3. Following the redomiciliation of a foreign legal person to the Republic of Armenia, its registered office shall be transferred to the Republic of Armenia.

4. For the purpose redomiciliation of a foreign legal person to the Republic of Armenia, that foreign legal person shall — as prescribed by law — submit the application for preliminary registration and the information and documents provided for by law to the authorised person within or authorised body of the Government, and shall choose its organisational and legal form.

5. After submitting the data prescribed by law to the registration body, the registration body shall, where there are no grounds excluding the redomiciliation

of the foreign legal person to the Republic of Armenia, carry out preliminary registration of the legal person undergoing redomiciliation and provide a relevant excerpt from the register.

6. Simultaneously with applying for preliminary registration or thereafter, the registration body, on the basis of the application for redomiciliation submitted by the legal person undergoing redomiciliation, shall provide the legal person undergoing redomiciliation with an temporary certificate of continuation on redomiciliation to the Republic of Armenia.

7. After preliminary registration of the foreign legal person, the legal person undergoing redomiciliation shall submit to the registration body a duly certified Armenian translation of the document on termination of its registration in the foreign state as a legal person of that country or on recording the information regarding redomiciliation.

8. On the basis of the document on termination of registration of a foreign legal person in a foreign state or on redomiciliation from that country, a record on redomiciliation of a foreign legal person to the Republic of Armenia shall be made in the register and a certificate of continuation considered as recognition of redomiciliation of the legal person to the Republic of Armenia shall be provided by the registration body of the Republic of Armenia.

9. After recognition of redomiciliation, a legal person shall be deemed to be registered in the Republic of Armenia from the moment of preliminary registration, provided that the foreign legal person having applied for redomiciliation has not concluded transactions from the moment of preliminary registration until the moment of recognition of redomiciliation to the Republic of Armenia. Otherwise, that legal person shall be deemed to be redomiciled from the moment of recognition of redomiciliation to the Republic of Armenia.

10. To obtain a licence for carrying out activities subject to licensing, a foreign legal person may — on the general grounds provided for by the legislation of the Republic of Armenia and from the moment of preliminary registration of redomiciliation to the Republic of Armenia — apply to the bodies provided for by the legislation of the Republic of Armenia, unless otherwise provided for by law.

11. The Government of the Republic of Armenia may define the list of states legal persons of which may not be redomiciled to the Republic of Armenia, as well as the list of states to where legal persons of the Republic of Armenia may not be redomiciled. Redomiciliation may be rejected where the non-commercial organisation in question has not brought its statute in line with the legislation of the Republic of Armenia and where the organisational and legal form chosen by the legal person in question is incompatible with its statutory objectives or it has not submitted the documents provided for by law.

12. In case of redomiciliation of a legal person redomiciled to another state besides undergoing redomiciliation to the Republic of Armenia, the Republic of Armenia shall be deemed to be the country of redomiciliation of that legal person.

(Article 59.2 supplemented by HO-206-N of 17 November 2016)

Article 59.3. Redomiciliation of a legal person of the Republic of Armenia.

1. At the time of redomiciliation of a legal person of the Republic of Armenia, a record on redomiciliation of the legal person shall be made in the unified state register of legal persons and the information prescribed by law shall be preserved. Such information shall be deemed publicly available, unless otherwise provided for by the legislation in force.

2. Redomiciliation of a legal person of the Republic of Armenia shall be prohibited where its liabilities exceed its assets, or where that legal person has liabilities towards

the Republic of Armenia, except for cases when consent to redomiciliation has been given upon the decision of the body responsible for management of the mentioned liabilities, or where it has liabilities towards a certain community, except for cases when consent to redomiciliation of the legal person has been given upon the decision of the relevant community council, or where the legal person is deemed to be an organisation having a monopolistic or dominant position, or an organisation participating in the regulated public services sector.

3. After a decision on redomiciliation has been taken by the general meeting of participants of a legal person of the Republic of Armenia, its executive body shall be obliged to inform the creditors of the legal person undergoing redomiciliation about it in writing as well as issue a public notice on the redomiciliation as prescribed by the Law of the Republic of Armenia "On public and individual notification via the Internet" at least three months prior to the final registration of redomiciliation, unless a longer time limit has been prescribed by the decision on redomiciliation.

4. At the time of redomiciliation of a legal person of the Republic of Armenia, creditors of the legal person shall — prior to the final registration of redomiciliation — have the right to claim additional guarantees of discharge of liabilities or claim termination of redomiciliation or early discharge of liabilities and compensation for damages.

5. A legal person of the Republic of Armenia shall — before the expiry of the specified time limit — discharge its liabilities towards the Republic of Armenia and the community concerned as well as satisfy the early claims of creditors.

6. A creditor's claim for termination of redomiciliation of a legal person of the Republic of Armenia shall be filed with the court prior to the state registration of redomiciliation. Where the claim is based on an indisputable right and the debtor cannot satisfy it at once and compensate for damages, or where the debtor is

the Republic of Armenia, or where there are grounds for insolvency of the legal person undergoing redomiciliation, the court shall terminate the redomiciliation until the elimination of the specified grounds.

7. A legal person of the Republic of Armenia shall, as prescribed by law, submit to the authorised person within or the authorised body of the Government an application for redomiciliation and the information and documents provided for by law: in particular, evidence that its liabilities have been discharged or its creditors have been informed in writing about the redomiciliation as well as that a public notice on the redomiciliation has been issued as prescribed by the Law of the Republic of Armenia "On public and individual notification via the Internet", a statement of information on not being involved in bankruptcy proceedings, a statement of information on not having any liabilities with regard to incomes controlled by the tax authority.

8. Where the information and the documents provided for by point 7 of this Article are not submitted together with the application provided for by the same point, the body registering the specified information shall — based on mutual assistance and in the manner and time limits provided for by law — obtain the information from the state bodies possessing it.

9. After submitting the application, documents and other data prescribed by law to the registration body, where there are no grounds excluding redomiciliation of the legal person of the Republic of Armenia from the territory of the Republic of Armenia, the registration body shall provide the legal person of the Republic of Armenia with a document certifying that the legal person undergoing redomiciliation is in the process of redomiciliation. The form and content of the document on being in the process of redomiciliation shall be defined by the authorised body provided for by law.

10. After the temporary certificate of continuation or the certificate of continuation issued by the authorised body provided for by laws of another state has been submitted to the registration body of the Republic of Armenia, the registration body shall make a record on redomiciliation of the legal person of the Republic of Armenia from the Republic of Armenia.

(Article 59.3 supplemented by HO-206-N of 17 November 2016)

Article 60. Liability of a legal person

1. A legal person shall be liable for its obligations with all the property belonging thereto, except for the cases provided for by this Code.

2. The founder (participant) of a legal person shall not be liable for the obligations of the legal person, and the legal person shall not be liable for the obligations of its founder (participant), except for the cases provided for by this Code or the statute of the legal person.

(Article 60 supplemented by HO-69-N of 18 May 2010)

Article 61. Representations and branches

1. A representation shall be the separated subdivision of a legal person located beyond the registered office thereof, which represents the interests of the legal person and exercises the protection thereof.

2. A branch shall be the separated subdivision of a legal person located beyond the registered office thereof, which exercises all or part of the functions of the legal person, including the functions of representation.

3. Representations and branches shall not be legal persons and shall function on the basis of the statutes approved by the legal person.

Heads of representations and branches shall be appointed by the legal person and shall act on the basis of its letter of attorney.

The statute of a company may contain information about separated subdivisions.

(Article 61 edited by HO-205 of 27 July 2001)

Article 62. Institution

1. An institution shall be the organisation established by a legal person for the exercise of administrative, socio-cultural, educational or other activities of non-commercial nature.

2. An institution shall not be a legal person and shall function on the basis of the statute approved by the legal person.

3. Within the framework prescribed by law, an institution shall, in conformity with the objectives of its activities, the assignments of the legal person and designation of the property attached thereto, possess, use and dispose that property.

4. Liability for the obligations of an institution shall be borne by the legal person having established it.

5. Specific aspects of the legal status of individual types of state and other institutions shall be prescribed by law and other legal acts.

Article 63. Reorganisation of a legal person

1. Reorganisation of a legal person (merger, amalgamation, division, separation, restructuring) shall be effected on the basis of a decision of its founders (participants) or of a body of legal person authorised for that by the statute.

2. In the cases provided for by law, reorganisation of a legal person through division of the legal person or separation of one or several legal persons from its composition shall be effected by a court judgment.

The court shall appoint an external administrator of the legal person and shall assign thereto the implementation of the reorganisation of the legal person. From the moment of appointment, the powers of management of a legal person shall pass to the external administrator. The external administrator shall act in the name of the legal person in the court, draw up a separating balance sheet and submit it to the court together with the statutes of the legal persons established as a result of reorganisation. Approval of these documents by the court shall be a ground for state registration of newly established legal persons.

3. A legal person shall, except for the case of reorganisation through amalgamation, be considered as reorganised from the moment of state registration of the newly established legal persons.

4. In case of reorganisation of a legal person through amalgamating with another legal person, they shall be considered as reorganised from the moment of state registration of the termination of the activities of the amalgamated legal person.

(Article 63 edited by HO-205 of 27 July 2001)

Article 64. Legal succession in case of reorganisation of legal persons

1. In case of merger of legal persons, the rights and obligations of each of them shall pass to the newly created legal person, in accordance with the deed of transfer.

2. In case of amalgamation of a legal person with another legal person, the rights and obligations of the amalgamated legal person shall pass to the latter, in accordance with the deed of transfer.

3. In case of division of a legal person, its rights and obligations shall pass to the newly created legal persons, in accordance with the separating balance sheet.

4. In case of separation of one or more legal persons from the composition of a legal person, the rights and obligations of the reorganised legal person shall pass to each of them, in accordance with the separating balance sheet.

5. In case of restructuring of one type of legal person into another type of legal person (change of organisational and legal form), the rights and obligations of the reorganised legal person shall pass to the newly created legal person, in accordance with the deed of transfer. Reorganisation provisions shall also apply to foreign legal persons when they are being restructured as a legal person of the Republic of Armenia.

(Article 64 supplemented by HO-206-N of 17 November 2016)

Article 65. Deed of transfer and separating balance sheet

1. The deed of transfer and the separating balance sheet shall contain provisions on the property of the reorganised legal person and on the legal succession of obligations concerning the creditors and debtors, including disputed obligations.

2. The deed of transfer and the separating balance sheet shall be approved by the founders (participants) of the legal person having taken the decision on reorganisation or by the body of the legal person authorised for that purpose by the statute, and together with the statutes shall be submitted for the registration of the newly created legal persons or for making amendments to the statutes of existing legal persons.

3. Failure to submit the deed of transfer or the separating balance sheet together with the statutes, as well as lack of provisions therein on the property and on legal succession of obligations of the reorganised legal person, or disproportional

distribution of property and obligations shall serve as a ground for the rejection of state registrations conditioned by reorganisation.

(Article 65 amended, edited by HO-205 of 27 July 2001)

Article 66. Guarantees for the rights of creditors of a legal person in case of the reorganisation thereof

1. Founders (participants) of the legal person having taken the decision on reorganisation of the legal person or the body of the legal person authorised for that purpose by the statute, and the external administrator shall — in the cases provided for by Article 63(2) of this Code — be obliged to inform thereon in writing the creditors of the legal person being reorganised.

2. The creditor of a legal person being reorganised shall have the right to require additional guarantees for the fulfilment of obligations or termination of reorganisation or early performance of the obligation, where the debtor is the legal person being reorganised, and to require compensation for the damages.

3. Where the separating balance sheet does not allow determining the legal successor of the reorganised legal person, the newly created legal persons shall bear joint and several liability for the obligations of the reorganised legal person with respect to its creditors.

(Article 66 supplemented by HO-205 of 27 July 2001)

Article 67. Liquidation of a legal person

1. Activities of a legal person shall terminate upon its liquidation, without transfer of its rights and responsibilities through legal succession to other persons.

2. A legal person may be liquidated:

(1) upon the decision of its founders (participants) or the body of the legal person authorised for that purpose by the statute, including in connection with the expiry of the term or reaching the objective for which the legal person has been established;

(2) in case of declaration of the state registration of the legal person as invalid by the court — in connection with the violations of law committed in the course of its establishment;

(3) by a court judgment — in cases of performance of activities without a permit (license) or activities prohibited by law, multiple or gross violations of law or other legal acts, regular performance of activities contradicting the statutory objectives by a non-governmental association or a fund, as well as in other cases provided for in this Code.

3. The claim for liquidation of a legal person on the grounds referred to in point 2 of this Article may be submitted to the court by a state or local self-government body which is vested by law to submit such a claim.

Responsibilities to liquidate the legal person may be imposed — by a court judgment — on the founders (participants) of a legal person or the body having the power to liquidate the legal person.

4. A legal person shall be liquidated also as a consequence of bankruptcy.

5. A legal person may be liquidated only as a consequence of bankruptcy where its property value is not sufficient to satisfy the claims of creditors.

6. Specific aspects of the grounds of and procedure for the liquidation of banks, insurance funds, administrators of insurance funds, insurance companies, and the Bureau established in compliance with the Law of the Republic of Armenia "On compulsory insurance against liability arising from the use of motor vehicles", as well as the specific aspects of satisfaction of the claims of creditors in case of liquidation shall be prescribed by law.

(Article 67 amended by HO-205 of 27 July 2001, supplemented by HO-229-N of 15 November 2005, HO-178-N of 9 April 2007, amended by HO-69-N of 18 May 2010, supplemented by HO-253-N of 22 December 2010)

Article 68. Responsibilities of the person having taken the decision on liquidation of a legal person

1. Founders (participants) of the legal person having taken the decision on liquidation of the legal person or the body of the legal person authorised for that purpose by the statute shall be obliged to inform immediately thereon the body carrying out state registration of legal persons, which shall make a record in the state register of legal persons about the given legal person undergoing a liquidation process.

2. Founders (participants) of the legal person having taken the decision on liquidation of the legal person or the body of the legal person authorised for that purpose by the statute, shall appoint a liquidation commission (liquidator) and, pursuant to this Code, shall define the procedure for and terms of liquidation.

3. The powers of management of the affairs of the legal person shall pass to the liquidation commission from the moment of its appointment. The liquidation commission shall act in the court in the name of the legal person under liquidation.

Article 69. Procedure for liquidation of a legal person

1. The liquidation commission shall post an announcement on the official web-site of public notifications — http://www.azdarar.am — about its liquidation and the procedure for and the term of submission of claims of creditors. This term may not be less than two months starting from the moment of the publication on liquidation.

The liquidation commission shall take measures to identify creditors and collect receivables, as well as shall inform the creditors on the liquidation of the legal person.

2. After the expiry of the term for the submission of claims by the creditors, the liquidation commission shall draw up an interim liquidation balance sheet, which shall contain information about the composition of the property of the legal person under liquidation, the list of claims submitted by creditors, as well as information about the results of discussion of claims.

The interim liquidation balance sheet shall be approved by the founders (participants) of the legal person having taken the decision on liquidation or the body of the legal person authorised for that purpose by the statute.

3. Where funds of the legal person under liquidation are insufficient for the satisfaction of the claims of creditors, the liquidation commission shall sell the property of the legal person through public biddings, as prescribed by the law on public biddings.

4. The liquidation commission shall pay amounts to the creditors of the legal person under liquidation in accordance with the order of priority prescribed by Article 70 of this Code, pursuant to the interim liquidation balance sheet, starting from the date of its approval.

5. After the completion of settlements with the creditors, the liquidation commission shall draw up a liquidation balance sheet, which shall be approved by the founders (participants) of the legal person having taken the decision on liquidation or by the body of the legal person authorised for that purpose by the statute.

The liquidation commission shall submit the approved liquidation balance sheet to the body carrying out state registration of legal persons.

6. After satisfaction of the claims of creditors, the remaining property of the legal person shall be transferred to its founders (participants), unless otherwise provided for by law, other legal acts or by the statute of the legal person.

7. A legal person shall be considered as liquidated and its existence as terminated from the moment of state registration.

(Article 69 edited by HO-205 of 27 July 2001, amended by HO-130-N of 19 March 2012)

Article 70. Satisfaction of claims of creditors

1. In case of liquidation of a legal person, claims of its creditors shall be satisfied in the following order of priority:

Firstly, claims of creditors secured by a pledge of property of the legal person under liquidation shall be satisfied;

Secondly, claims of those citizens to whom the legal person under liquidation is liable for causing damage to their life or health, shall be satisfied through capitalisation of relevant regular payments;

Thirdly, severance benefits, salaries of employees working under employment contracts and remuneration on copyright contracts shall be paid;

Fourthly, the debt of mandatory payments to the State Budget shall be paid;

Fifthly, settlements shall be made with the remaining creditors, except for the creditors with subordinate credits;

Sixthly, settlements shall be made with the creditors with subordinate credits.

Claims of each order of priority shall be satisfied after completely satisfying the claims of the previous order of priority.

2. In case the liquidation commission rejects the satisfaction of claims of a creditor or avoids considering them, the creditor shall have the right to bring an action against the liquidation commission prior to the approval of the liquidation balance sheet of the legal person.

3. Claims of a creditor submitted after the expiry of the term established by the liquidation commission for submission of claims shall be satisfied from the property of the liquidated legal person remaining after the satisfaction of creditors' claims submitted in time.

4. Claims of creditors rejected by the liquidation commission where the creditor has not brought an action to court, as well as the claims rejected by a court judgment shall be considered as satisfied.

(Article 70 edited, supplemented by HO-55-N of 28 February 2011)

Article 71. Bankruptcy of a legal person

A legal person may be declared bankrupt by a court judgment where it is unable to satisfy the claims of creditors.

Grounds of, procedure for declaring a legal person bankrupt by the court, as well as the specific aspects of satisfaction of the claims of creditors of a legal person declared bankrupt shall be prescribed by law.

(Article 71 amended by HO-163 of 3 April 2001, HO-54-N of 25 December 2006)

§ 2.COMMERCIAL ORGANISATIONS

1.GENERAL PROVISIONS ON ECONOMIC PARTNERSHIPS AND COMPANIES

Article 72. Basic provisions on economic partnerships and companies

1. Commercial organisations having statutory (share) capital divided into shares of their founders (participants) shall be considered as economic partnerships and companies. Property generated on the account of contributions of founders (participants), as well as the property produced and acquired in the course of the activities of an economic partnership or company shall belong to it by the right of ownership.

In the cases provided for by this Code, an economic partnership may be established by a single person.

2. Economic partnerships may be established in the form of a general partnership or a limited partnership (partnership in commendam).

3. Economic partnerships may be established in the form of a limited or additional liability company or of a joint stock company.

4. Only individual entrepreneurs and/or commercial organisations may be participants in general partnerships and general partners in limited partnerships.

5. Citizens and legal persons may be participants in economic companies and contributors in limited partnerships.

6. State and local self-government bodies shall not have the right to be participants in economic partnerships and companies.

7. Economic partnerships and companies may be founders (participants) of other economic partnerships and companies, except for the cases provided for by this Code and other laws.

8. Contribution in the property of an economic partnership or a company may be money, securities, other property or property rights, as well as other rights having estimated monetary value.

9. Estimated monetary value of the contribution of a participant in an economic partnership shall be effected upon agreement between the founders (participants) of the company and shall be subject to estimation by an independent assessor in the cases and in the manner provided for by law.

(Article 72 amended by HO-205 of 27 July 2001)

Article 73. Rights and responsibilities of participants in an economic partnership or company

1. Participants in an economic partnership or company shall have the right to:

(1) participate in the management of the affairs of the partnership or company, except for the cases provided for by point 2 of Article 92 of this Code and the Law of the Republic of Armenia "On joint stock companies";

(2) receive information about the activities of the partnership or company and familiarise themselves with its accounting books and other documentation, as prescribed by the statute;

(3) take part in the distribution of profit;

(4) receive, in case of liquidation of the partnership or company, the part of property left after the settlements with creditors or the value thereof.

Participants in an economic partnership or company may also have other rights provided for by this Code, laws on economic companies, the statute of the partnership or company.

2. Participants in economic partnerships or companies shall be obliged:

(1) to provide contributions in the manner, amounts, means and terms provided for by the statute;

(2) not to disclose confidential information concerning the activities of the partnership or company.

Participants in economic partnerships or companies may also bear other responsibilities provided for by their statutes.

Article 74. Restructuring of economic partnerships and companies

1. Upon the decision of the general meeting of participants and as prescribed by this Code, economic partnerships and companies may restructure into other types of economic partnerships and companies.

2. In case of restructuring of a partnership into a company, each general partner that has become a participant (shareholder) of the company shall bear, for two years, subsidiary liability with all property thereof for the obligations that have passed to the company from the partnership. Alienation by the former partner of stocks (shares) belonging thereto shall not exempt the latter from such liability.

Article 75. Subsidiary economic company

1. An economic company shall be considered as subsidiary where another (principal) economic partnership or company — by virtue of dominant participation in

its statutory capital or in accordance with a contract entered into between them — has the possibility of predetermining the decisions of such a company.

2. The subsidiary company shall not be liable for the debts of the principal partnership or company.

3. The principal partnership or company, which has the right to give mandatory instructions to the subsidiary company, shall bear joint and several liability with the subsidiary company for the performance of transactions entered into in accordance with its instructions. The principal partnership or company shall be considered as having the right to give mandatory instructions to the subsidiary company when this right is provided for in the contract entered into with the subsidiary company.

4. Participants (shareholders) of a subsidiary company shall have the right to require from the principal partnership or company to compensate for the damages caused to the subsidiary company by its fault. Damages shall be considered as caused by the fault of the principal partnership or company, where they have occurred as a consequence of execution by the subsidiary company of mandatory instructions of the principal partnership or company.

5. In case of bankruptcy of a subsidiary company by the fault of the principal partnership or company, the principal partnership or company shall bear subsidiary liability for its debts. Bankruptcy of a subsidiary company shall be considered as occurred by the fault of the principal partnership or company, where it has occurred as a consequence of execution by the subsidiary company of mandatory instructions of the principal partnership or company.

Article 76. Dependent economic company

1. An economic company shall be considered as dependent when the other (dominant, participant) partnership or company has more than twenty percent of the statutory capital of a limited liability company or of the voting shares of a joint-stock company.

2. An economic partnership or company, which has acquired more than twenty percent of the statutory capital of a limited liability company or of the voting shares of a joint-stock company, shall be obliged to publish information thereon immediately, as prescribed by the laws on economic companies.

2. GENERAL PARTNERSHIP

Article 77. Basic provisions on general partnerships

1. A partnership shall be considered as general where its participants (general partners), in accordance with the statute, are engaged in entrepreneurial activities in the name of the partnership and bear liability for its obligations with the property belonging to them.

2. A person may be a participant in only one general partnership.

3. The trade name of a general partnership shall contain the names of all of its participants and the words “general partnership” [liakatar enkeraktsutyun] or the name of one or more participants with the addition of the words “and partners” [yev enkerner] and “general partnership” [liakatar enkeraktsutyun].

Article 78. Statute of a general partnership

In addition to the information referred to in point 2 of Article 55 of this Code, the statute of a general partnership shall contain the terms and conditions on the size and composition of the share capital, on the amount of and procedure for change of the equity share of each participant in the share capital, on the composition of and procedure for their contributions, on the liability of participants for the violation of the obligations of providing contributions.

Article 79. Management of a general partnership

1. A general partnership shall be managed upon the general agreement of all participants. Cases of taking a decision by the majority of votes of the participants may be provided for by the statute of the general partnership.

2. Each participant in a general partnership shall have one vote, unless another procedure is provided for by the statue for the determination of the quantity of votes of its participants.

3. Each participant in a partnership — irrespective of the fact whether or not it is authorised to manage the affairs of the partnership — shall have the right to familiarise himself or herself with all the documents of the partnership. Renouncing of this right or limitation thereof, including by the consent of participants in the partnership, shall be null and void.

Article 80. Managing the affairs of a general partnership

1. Each participant in a general partnership shall have the right to act in the name of the partnership, unless the statute provides that all its participants shall manage the affairs jointly, or that managing of the affairs is assigned to individual participants.

2. In case of jointly managing the affairs of a partnership by its participants, the consent of all participants in a partnership shall be required for entering into and performing each transaction.

3. When the managing of the affairs of a partnership has been assigned by its participants to one or several of them, the remaining participants must have the letter of attorney of that participant (participants) for the purpose of entering into and performing transactions in the name of the partnership.

4. In relations with third persons, the partnership shall not have the right to invoke the provisions of the statute limiting the powers of participants in the partnership, except for the cases when the partnership proves that the third person, at the time of entering into a transaction, has known or should have obviously known that a participant in the partnership lacks the right to act in the name of the partnership.

5. Powers to manage the affairs of a partnership granted to one or several participants may be terminated by a court judgment upon the request of one or several participants in the partnership, in case of existence of serious grounds therefor, including in cases of gross violation by the authorised person (persons) of the obligations thereof or revealed incapacity thereof for reasonably managing the affairs. On the basis of a court judgment, appropriate amendments shall be made to the statute of the partnership.

Article 81. Obligations of a participant in a general partnership

1. A participant in a general partnership shall be obliged to participate in its activities in accordance with the conditions of the statute.

2. ***(point repealed by HO-39-N of 26 December 2008)***

3. A participant in a general partnership shall not have the right to enter, without the consent of the remaining participants, in his name, to his interest or to the interest

of third persons, into transactions similar to those that constitute the subject of activities of the partnership.

In case of violating this rule, a partnership shall have the right to require, at its discretion, from its participant to compensate for the damages caused to the partnership or to transfer to the partnership the whole benefit generated from such transactions.

(Article 81 amended by HO-39-N of 26 December 2008)

Article 82. Profit and loss distribution of a general partnership

1. Profit and losses of a general partnership shall be distributed among its participants in proportion to their equity shares in the share capital of the partnership, unless otherwise provided for by the statute or upon agreement of participants. An agreement on the isolation of a participant in the partnership from participation in the profit or loss distribution shall be null and void.

2. If, as a consequence of losses incurred by the partnership, the value of its net assets becomes less than the size of the share capital, the profit received by the partnership shall not be distributed among the participants until the value of net assets exceeds the size of share capital.

Article 83. Liability of participants in a general partnership for its obligations

1. Participants in a general partnership shall bear joint subsidiary liability with their property for the obligations of the partnership.

2. A participant in a general partnership, who is not a founder, shall bear liability equally with other participants for the obligations that have arisen before his or her entry into the partnership.

A participant that has withdrawn from the partnership shall bear liability for the obligations of the partnership having arisen before the moment of his or her withdrawing, equally with the remaining participants for two years from the day of approval of the report on the activities of the partnership for the year in which the participant has withdrawn from the partnership.

3. The agreement of participants in the partnership on limiting or eliminating the liability provided for by this Article shall be void.

Article 84. Change in the composition of participants in a general partnership

1. In cases of withdrawal from a general partnership or the death of one of the participants, declaration of one of them as missing, as having no or limited active legal capacity, or as bankrupt, commencement of reorganisation procedures with respect to one of the participants upon the decision of a court, liquidation of a legal person participating in the partnership, or of levying by a creditor of one of the participants of execution on part of the property corresponding to his or her equity share in the share capital, the partnership may continue its activities where it is provided for by the statute of the partnership or by agreement of the remaining participants.

2. Participants in a general partnership shall have the right to require, through judicial procedure, to remove any of the participants from the partnership by an unanimous decision of the remaining participants, in case of existence of serious grounds therefor, particularly in cases of gross violation by this participant of his or her obligations or showing inability for reasonably managing the affairs.

Article 85. Withdrawal of a participant from a general partnership

1. A participant in a general partnership shall have the right to withdraw therefrom by announcing its refusal to participate in the partnership.

Refusal to participate in a general partnership shall be announced at least six months prior to the withdrawal of the participant from the partnership.

2. The agreement of participants in the partnership to waive the right to withdraw from the partnership shall be null and void.

Article 86. Consequences of withdrawal of a participant from a general partnership

1. A participant who has withdrawn from a general partnership shall be paid the value of the part of property of the partnership corresponding to the equity share of this participant in the share capital, unless otherwise provided for by the statute. Upon agreement between the withdrawing participant and the remaining participants, payment of the property value may be replaced by transferring the property in kind.

Part of the property due to the withdrawing participant or its value shall be determined by the balance sheet which shall be compiled at the time of withdrawal, except for the case provided for by Article 88 of this Code.

2. In case of the death of a participant in a general partnership, his or her heir may enter the general partnership only with the consent of other participants, unless otherwise provided for by the statute of the partnership.

A legal person, which is the legal successor of a reorganised legal person that has participated in a general partnership, shall have the right to enter the partnership with the consent of its other participants, unless otherwise provided for by the statute of the partnership.

Settlements with an heir (legal successor) who has not entered the partnership shall be made in accordance with point 1 of this Article. The heir (legal successor) of the participant in a general partnership shall bear liability for the obligations of the partnership to third persons in such a manner in which, in accordance with point 2 of Article 83 of this Code, a participant who has withdrawn would have been liable, within the limits of the property transferred thereto from the participant having withdrawn from the partnership.

3. In case one of the participants has withdrawn from the partnership, the equity shares of the remaining participants in the share capital of the partnership shall correspondingly increase, unless otherwise provided for by the statute or upon agreement of the participants.

Article 87. Transfer of the equity share of a participant in the share capital of a general partnership

1. A participant in a general partnership shall have the right, with the consent of its remaining participants, to transfer its equity share in the share capital or a part thereof to another participant in the partnership or to a third person.

2. In case of transfer of an equity share (part thereof) to another person, the rights belonging to the participant who has transferred the equity share (part thereof) shall pass thereto in full or in the corresponding part. The person, to whom an equity share (part thereof) has been passed, shall bear liability for the obligations of the partnership, as prescribed by paragraph 1 of point 2 of Article 83 of this Code.

3. The transfer of the entire equity share to another person by a participant in the partnership shall terminate his or her participation in the partnership and shall entail the consequences provided for by point 2 of Article 83 of this Code.

Article 88. Levy of execution on the equity share of a participant in the share capital of a general partnership

1. Levy of execution on a participant's equity share in the property of a general partnership for the debts not connected with the participation in the partnership (personal debts) shall be permitted only in case of insufficiency of his or her other property to cover the debts. Creditors of such a participant shall have the right to demand from the general partnership to separate a part of the property of the partnership corresponding to the equity share of the debtor in the share capital with the purpose of levying of execution on this property. The part of property of the partnership or its value subject to separation shall be determined according to a balance sheet drawn up at the time of submission of a claim for separation.

2. Levying of execution on the property corresponding to the equity share of a participant in the share capital of a general partnership shall terminate the participation thereof in the partnership and shall entail consequences provided for by the second point 2 of Article 83 of this Code.

Article 89. Liquidation of a general partnership

A general partnership shall be liquidated on the grounds referred to in Article 67 of this Code, as well as in the case where there remains only one participant in the partnership. Within six months from the moment of becoming the sole participant in the partnership, such a participant shall have the right to restructure the partnership into an economic company, as prescribed by this Code.

A general partnership shall also be liquidated in the cases referred to in point 1 of Article 84 of this Code, where the statute of the partnership or an agreement between the remaining participants does not provide that the partnership shall continue its activities.

3.LIMITED PARTNERSHIP

Article 90. Basic provisions on limited partnerships

1. A limited partnership (partnership in commendam) shall be considered the partnership in which, along with the participants conducting entrepreneurial activities in the name of the partnership and bearing liability for the obligations of the partnership with their property (general partners), there are one or several participant-contributors (limited partners), who bear the risk of losses connected with the activities of the partnership within the limits of amounts of contribution provided by them and do not take part in the entrepreneurial activities conducted by the partnership.

2. The legal status of general partners participating in a limited partnership and their liability for the obligations of the partnership shall be prescribed by the rules of this Code on participants in a general partnership.

3. A person may be a general partner only in one limited partnership.

A participant in a general partnership may not be a general partner in a limited partnership.

A general partner of a limited partnership may not be a participant in a general partnership.

4. The trade name of a limited partnership shall contain the names of all the general partners and the words “limited partnership” [vstahutyan vra himnvats enkeraktsutyun], or the name of at least one general partner with the addition of the words “and partners” [yev enkerner] and “limited partnership”[vstahutyan vra himnvats enkeraktsutyun].

5. Where the name of a contributor is included in the trade name of a limited partnership, this contributor shall become a general partner.

6. Rules of this Code on general partnerships shall be applied to limited partnerships where it does not contradict the rules of this Code on limited partnerships.

7. The characteristics of investment funds that are limited partnerships shall be prescribed by the Law of the Republic of Armenia "On investment funds".

(Article 90 supplemented by HO-253-N of 22 December 2010)

Article 91. Statute of a limited partnership

The statute of a limited partnership should contain, in addition to the information referred to in Article 55(2) of this Code, terms on the size and composition of the share capital of the partnership; on the size of and procedure for change of equity shares of each of the general partners in the share capital; on the composition of and procedure for the contributions provided thereby; on their liability for the violation of the obligations for providing contributions; and on the size of contributions provided contributed by the contributors.

Article 92. Management of a limited partnership and managing its affairs

1. A limited partnership shall be managed by general partners. The procedure for the management and managing of affairs of such a partnership shall be defined by general partners, in accordance with the rules of this Code on a general partnership.

2. Contributors shall not have the right to participate in the management and managing of the affairs of a limited partnership, and to act in its name without a letter of attorney. They shall not have the right to dispute the actions of general partners connected with the management and managing of the affairs of the partnership.

Article 93. Rights and obligations of contributors in a limited partnership

1. A contributor in a limited partnership shall be obliged to provide a contribution in the share capital. The provision of contribution shall be certified by a certificate of participation issued to the contributor by the partnership.

2. A contributor of a limited partnership shall have the right:

(1) to receive the part of profit of the partnership due for his or her equity share in the share capital in the manner provided for by the statute;

(2) to get familiarised with the annual reports and balance sheets of the partnership;

(3) to withdraw from the partnership at the end of the fiscal year and receive his or her contribution in the manner provided for by the statute, unless otherwise provided for by the statute of a public investment fund that has an organisational and legal form of a limited partnership;

(4) to transfer his or her share in the share capital or part thereof to another contributor or to a third person.

Contributors shall enjoy a preferential right with respect to third persons for the purchase of an equity share (part of it), in accordance with the conditions and manner provided for by point 3 of Article 101 of this Code. Transfer by investor contributor of the entire equity share to another person shall terminate the participation thereof in the partnership.

Statute of a limited partnership may also provide for other rights of contributors.

(Article 93 supplemented by HO-253-N of 22 December 2010)

Article 94. Liquidation of a limited partnership

1. A limited partnership shall be liquidated in case of withdrawal of all contributors participating in it. However, general partners shall have the right to restructure, instead of liquidation, the limited partnership into a general partnership.

A limited partnership shall also be liquidated on the grounds for liquidation of a general partnership (Article 89). However, a limited partnership shall be maintained where at least one general partner and one contributor remain therein.

2. In case of liquidation of a limited partnership, including bankruptcy, the contributors shall have a preferential right with respect to general partners for receipt of their contributions from the property of the partnership remaining after satisfaction of the claims of creditors.

The property of the partnership remaining thereafter shall be distributed among general partners in proportion to their equity shares in the share capital of the partnership, unless another procedure is provided for by the statute or upon agreement of general partners.

4.LIMITED LIABILITY COMPANY

Article 95. Basic provisions on limited liability companies

1. A limited liability company shall be the company founded by one or several persons, the statutory capital whereof is divided into equity shares of amounts prescribed by the statute. Participants in a limited liability company shall not be liable for its obligations and shall bear the risk of losses connected with the activities of the company within the limits of the value of contributions provided thereby.

2. The trade name of a limited liability company shall contain a specific, common and/or other name of distinctive significance, as well as the words "limited liability company" [sahmanapak pataskhanatvutyamb enkerutiun].

3. The legal status of a limited liability company, as well as the rights and obligations of its participants shall be prescribed by this Code and the law on limited liability companies. Characteristics of banks that are limited liability companies shall be prescribed by the Law of the Republic of Armenia "On banks and banking"; characteristics of the managers of an investment fund shall be prescribed by the Law of the Republic of Armenia "On investment funds"; characteristics of investment companies shall be prescribed by the Law of the Republic of Armenia "On securities market", and characteristics of insurers shall be prescribed by the Law of the Republic of Armenia "On insurance and insurance activities".

(Article 95 supplemented by HO-229-N of 15 November 2005, HO-178-N of 09 April 2007, HO-253-N of 22 December 2010)

Article 96. Participants in a limited liability company

1. The number of participants in a limited liability company shall not exceed the limit prescribed by the law "On limited liability companies". Otherwise, it shall be restructured into an open joint-stock company or a commercial cooperative within a period of one year. Where within the mentioned term the company is not restructured, or where the number of its participants is not reduced to the number prescribed by the Law of the Republic of Armenia "On limited liability companies", the company shall be subject to liquidation.

2. A limited liability company may not have, as a sole participant, another economic company consisting of one person.

(Article 96 edited by HO-217-N of 21 December 2010)

Article 97. Statute of a limited liability company

The statute of a limited liability company should contain, in addition to the information referred to in point 2 of Article 55 of this Code, conditions on the size of the statutory capital of the company; on the equity shares of each of the participants; as well as other information provided for by the law "On limited liability companies".

(Article 97 amended by HO-217-N of 21 December 2010)

Article 98. Statutory capital of a limited liability company

1. Statutory capital of a limited liability company shall consist of the value of contributions of its participants.

The statutory capital shall define the minimum amount of property of the company guarantying the interests of the creditors. The statutory capital of the company may not be less than the size prescribed by the law "On limited liability companies".

2. ***(point repealed by HO-39-N of 26 December 2008)***

3. It shall not be permitted to release a participant in a limited liability company from the obligation to provide a contribution to the statutory capital of the company, including through set-off of claims against the company.

4. When at the end of the second or each following fiscal year the value of net assets of a limited liability company is less than the statutory capital, the company shall be obliged to report the reduction of its statutory capital and to register its reduction in the prescribed manner. If the value of the mentioned assets of the company is negative or is less than the minimum amount of the statutory capital prescribed by law, the company shall be subject to liquidation.

5. Reduction of the statutory capital of a limited liability company shall be permitted after notifying all of its creditors. The latter shall have the right, in this case, to require

early performance or termination of the respective obligations of the company and compensation for damages.

(Article 98 amended by HO-39-N of 26 December 2008, supplemented by HO-217-N of 21 December 2010)

Article 99. Management of a limited liability company

1. The highest management body of a limited liability company is the general meeting of its participants.

An executive body (collegial and/or sole-member) shall be established in a limited liability company, which shall conduct the day-to-day management of its activities and shall report to the general meeting of its participants. Persons not participating in the company may also be elected to the sole-member management body of the company.

2. The competence of the management bodies of the company, as well as the procedure for rendering their decisions and acting in the name of the company shall be prescribed in accordance with this Code, the law on limited liability companies and the statue of the company.

3. The following shall be within the exclusive competence of the general meeting of participants in a limited liability company:

(1) amending the statute of the company and the size of the statutory capital thereof;

(2) forming the executive bodies of the company and early terminating of the powers thereof;

(3) approving the annual reports and accounting balance sheets of the company, distributing its profits and losses;

(4) taking a decision on the reorganisation or liquidation of the company;

(5) electing the audit commission (auditor) of the company.

In accordance with the law on limited liability companies, resolving other issues may also be reserved to the exclusive competence of the general meeting.

Issues reserved by law to the exclusive competence of the general meeting of participants in the company may not be transferred by it to the competence of the executive bodies of the company.

4. For the purpose of reviewing the trustworthiness of the annual financial report of a limited liability company, each year the company shall have the right to invite a professional auditor not connected by property interests with the company or its participants (external audit).

Audit review of the annual financial report of the company may also be conducted upon the request of any of its participants. In this case, the audit review shall be carried out at the expense of the participant who has requested such a review.

The procedure for carrying out audit reviews of activities of the company shall be prescribed by law and the statute of the company.

5. Publication of information on the results of managing the affairs of the company (public report) shall not be mandatory, except for the cases provided for by the law on limited liability companies.

Article 100. Reorganisation and liquidation of a limited liability company

1. A limited liability company may be voluntarily reorganised or liquidated upon the unanimous decision of its participants.

Other grounds for reorganisation and liquidation of the company, as well as the procedure for its reorganisation and liquidation shall be prescribed by this Code and other laws.

2. A limited liability company shall have the right to restructure into a joint stock company and a commercial cooperative.

(Article 100 supplemented by HO-217-N of 21 December 2010)

Article 101. Transfer of equity share in the statutory capital of a limited liability company

1. A participant in a limited liability company shall have the right to sell or otherwise surrender its equity share in the statutory capital of the company or a part of it to one or several participants in the given company.

2. Alienation by a participant in the company of its equity share (part of it) to third persons shall be permitted, unless otherwise provided for by the statute of the company.

3. Participants in the company shall enjoy a preferential right of purchase of the equity share (part thereof) of a participant in proportion to their equity shares (except for the cases prescribed by the Law of the Republic of Armenia "On bankruptcy of banks, credit organisations, investment companies, investment fund managers and insurance companies"), unless another procedure for exercising this right is provided for by the statute of the company or upon agreement of its participants. Where participants in the company do not enjoy their preferential right within one month from the day of notice or within another term provided for by the statute of the company or upon agreement of its participants (except for the case prescribed by the Law of the Republic of Armenia "On bankruptcy of banks, credit organisations, investment companies, investment fund managers and insurance companies"), the equity share of the participant may be alienated to a third person.

4. When, in accordance with the statute of a limited liability company, alienation of the equity share of a participant (part of it) to third persons is impossible and the other participants in the company refuse to buy it, the company shall be obliged to acquire the equity share of the participant.

5. Where a participant's equity share (part of it) has been acquired by the limited liability company, the company shall be obliged to sell it to other participants or third persons within the terms and pursuant to the procedure prescribed by the law "On limited liability companies "and the statute of the company, or to reduce its statutory capital in accordance with points 4 and 5 of Article 98 of this Code.

6. Equity shares in the statutory capital of a limited liability company shall pass to the heirs of citizens and to the legal successors of legal persons that are participants in the company, unless the statute of the company envisages that such transfer is permitted only with the consent of the remaining participants in the company. A refusal to give consent to the transfer of the equity share shall entail the responsibility of the company to pay the heirs (legal successors) of the participants its actual value or to give them compensation of its actual value in kind in the manner and on the conditions provided for by the law on limited liability companies and the statute of the company.

(Article 101 supplemented by HO-217-N of 21 December 2010)

Article 102. Levy of execution on the equity share of a participant in the property of the limited liability company

1. Levy of execution on the equity share of a participant in the property of a limited liability company for his or her personal debts shall be permitted only in case of insufficiency of other property for covering the debts of this participant. Creditors of such a participant shall have the right to demand from the limited liability company payment of value of the part of property of the company corresponding to the equity

share of the debtor in the statutory capital or the separation of the equity share of this property for the purpose of levying of execution thereon. The part of the property of the company subject to separation or its value shall be determined according to the balance sheet drawn up at the moment of submission of claims of the creditors.

2. Levy of execution on the entire equity share of a participant in the property of a limited liability company shall terminate his or her participation in the company.

Article 103. Withdrawal of a participant in a limited liability company from the company

A participant in a limited liability company shall have the right to withdraw from the company any time, regardless of the consent of other participants.

Article 104. Settlements connected with the withdrawal of a participant from a limited liability company

1. A participant having withdrawn from a limited liability company shall be paid the value of property corresponding to his or her equity share in the statutory capital, unless otherwise provided for by the statute of the company.

Upon agreement between the withdrawing participant and the company, the value of property may be compensated in kind.

The part of property of the company payable to the withdrawing participant or its value shall be determined according to a balance sheet drawn up at the moment of his or her withdrawal.

2. If the right of use of property has been provided as a contribution in the statutory capital of a limited liability company, the respective property shall be returned to the participant withdrawing from the company. Reduction in value of such property as a result of the normal wear shall not be compensated.

3. Settlements with an heir of the participant in the company or legal successor of a legal person participating in the company that has not entered the company shall be made in accordance with the rules of this Article.

5.ADDITIONAL LIABILITY COMPANY

Article 105. Basic provisions on additional liability companies

1. An additional liability company is considered the company founded by one or several persons, the statutory capital whereof is divided into equity shares of amounts as prescribed by the statute. Participants in such a company shall bear joint subsidiary liability for its obligations with their property in the amount of multiplied value of their contributions determined identically for all of them. In case of bankruptcy of one of the participants, his or her liability for the obligations of the company shall be distributed among the other participants in proportion to their contributions, unless another procedure for distributing liability is provided for by the statute of the company.

2. The trade name of an additional liability company shall contain a specific, common and/or other name of distinctive significance, as well as the words “additional liability company” [Iratsutsich pataskhanatvutyamb enkerutiun].

3. The rules of this Code on limited liability companies shall apply to additional liability companies, unless otherwise provided for by this Article.

6.JOINT STOCK COMPANY

Article 106. Basic provisions on joint stock companies

1. A joint-stock company shall be considered the company the statutory capital whereof is divided into certain number of shares.

2. Only joint stock companies shall have the right to issue shares.

3. Participants in a joint-stock company (the shareholders) shall not bear liability for its obligations and shall bear the risk of losses connected with the activities of the company within the limits of the value of the shares belonging to them.

4. A joint-stock company may be founded by one person or may consist of one person in case of acquiring by one person of all the shares of the company. Information thereon should be contained in the statute of the company, be registered, and be published for general notice.

(part repealed by HO-205 of 27 July 2001)

5. The trade name of a joint-stock company shall contain a specific, common and/or other name of distinctive significance, as well as shall include the words "open joint-stock company" [bats bajnetirakan enkerutiun] or "closed joint-stock company" [pak bajnetirakan enkerutiun].

6. The legal status of joint-stock companies and the rights and obligations of the shareholders shall be prescribed by this Code and by the Law of the Republic of Armenia "On joint stock companies". Characteristics of banks that are joint stock companies shall be prescribed by the Law of the Republic of Armenia "On banks and banking"; characteristics of investment funds and investment fund managers shall be prescribed by the Law of the Republic of Armenia "On investment funds"; characteristics of investment companies shall be prescribed by the Law of the Republic of Armenia "On securities market"; characteristics of insurers shall be prescribed by

the Law of the Republic of Armenia "On insurance and insurance activities"; and characteristics of credit bureaux considered as joint stock companies shall be prescribed by the Law of the Republic of Armenia "On circulation of credit information and on the activities of credit bureaux".

7. Specific aspects of establishment of joint-stock companies when privatising (denationalising) state enterprises shall be prescribed by laws and other legal acts on the privatisation (denationalisation) of these enterprises.

(Article 106 amended by HO-205 of 27 July 2001, supplemented by HO-229-N of 15 November 2005, HO-178-N of 9 April 2007, HO-192-N of 22 October 2008, HO-253-N of 22 December 2010)

Article 107. Open joint stock companies

1. A joint stock company, the participants whereof may alienate the shares belonging to them without the consent of the other shareholders, shall be considered an open joint stock company. Such a joint-stock company shall have the right to conduct open subscription to the shares issued thereby and conduct the free sales thereof on the conditions prescribed by law and other legal acts.

2. An open joint stock company shall be obliged to publish each year, for general information, its annual report and accounting balance sheet.

Article 108. Closed joint stock company

1. A joint-stock company, the shares whereof are distributed only among its founders or other previously determined persons, shall be considered a closed joint-stock company. Such a company shall not have the right to conduct an open subscription to the shares issued thereby, nor to propose them for acquisition to an unlimited number of persons in other way.

2. The number of participants in a closed joint stock company shall not exceed the number prescribed by the Law of the Republic of Armenia "On joint stock companies", otherwise it shall be subject to restructuring into an open joint stock company within a period of one year, and upon expiration of this term — to liquidation through judicial procedure, if the number of participants is not reduced to the number prescribed by law.

3. In the cases provided for by the Law of the Republic of Armenia "On joint-stock companies", a closed joint-stock company shall be obliged to publish for general information the documents referred to in Article 107 of this Code.

Article 109. Transfer of shares of a closed joint-stock company

1. Shareholders of a closed joint stock company shall have a preferential right to acquire shares being sold by other shareholders of the company.

If none of the shareholders uses his or her preferential right within the term provided for by the statute of the company, the joint stock company shall have the right to acquire these shares at a price agreed with the owner. In case the joint-stock company refuses to acquire the shares or in case of failure to achieve an agreement on their price, the shares may be alienated to a third person.

2. In case of pledge of shares of a closed joint stock company and the subsequent levy of execution on them by the pledgee, the rules of point 1 of this Article shall apply respectively.

3. Shares of a closed joint-stock company shall pass to the heirs of a shareholder citizen or to legal successors of a shareholder legal person, unless otherwise provided for by the statute of the company.

In case of refusal by the company to transfer the shares to the heirs of a citizen or to legal successors of a shareholder legal person, the rules of point 1 of this Article shall apply.

Article 110. Statute of a joint stock company

In addition to the information referred to in point 2 of Article 55 of this Code, the statute of a joint stock company shall contain conditions on the types of shares issued by the company, their nominal value and number; on the size of the statutory capital of the company; on the rights of shareholders; on the composition and competence of the management bodies of the company and on the procedure for taking decisions by them, including on the issues the decisions whereon are taken unanimously or by a qualified majority of votes. The statute of a joint-stock company shall also contain other information provided for by the Law of the Republic of Armenia "On joint stock companies".

Article 111. Statutory capital of a joint stock company

1. Statutory capital of a joint stock company shall consist of the par value of shares acquired by the shareholders.

2. Statutory capital of the company shall determine the minimum size of the property of the company guarantying the interests of its creditors. It may not be less than the size provided for by the Law of the Republic of Armenia "On joint stock companies".

3. Founders of a joint stock company shall not be obliged to fully pay the statutory capital prior to the registration of the company, unless otherwise provided for by the law. When founding a joint stock company, all of its shares shall be distributed among the founders.

4. It shall not be permitted to release a shareholder from the obligation to pay for the shares of the company, including through set-off of claims against the company.

5. Where upon the end of the second and each subsequent fiscal year it becomes clear that the value of net assets of the company is less than the statutory capital, the company shall be obliged to declare and register, in the prescribed manner, the reduction of its statutory capital. Where the value of the mentioned assets of the company is less than the minimum size of the statutory capital prescribed by law (point 2 of this Article), the company shall be subject to liquidation.

6. The statute of the company may establish limitations on the number, total nominal value of shares or the maximum number of votes that belong to one shareholder.

(Article 111 edited by HO-39-N of 26 December 2008)

Article 112. Increasing the statutory capital of a joint stock company

1. A joint-stock company shall have the right, by the decision of the general meeting of shareholders, to increase the statutory capital by increasing the nominal value of its shares or by allocating additional shares.

2. In the cases provided for by the Law of the Republic of Armenia "On joint stock companies", the statute of the company may establish a preferential right of shareholders possessing simple (common) or other voting shares of the company to purchase shares additionally issued by the company.

(Article 112 amended by HO-205 of 27 July 2001)

Article 113. Reduction of the statutory capital of a joint stock company

1. A joint-stock company shall have the right, by the decision of the general meeting of shareholders, to reduce the statutory capital by reducing the nominal value of shares or by purchasing a part of them, for the purposes of reducing their total number.

2. Reduction of the statutory capital of the company shall be permitted after informing all of its creditors, as prescribed by the law on joint-stock companies. In this case, the creditors of the company shall have the right to require early fulfilment or termination of obligations of the company and compensation for the damages caused to them.

3. Reduction of the statutory capital of a joint stock company through purchase and redemption of a part of its shares shall be permitted, where such possibility is provided for by the statute of the company.

4. Reduction by the joint stock company of the statutory capital below the minimum size prescribed by law (point 2 of Article 111) shall entail liquidation of the company.

Article 114. Limitations on the right of a joint stock company to issue preferential shares and bonds and pay dividends

1. A joint stock company shall have the right to issue preferential shares that guaranty their holders to receive dividends, as a rule, in fixed percentages of the nominal value of the shares, regardless of the results of economic activities of the joint stock company, as well as to receive the part of the property remaining after liquidation of the joint-stock company by the preferential right in comparison to other shareholders, as well as other rights provided for by the conditions of the issuance of such shares.

Preferential shares shall not give their holders the right to participate in the management of the affairs of the joint stock company, unless otherwise provided for by its statute.

The proportion of preferential shares shall not exceed twenty-five percent of the overall volume of the statutory capital of the joint stock company.

2. A joint stock company shall have the right to issue bonds not exceeding the size of the statutory capital or the amount of security provided to the company for these purposes by third persons.

3. A joint stock company shall not have the right to declare and pay dividends, when the value of net assets of the joint stock company is less than its statutory capital or would become less of its amount as a result of payment dividends.

Article 115. Management of a joint stock company

1. The highest body of management of a joint stock company shall be the general meeting of shareholders.

The following shall be in the exclusive competence of the general meeting of shareholders:

(1) amending the statute of the company and the size of the statutory capital thereof;

(2) election of members of the board of directors (observer board) and the audit commission (auditor) of the company and early termination of the powers thereof;

(3) formation of the executive bodies of the company and early termination of the powers thereof, unless the settlement of these issues is reserved by the statute of the company to the competence of the board of directors (observer board);

(4) approval of the annual reports, accounting balance sheets, accounts of profits and losses of the company and distribution of its profit and losses;

(5) taking a decision on the reorganisation or liquidation of the company.

Settlement of other issues may also be reserved to the exclusive competence of the general meeting of shareholders by the Law of the Republic of Armenia "On joint stock companies".

Issues reserved by law to the exclusive competence of the general meeting of shareholders may not be transferred thereby to the competence of the executive bodies of the company.

2. A board of directors (observer board) shall be created in a company with more than fifty shareholders.

In case of creating a board of directors (observer board), its exclusive competence shall be prescribed by the statute of the company in accordance with the Law of the Republic of Armenia "On joint stock companies". Issues reserved to the exclusive competence of the board of directors (observer board) may not be transferred thereby to the competence of the executive bodies of the company.

3. An executive body of the company may be collegial (board, directorate) and/or individual (director, director general). The executive body shall manage the current activities of the company and shall report to the board of directors (observer board) and the general meeting of shareholders.

The competence of the executive body shall cover the settlement of all issues beyond the exclusive competence of other management bodies of the company, as prescribed by law or the statute of the company.

Upon the decision of the general meeting of shareholders, the powers of the executive body of the company may be assigned by contract to another commercial organisation or an individual entrepreneur (manager).

4. The competence of the management bodies of a company, as well as the procedure for taking their decisions and acting in the name of the company shall

be prescribed in accordance with this Code, the Law of the Republic of Armenia "On joint stock companies" and the statute of the company.

5. When publishing the documents referred to in Article 107 of this Code, the joint-stock company shall be obliged to involve — for the audit of the annual financial report — a professional auditor not connected by property interests with the company or its participants.

Audit of the activities of a joint-stock company must be conducted at any time where requested by the shareholders whose total share in the statutory capital constitutes ten or more percent.

The procedure for conducting audit of activities of a joint-stock company shall be prescribed by law and the statute of the company.

Article 116. Reorganisation and liquidation of a joint stock company

1. A joint stock company may be reorganised or liquidated by the decision of the general meeting of shareholders.

Other grounds and the procedure for the reorganisation and liquidation of a joint stock company shall be prescribed by this Code and other laws.

2. A joint stock company shall have the right to restructure into a limited liability company or into a commercial cooperative.

(Article 116 supplemented by HO-205 of 27 July 2001)

§ 3. COOPERATIVES

Article 117. Basic provisions on cooperatives

1. A cooperative is the voluntary association based on the membership of citizens and legal persons and established for the purpose of satisfying material and other needs of participants through combining of property share contributions of its members.

2. In addition to the information referred to in point 2 of Article 55 of this Code, the statute of a cooperative should contain terms on the size of share contributions of the members of the cooperative, on the procedure for making share contributions and on the liability of the members of the cooperative for violating the obligations to make share contributions, the composition and competence of the management bodies of the cooperative and the procedure for taking their decisions, including on those issues the decisions whereon are taken unanimously or by a qualified majority of votes, on the procedure for compensation by the members of cooperatives for the damages incurred by the cooperative.

3. The name of a cooperative shall contain an indication of the basic objective of its activities, as well as include the word “cooperative” [kooperativ].

4. The specific aspects and legal status of individual types of cooperatives, in particular of consumer cooperatives and condominiums, as well as the rights and duties of their members shall be prescribed by this Code and other laws.

Article 118. Property of a cooperative

1. Property that is under the ownership of a cooperative shall be divided into the shares of its members, in accordance with the statute of the cooperative.

2. A member of the cooperative shall be obliged to make its share contribution in full prior to the registration of the cooperative, unless otherwise provided for by the statute of the cooperative.

3. The statute of a cooperative may envisage that a certain part of the property belonging to the cooperative shall be an indivisible fund used for the purposes defined by the statute.

A decision on the use of indivisible funds shall be unanimously taken by the members of the cooperative, unless otherwise provided for by the statute of the cooperative.

4. Members of a cooperative shall be obliged to cover the losses through additional allocations within two months after the approval of the annual balance. In case of failure to comply with this obligation, the cooperative may be liquidated through judicial procedure, upon the request of creditors.

The members of a cooperative shall bear joint and several subsidiary liability for its obligations within the limits of the unpaid part of the additional allocation of each of the members of the cooperative.

5. Property remaining after the liquidation of a cooperative shall be distributed among its members, in accordance with the statute of the cooperative.

Article 119. Management of a cooperative

1. The highest management body of a cooperative shall be the general meeting of its members.

An observer board may be established within a cooperative having more than fifty members, which shall exercise supervision over the activities of the executive bodies of the cooperative. Members of the observer board shall not have the right to act in the name of the cooperative.

Executive bodies of a cooperative shall be its board and/or the chairperson. They shall manage the current activities of the cooperative and shall report to the observer board and the general meeting of the members of the cooperative.

Only members of the cooperative may be members of the observer board and of the board, as well as chairperson of the cooperative. The member of the observer board or the executive body may not be a member of another similar cooperative. A member of a cooperative may not simultaneously be a member of the observer board and a member of a board or chairperson of the cooperative.

2. The competence of the management bodies of a cooperative and the procedure for rendering their decisions shall be defined by law and the statute of the cooperative.

3. The following shall be within the exclusive competence of the general meeting of the members of a cooperative:

(1) amending the statute of the cooperative;

(2) forming an observer board and terminating the powers of its members, as well as forming the executive bodies of the cooperative and terminating their powers, unless this right is granted to the observer board by the statute of the cooperative.

(3) admitting and removing members of the cooperative;

(4) approving the annual reports and the accounting balance sheets of the cooperative and distributing the losses;

(5) taking a decision on the reorganisation and liquidation of the cooperative.

Settlement of other issues may also be reserved to the exclusive competence of the general meeting of the cooperative by the laws on cooperatives and the statute of the cooperative.

Issues reserved to the exclusive competence of the general meeting or the observer board of the cooperative may not be transferred thereby to the competence of the executive bodies of the cooperative.

4. A member of the cooperative shall have one vote in the adoption of a decision in the general meeting.

Article 120. Termination of membership in a cooperative and transfer of a share

1. Members of a cooperative shall have the right to withdraw from the cooperative. In this case, the member should be paid the value of the share thereof or be given property corresponding to it, as well as other payments should be made as provided for by the statute of the cooperative.

The value of the share shall be paid or other property shall be given to the withdrawing member after the end of the fiscal year and upon the approval of the accounting balance sheet of the cooperative, unless otherwise provided for by the statute of the cooperative.

2. Members of a cooperative may be removed from the cooperative by the decision of the general meeting, in case of failure to perform or improper performance of the duty assigned thereto by the statute of the cooperative, as well as in other cases provided for by law or the statute of the cooperative.

The removed member of the cooperative, in accordance with point 1 of this Article, shall have the right to receive the share and other payments provided for by the statute of the cooperative.

3. A member of the cooperative shall have the right to transfer his or her share or a part thereof to another member of the cooperative, unless otherwise provided for by the law and the statute of the cooperative.

The transfer of a share (a part thereof) to a citizen who is not a member of the cooperative shall be permitted only upon the consent of the cooperative. In this case, other members of the cooperative shall enjoy a preferential right of purchase of such a share (a part thereof). Where members of the cooperative do not use this preferential right during the term provided for by the statute of the cooperative, the share may be alienated to a third person.

4. In case of death of a member of the cooperative, his or her heirs may become members of the cooperative, unless otherwise provided for by the statute of the cooperative. Otherwise, the cooperative shall pay the heirs the value of the share of the deceased member of the cooperative.

5. Levy of execution on a share of a member of the cooperative for his or her personal debts shall be permitted only in case of insufficiency of his or her other property to cover those debts. Indivisible funds of the cooperative may not be levied in execution for the debts of a member of the cooperative.

Article 121. Reorganisation and liquidation of cooperatives

A cooperative may be voluntarily reorganised or liquidated by the decision of the general meeting of its members.

Other grounds and the procedure for the reorganisation and liquidation of a cooperative shall be defined by this Code and other laws.

§ 4.NON-COMMERCIAL ORGANISATIONS

1.NON-GOVERNMENTAL ASSOCIATIONS

Article 122. Basic provisions on non-governmental associations

1. Non-governmental associations shall be considered as voluntary associations of citizens who have joined, as prescribed by law, on the basis of the commonality of their interests to satisfy spiritual or other non-material needs.

2. The property transferred to the non-governmental association by its founders (participants) shall be the ownership of the non-governmental association. A non-governmental association shall use this property for the purposes defined by its statute.

3. Participants in non-governmental associations shall not retain the rights to property transferred to these organisations as ownership, including to membership fees. They shall not be liable for the obligations of non-governmental associations, and the mentioned organisations shall not be liable for the obligations of their participants.

4. In case of liquidation of a non-governmental association, its property shall be directed to the purposes provided for in the statute of the non-governmental association, and where it is impossible, the property shall be transferred to the State Budget.

5. Specific aspects of individual types of non-governmental associations and their legal status shall be defined by this Code and other laws.

2.FUNDS

Article 123. Basic provisions on funds

1. A fund shall be considered as an organisation established on the basis of voluntary property contributions of citizens and/or legal persons without a membership, which pursue social, charitable, cultural, educational or other socially-useful purposes.

2. The property transferred to the fund by its founders (founder) shall be the ownership of the fund. A fund shall use this property for the purposes defined by its statute.

3. A fund shall be obliged to publish annual reports on the use of its property.

4. Founders shall not be liable for the obligations of the fund established by them, and the fund shall not be liable for the obligations of its founders.

5. The procedure for the management of a fund and for the formation of its bodies shall be defined by the statute approved by the founders.

6. In addition to the information referred to in Article 55(2) of this Code, the statute of a fund shall contain the name of the fund, including the word "fund" [himnadram], information on the objective of the fund, indication on the bodies of the fund, including the board of trustees exercising supervision over the activities of the fund, on the procedure for appointing and dismissing the official persons of the fund, on the procedure for disposition of the property of the fund in case of its liquidation.

7. Specific aspects and legal status of individual types of funds, in particular of charitable organisations shall be defined by this Code and other laws.

Article 124. Amending the statute of a fund and the liquidation thereof

1. The bodies of the fund may amend the statute of the fund, where the statute provides for a possibility of amending it by such a procedure.

Where the preservation of the statute as unaltered entails such consequences that would have been impossible to foresee when establishing the fund, and the possibility of amending the statute is not provided for therein, or the statute is not amended by the authorised persons, the right of making amendments shall be exercised by the court, upon the request of the bodies of the fund or the body authorised by the statute of the fund to exercise supervision over its activities.

2. A decision on the liquidation of the fund may be taken only by the court, upon the request of interested persons.

A fund may be liquidated:

(1) where the property of the fund is insufficient for carrying out its activities and the possibility for receiving the required property is unrealistic;

(2) where it is impossible to attain the objectives of the fund, and to make necessary changes in those objectives;

(3) in case of deviation by the fund from the objectives provided for by its statute;

(4) in other cases provided for by law.

3. In case of liquidation of the fund, its property shall be directed to the objectives provided for by the statute of the fund, and in case it is impossible, the property shall be transferred to the State Budget, except for the cases prescribed by law.

(Article 124 supplemented by HO-143-N of 24 November 2004)

3.UNIONS OF LEGAL PERSONS

Article 125. Basic provisions on unions of legal persons

1. Commercial organisations may establish unions for the purpose of coordination of their entrepreneurial activities, as well as for the representation and protection of common property interests.

Where, by the decision of the participants, the union has been vested with the right to carry out entrepreneurial activities, such a union shall, as prescribed by this Code, be restructured into an economic partnership or a company, or for the purpose of carrying out entrepreneurial activities may establish an economic company or be a participant in such a company.

2. For the purpose of coordination of their activities, as well as for the representation and protection of common interests, non-commercial organisations may create unions.

3. Participants in the union shall retain their independence and the rights of a legal person.

4. The property transferred to the union by its founders (participants) shall be the ownership of the union. A union shall use this property for the objectives established by its statute.

5. A union shall not be liable for the obligations of its participants. Participants of a union shall bear subsidiary liability for the obligations of the union in the amount and as prescribed by the statute of the union.

6. The name of the union should contain an indication on the basic subject matter of the activities of its participants, as well as include the word “union” [miutyun].

7. In case of liquidation of a union, its property shall be directed to the objectives provided for by the statute of the union, and in case it is impossible, the property shall be transferred to the State Budget.

8. Specific aspects and legal status of individual types of unions shall be defined by this Code and other laws.

Article 126. Statute of a union

In addition to the information indicated in Article 55(2) of this Code, the statute of a union shall contain information on conditions on the size, composition, and procedure for making contributions by members of the union and liability for violation of the obligation for making contributions, on the composition and competence of the management bodies of the union and the procedure for taking their decisions, including the issues decisions whereon shall be adopted unanimously or by a qualified majority of votes of participants in the union, on the procedure for distribution of property in case of liquidation of the union.

Article 127. Rights and duties of participants in a union

1. Participants in a union shall have the right to use its services gratuitously, unless otherwise provided for by its statute.

2. A participant in a union shall have the right to withdraw from the union after the end of the fiscal year. In this case, it shall bear subsidiary liability for the obligations of the union proportional to its contribution for the period of one year from the time of withdrawal, unless another term is provided for by the statute of the union.

A participant in a union may be removed from the union by the decision of the remaining participants, in cases and as prescribed by the statute of the union. Rules concerning the withdrawal from a union shall apply to the removed participant.

3. A new participant may be admitted to the union upon the consent of participants of the union. Admittance of a new participant in the union may be conditioned by his or her subsidiary liability for the obligations of the union that have arisen before the admittance thereof.

CHAPTER 6

PARTICIPATION OF THE REPUBLIC OF ARMENIA AND THE COMMUNITIES IN THE RELATIONS REGULATED BY CIVIL LEGISLATION AND OTHER LEGAL ACTS

Article 128. The Republic of Armenia and the communities as subjects of civil law

1. The Republic of Armenia and the communities shall act, in the relations regulated by civil legislation and other legal acts, on equal principles with other participants of these relations, namely citizens and legal persons.

2. The norms defining the participation of legal persons in the relations regulated by civil legislation and other legal acts shall be applied to the subjects of civil law referred to in point 1 of this Article, unless otherwise follows from the law or the characteristics of the given subjects.

Article 129. Procedure for the participation of the Republic of Armenia and the communities in the relations regulated by civil legislation and other legal acts

1. State bodies may acquire and exercise — in the name of the Republic of Armenia, through their actions — property and personal non-property rights and duties, as well as act in the court within the limits of their competence.

2. Local self-government bodies may — in the name of the communities, within the limits of their competence, through their actions — acquire and exercise rights and duties referred to in point 1 of this Article.

3. In cases and in the manner provided for by the laws, decrees of the President of the Republic of Armenia, decisions of the Government of the Republic of Armenia and legal acts of the communities, legal persons and citizens may act upon their special assignment and in their name.

Article 130. Liability for the obligations of the Republic of Armenia or the community

1. The Republic of Armenia or the community shall be liable for its obligations with the property belonging thereto by the right of ownership.

2. Levy of execution on land and other natural resources under the ownership of the State or of the community shall be permitted in the cases provided for by law.

Article 131. Specific aspects **of the liability of the Republic of Armenia in the relations regulated by civil legislation and other legal acts with the participation of foreign legal persons, citizens and states**

Specific aspects of the liability of the Republic of Armenia in the relations regulated by civil legislation and other legal acts with the participation of foreign legal persons, citizens and states shall be defined by law.

THIRD SECTION

OBJECTS OF CIVIL RIGHTS

CHAPTER 7

GENERAL PROVISIONS

Article 132. Types of objects of civil rights

The following shall be the objects of civil rights:

(1) property, including monetary means, securities and property rights;

(2) works and services;

(3) information;

(4) results of intellectual activities, including exclusive rights with respect thereto (intellectual property);

(5) intangible assets.

Article 133. Circulability of objects of civil rights

1. Objects of civil rights may be freely alienated or passed from one person to another, by the procedure of universal legal succession (succession, reorganisation of a legal person) or in other way, unless they are removed from circulation or their circulation is limited.

2. Types of objects of civil rights that are prohibited to be in circulation (objects removed from circulation) shall be directly referred to in the law.

3. Types of civil rights that may belong only to certain participants in the circulation or be put into circulation upon special permission or be possessed, used or disposed of for certain purposes only (objects of limited circulation) shall be determined as prescribed by law.

(Article 133 supplemented by HO-69-N of 21 June 2014)

Article 134. Immovable and movable property

1. Immovable property shall be considered as land parcels, subsoil parcels, separate water objects, forests, perennial plantings, underground and above-ground buildings, structures and other property fixed to land, namely objects that are impossible to separate from land without damage to that property or land parcel or without change, termination of their purpose or impossibility of their further use by designated purpose.

2. Movable property shall be the property not considered as immovable.

(Article 134 edited by HO-188-N of 4 October 2005)

Article 135. State registration of the rights to property

1. 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, servitudes, as well as, in the cases provided for by this Code and other laws, other rights to immovable property shall be subject to registration.

2. Rights to movable property shall be subject to state registration only in the cases provided for by law.

3. The procedure for state registration of the rights to property and the grounds for rejection of the registration thereof shall be defined by the law.

(Article 135 amended by HO-40-N of 8 April 2010)

Article 135.1. Preliminary note on the property rights to property

1. With the view of securing the claim for registration of a property right subject to state registration, the registering body shall make a preliminary note on the property right to the property in question based on the notification received from the public notary certifying the transaction.

2. The preliminary note shall cease to have any effect upon the future registration of the property right provided by that note.

3. The person with regard to whose property the preliminary note has been made may request that the preliminary note be removed if the right secured by the preliminary note has terminated or if the time limit prescribed by law for applying for registration of rights arising from the transaction in question has been missed.

(Article 135.1 supplemented by HO-87-N of 19 June 2015)

Article 136. Divisible and indivisible property

1. Property may be divisible and indivisible.

Property shall be considered as indivisible when it may not be divided without change in its purpose or is not subject to division by virtue of law.

2. The procedure for separation of a share in the right of ownership to indivisible property shall be defined by the rules of Article 197 of this Code.

Article 137. Complex property

1. Where elements of heterogeneous property constitute an integrated whole with an implication of its use for a common purpose, these shall be considered as one property (complex property).

2. The effect of a transaction entered into with respect to a complex property shall extend to all its constituent parts, unless otherwise provided for by a contract.

Article 138. Principal property and appurtenance

The property (appurtenance) designated for serving another (principal) property and connected thereto by a common purpose shall follow the fate of the principal property, unless otherwise provided for by a contract.

Article 139. Individually identified property and the property identified by generic features

1. Property distinguished from other property by its peculiar features shall be considered as individually identified property. Individually identified property shall be irreplaceable.

2. The property having features peculiar to other property of the same type and determined by number, weight and size shall be the property identified by generic features. Property identified by generic features shall be replaceable.

Article 140. Intellectual property

In cases and in the manner provided for by this Code and other laws, the exclusive right of a citizen or a legal person shall be recognised with respect to the objectively expressed results of intellectual activities and with respect to identification means equated thereto of a legal person, product, works being performed or services being provided (trade name, trademark, service mark, etc.) (Intellectual property).

Article 141. Information constituting official, commercial or bank secret

1. Information is an official, commercial or bank secret when it has an actual or potential commercial value by virtue of it being unknown to third persons, there is no free access thereto on legal basis, and the holder of the information takes measures for the protection of its confidentiality.

2. Information that may not be official, commercial or bank secret shall be defined by law.

3. Information constituting official, commercial or bank secret shall be protected by the means provided for by this Code and other laws.

4. The persons having illegally obtained information that constitutes official, commercial or bank secret shall be obliged to compensate for the damages caused. Such obligation shall be imposed also on parties to a contract having disclosed and/or used official, commercial or bank secret in violation of a civil law or employment contract.

(Article 141 supplemented by HO-29 of 7 February 2000)

Article 142. Money (Currency)

1. The monetary unit in the Republic of Armenia is the dram of the Republic of Armenia.

2. The dram of the Republic of Armenia shall be the legal means of payment obligatory for acceptance at nominal value in the whole territory of the Republic of Armenia.

3. Payments in the territory of the Republic of Armenia shall be made by cash and non-cash settlements.

4. The cases, procedure for and conditions of use of foreign currency in the territory of the Republic of Armenia shall be defined by law.

Article 143. Currency valuables

Types of property considered as currency valuables and the procedure for concluding transactions through them shall be defined by the law on currency regulation and currency supervision and by other legal acts adopted in accordance therewith. Types of property considered as precious metals and the procedure for concluding transactions through them shall be defined by the law on precious metals and by other legal acts adopted in accordance therewith.

In the Republic of Armenia, the right of ownership to currency valuables is protected on general bases.

(Article 143 supplemented by HO-153-N of 24 November 2004)

Article 144. Fruits, products and income

Output obtained as a result of use of the property (fruits, products, income) belong to the person using this property on lawful basis, unless otherwise provided for by law, other legal acts or a contract on the use of this property.

Article 145. Animals

General rules on property shall apply to animals, unless otherwise provided for by law or other legal acts.

CHAPTER 8

SECURITIES

§ 1.BASIC PROVISIONS

Article 146. Security

1. A security is a document, with the observation of the prescribed form and the mandatory requisites, certifying property rights, the exercise or transfer of which is possible only upon its presentation.

Upon transfer of a security, all the rights certified thereby shall be transferred.

2. In cases and in the manner provided for by law, proofs of fixing in a special register (ordinary or computerised) of the rights certified by a security shall be sufficient for the exercise or transfer of these rights.

Article 147. Requirements pertaining to securities

1. Types of rights certified by securities, mandatory requisites for securities, requirements pertaining to the form of securities and other necessary requirements shall be determined by the laws on securities or the procedure defined thereby.

2. The absence of mandatory requisites of a security or its incompliance with the form established for a security shall render it null and void.

Article 148. Subjects of rights certified by a security

1. Rights certified by a security may belong to:

(1) the bearer of the security (bearer security);

(2) the person indicated in the security (registered security);

(3) the person indicated in the security that may exercise these rights by himself or herself or may by his or her instruction (order) designate another authorised person (order security).

2. The law may exclude the possibility of issuance of certain types of securities (bearer, registered or order securities).

Article 149. Transfer of rights under security

1. For transferring the rights certified under a bearer security to another person, the transfer of the security to that person shall be sufficient.

2. The rights certified by a registered security may be transferred in the manner prescribed for surrender (cession) of claims, except for registered securities issued for social purposes and for registered government (treasury) securities the conditions

of issuance of which will provide that the rights certified by the securities in question are not subject to transfer. In case of registered government (treasury) securities the conditions of issuance of which will provide that the rights certified by the securities in question shall not be subject to transfer, the rights certified by those securities may be transferred only in cases of universal legal succession, confiscation and levy of execution. The rights certified by registered securities issued for social purposes may be transferred only by succession, as well as in other cases provided for by the law providing for the issuance of the security of the type concerned. A person transferring a right under a security, in accordance with Article 405 of this Code, shall bear liability for the invalidity of the respective claim, but shall not be liable for the failure to perform it.

3. The rights under an order security shall be transferred through making an endorsement on this security. A person transferring rights under an order security (endorser) shall bear liability not only for the existence of the right but also for the exercise thereof.

4. An endorsement made on a security transfers all the rights certified by the security to the new holder of the security (endorsee) to whom or by whose order the rights are transferred. An endorsement may be in the form of a blank (without an indication of the person to whom performance should be made) or order (with an indication of the person to whom or by whose order the performance whereof should be made).

5. The endorsement may be limited only to the assignation to exercise the rights certified by the security without transferring these rights to the endorsee (assignment endorsement). In this case, the endorser shall act as a representative.

(Article 149 edited, supplemented by HO-224-N of 11 November 2005, supplemented by HO-69-N of 21 June 2014)

Article 150. Fulfilment of the obligations certified by a security

1. The person having issued a security and all the persons having endorsed it shall bear joint liability before the legal possessor thereof. When one or more persons obliged by a security satisfy the claim of the legal possessor of the security, he or she (they) shall acquire the right of regress with respect to the remaining persons obliged by the security.

2. It shall be prohibited to renounce the fulfilment of the obligations certified by a security by invoking the lack of the ground for the obligation or the invalidity thereof.

3. Possessor of the security, having identified securities fraud or forgery, shall have the right to submit a claim to the person having transferred the security to him or her, on the proper fulfilment of the obligation certified by the security and on the compensation of damages.

Article 151. Reinstatement of security

The rights certified under a lost bearer and order security shall be reinstated by court, as prescribed by the Civil Procedure Code of the Republic of Armenia.

(Article 151 amended by HO-205 of 27 July 2001)

Article 152. Uncertified securities

1. The person having obtained a special permission (licence), in the cases provided for by law or as prescribed by law, may fix the rights certified by a registered or order security, including in the manner other than the documented (with the help of computer technologies, etc). The rules defined for securities shall apply to this manner of fixing the rights, unless otherwise follows from the specific aspects of such fixing.

The person having fixed a right in the manner other than the documented shall be obliged, upon the request of the rightholder, to give a document attesting the fixed right to the latter.

The procedure for official fixing of the rights certified by fixing and of the right holders, for documented confirmation of records and for operations performed by uncertified securities, shall be defined by law or as prescribed by law.

2. The operations by uncertified securities may be performed only by applying to the person performing the recording of rights. Transfer, reservation and restriction of rights shall be officially fixed by the person who bears liability for the maintenance of official records, for ensuring their confidentiality, for providing accurate data on these records, for making official records on the operations performed.

§ 2.TYPES OF SECURITIES

Article 153. General provisions

1. Securities shall include: bond, cheque, promissory note, bill of exchange (payment note), share, bill of landing, bank record (bank book, bank certificate), double warehouse receipt, simple warehouse receipt, investment fund unit and other documents that are classified as securities according to laws on securities.

2. Bonds, shares and investment fund units are investment securities.

3. Cheques, promissory notes and bills of exchange are payment securities.

4. Bills of lading, double warehouse receipts and simple warehouse receipts are title securities.

5. The types of securities issued for social purposes shall be defined by law.

(Article 153 supplemented and edited by HO-69-N of 21 June 2014

Article 154. Bond

1. A bond shall be considered as the security certifying the right of its holder to receive from the issuer of the bond within the term specified therein the nominal value of the bond or any other property equivalent. A bond also gives its holder the right to receive interest on the nominal value of the bond or other property rights.

2. Bonds may be bearer or registered.

Article 155. Cheque

A cheque shall be considered as the security containing an unconditional written instruction of the cheque drawer to the bank to pay the holder of the cheque the amount indicated therein.

Article 156. Promissory note

A promissory note shall be considered as the security certifying the unconditional obligation of the maker of the promissory note (a simple bill of exchange) or other payer indicated in the promissory note (a transfer bill of exchange) to pay upon the expiration of the term provided for in the promissory note a certain amount to the holder of the promissory note (promissory note holder).

Article 157. Share

1. A share shall be considered as the security certifying the right of its possessor (shareholder) to receive part of the profit of a joint-stock company in the form of dividends, to participate in the management of affairs of the joint-stock company, and to receive a part of the property remaining after its liquidation.

2. Shares may be bearer or registered, fully circulable or limited circulable, simple or preferential.

Article 158. Bill of lading

1. A bill of lading shall be considered as the document on the disposition of goods certifying the right of its holder to dispose of the load indicated in the bill of lading and to receive it after the transportation.

2. A bill of lading may be bearer, order or registered.

Article 159. Bank certificate

1. A bank certificate (bank book, bank certificate) shall be considered as the security certifying the amount of a deposit and the right of the depositor to receive, upon the expiration of the defined term, the amount of the deposit and the interests thereon at the bank or in any branch of this bank having issued the certificate.

2. A bank certificate may be bearer or registered.

Article 160. Double warehouse receipt

1. A double warehouse receipt shall be considered as the order security certifying the acceptance of goods by a warehouse for storage.

2. A double warehouse receipt consists of two parts: a warehouse receipt and a pledge certificate (warrant), which separately are securities.

Article 161. Simple warehouse receipt

A simple warehouse receipt shall be considered as the bearer security certifying the acceptance of goods by the warehouse for storage.

Article 161.1. Securities issued for social purposes

1. A registered security certifying the right of its owner (a citizen) to receive pension or, in cases provided for by the pension legislation, the right to receive other sums pursuant to the procedure and conditions prescribed by law shall be deemed to be a security issued for social purposes (security issued by pension funds).

2. A security issued for social purposes may be possessed, used and disposed of exclusively for the purpose of receiving pension or other sums of social security as prescribed by law, except for cases defined by law.

(Article 161.1 supplemented by HO-69-N of 21 June 2014)

CHAPTER 9

INTANGIBLE ASSETS

Article 162. Concept of intangible assets

1. Life and health, dignity, personal inviolability, honour and good name, business reputation, inviolability of private life, privacy of personal and family life, the right of freedom of movement, of choice of the place of residence and location, right to one's name, right of authorship and other personal non-property rights and intangible

assets belonging to a citizen from birth or by virtue of law are inalienable and non-transferable. In cases and in the manner provided for by law, personal non-property rights and other intangible assets belonging to a deceased person may be exercised and protected by other persons, including heirs of the rightholder.

2. Intangible assets shall be protected in accordance with this Code and other laws in cases and in the manner provided for thereby, as well as in those cases and within those limits in which the use of the ways of protection of civil rights (Article 14) follows from the essence of the violated intangible right and the nature of the consequences of this violation.

Article 162.1. Concept of and compensation for intangible damage

1. Within the meaning of this Code, intangible damage is physical or mental suffering caused as a result of a decision, action or omission encroaching on tangible or intangible assets belonging to a person from birth or by virtue of law or violating his or her personal property or non-property rights.

2. A person or, in case of his or her death or in case he or she lacks active legal capacity, his or her spouse, parent, adoptive parent, child, adoptee, guardian, curator shall have the right to claim, through judicial procedure, compensation for intangible damage, where the criminal prosecution body or court has confirmed that the following fundamental rights of that person guaranteed by the Constitution of the Republic of Armenia and the Convention for the Protection of Human Rights and Fundamental Freedoms have been violated as a result of a decision, action or omission of a state or local self-government body or official:

(1) right to life;

(2) right to freedom from torture and inhuman or degrading treatment or punishment;

(3) right to personal liberty and inviolability;

(4) right to fair trial;

(5) right to respect for private and family life, inviolability of residence;

(6) right to freedom of thought, conscience and religion, freedom of expression;

(7) right to freedom of assembly and association;

(8) right to effective remedy;

(9) right of ownership.

3. Where a convict has been acquitted under conditions provided for by Article 3 of the Protocol No. 7 to the Convention for the Protection of Human Rights and Fundamental Freedoms, he or she shall have the right to claim, through judicial procedure, compensation for intangible damage (i.e., within the meaning of this Code, compensation for wrongful conviction) caused to him or her.

4. Damage caused to one's honour, dignity or business reputation shall be compensated in accordance with Article 1087.1 of this Code, whereas intangible damage caused as a result of violation of fundamental rights and wrongful conviction shall be compensated in accordance with the procedure and conditions prescribed by Article 1087.2.

5. Intangible damage caused as a result of unlawful administrative actions shall be compensated as prescribed by the Law of the Republic of Armenia "On fundamentals of administrative action and administrative proceedings".

(Article 162.1 supplemented by HO-21-N of 19 May 2014, supplemented, edited and amended by HO-184-N of 21 December 2015)

FOURTH SECTION

RIGHT OF OWNERSHIP AND OTHER PROPERTY RIGHTS

CHAPTER 10

GENERAL PROVISIONS

Article 163. Concept and content of the right of ownership

1. The right of ownership is the right of a subject, recognised and protected by law and other legal acts, to possess, use, and dispose of property belonging to it at its discretion.

The right of possession is the legally ensured possibility to actually possess the property.

The right of use is the legally ensured possibility to extract the natural useful qualities from the property and to receive benefit therefrom. The benefit may be in the form of income, fruits, growth, increase in birth rate and in other forms.

The right of disposition is the legally ensured possibility of determining the fate of property.

2. The owner shall have the right to undertake at its discretion any actions with regard to the property belonging to it, not contradicting the law and not violating the rights and interests of other persons protected by law, as well as shall have the right to alienate its property to other persons as ownership, transfer to them the rights

of use, possession and disposition of the property, to pledge the property or to dispose of it in another way.

3. The owner may transfer its property to the trust management of another person. The transfer of property to trust management shall not entail the transfer of the right of ownership. The trust manager shall be obliged to manage the property in the interests of the owner or of a third person indicated by the owner.

Article 164. Burden of maintaining the property

The owner shall bear the burden of maintaining the property belonging thereto, unless otherwise provided for by law or contract.

Article 165. Risk of accidental loss of or accidental damage to property

The owner shall bear the risk of accidental loss of or accidental harm to the property, unless otherwise provided for by law or by contract.

Article 166. Subjects of the right of ownership

1. Property may be under the ownership of citizens, legal persons, as well as the Republic of Armenia or the communities.

2. The specific aspects of acquiring, terminating the right of ownership to property, the possession, use and disposition of it, depending on whether the property is under the ownership of a citizen or a legal person, under the ownership of the Republic of Armenia or the communities, may be established only by laws.

3. Types of property that may only be under the ownership of the State or the communities shall be defined by laws.

4. Rights of all owners shall be protected equally.

Article 167. Right of ownership of citizens and legal persons

1. Any property may be under the ownership of citizens and legal persons, except for individual types of property that, in accordance with the law, may not belong to citizens or legal persons.

2. The quantity and value of property under the ownership of citizens and legal persons shall not be limited, except for the cases when such limitations, in accordance with the purposes provided for by Article 3(2) of this Code, are established by law.

3. Commercial and non-commercial organisations are the owners of the property transferred to them as contributions or fees from their founders (participants, members) as well as of the property acquired by these legal persons on other grounds.

Article 168. Right of state ownership

1. The property belonging to the Republic of Armenia by the right of ownership is a state ownership.

2. The land and natural resources not belonging to citizens, legal persons or communities are state ownership.

3. Funds of the State Budget are the ownership of the Republic of Armenia.

4. The bodies and persons referred to in Article 129 of this Code shall exercise the rights of the owner in the name of the Republic of Armenia.

Article 169. Right of ownership of the communities

1. Property belonging by the right of ownership to communities shall be the ownership of the communities.

2. Funds of the community budget shall be the ownership of the community.

3. The bodies and persons referred to in Article 129 of this Code shall exercise the rights of the owner in the name of the community.

(Article 169 amended by HO-14-N of 26 December 2008, HO-169-N of 19 October 2016)

Article 170. Property rights of persons not considered as owners

1. Persons not considered as owners may have the following property rights:

(1) right to land development;

(2) right of use of property;

(3) right of servitude;

(4) right of pledge;

(5) right to purchase immovable property in a building under construction.

2. The passing of the right of ownership to property to another person shall not be a ground for the termination of the property rights to this property of the persons not considered as owners, except for the cases established by law.

3. Property rights of the person not considered as owner shall be protected as prescribed by Article 278 of this Code from violations by any person, including the owner.

(Article 170 edited by HO-188-N of 4 October 2005, supplemented by HO-87-N of 19 June 2015)

Article 171. Privatisation of state property (denationalisation)

The State may transfer the property under its ownership to the ownership of citizens and legal persons, as prescribed by the laws on the privatisation (denationalisation) of state property.

CHAPTER 11

ACQUISITION OF THE RIGHT OF OWNERSHIP

Article 172. Grounds for acquisition of the right of ownership

1. The right of ownership to new property, made or created by a person for himself or herself, subject to the requirements of law and other legal acts, shall be acquired by this person.

The right of ownership to fruits, products and income received as a result of the use of property shall be acquired on the grounds provided for in Article 144 of this Code.

2. The right of ownership to the property that has an owner may be acquired by another person on the ground of a contract of purchase and sales, barter, gift or other transaction on alienation of property.

3. In case of the death of a citizen, the right of ownership to property belonging to him or her shall pass by succession to other persons by will or law.

4. In case of reorganisation of a legal person, the right of ownership to property belonging to it shall pass to the legal person (legal persons) that is the legal successor of the reorganised legal person.

5. In cases and in the manner provided for by this Code, a person may acquire the right of ownership to the property that does not have an owner, as well as to the property the owner of which is unknown, or the owner whereof has renounced it or has lost the right of ownership thereto on other grounds provided for by law.

6. A member of housing, summer house, garage or other cooperative, as well as other persons, having the right to share accumulation, who have fully made their share contribution for an apartment, summer house, garage, or other construction

provided to them by the cooperative, shall acquire the right of ownership to this property.

Article 173. Arising of the right of ownership to newly created immovable property

The right of ownership to a newly created immovable property shall arise from the moment of its state registration.

Article 174. Reprocessing

1. The right of ownership to the new movable property made by a person through reprocessing of materials not belonging to him or her shall be acquired by the owner of those materials, unless otherwise provided for by the contract. Where the value of the reprocessing substantially exceeds the value of the materials, the right of ownership to the new property shall be acquired by the person who, acting in good faith, has reprocessed the property for himself or herself.

2. The owner of materials, who has acquired the right of ownership to the property made therefrom, shall be obliged to compensate for the value of reprocessing to the person having performed it and, in the case of acquiring the right of ownership to new property by this person, shall be obliged to compensate the owner of the materials for their value, unless otherwise provided for by the contract.

3. The owner of materials, who has lost them as a result of bad faith actions of the person who has reprocessed them, shall have the right to require the transfer of the new property to his or her ownership and compensation for the damages caused thereto.

Article 175. Privatisation of the property accessible to the public for collection

In cases when, in accordance with the law, upon general permission of the owner or in accordance with local customs, it is permitted to collect berries or other property accessible to the public, to fish or hunt animals in the forests, bodies of water or in other territories, the right of ownership to the respective property shall be acquired by the person having collected or hunted it.

Article 176. Moment of arising of ownership right of a person acquiring property under a contract

1. The right of ownership of the person acquiring property under a contract shall arise from the moment of transfer of the property, unless otherwise provided for by law or the contract.

2. Where the right to property is subject to state registration, the right of ownership for the acquirer shall arise from the moment of its registration.

Article 177. Transfer of property

1. Transfer of property shall be considered as the handing over of property to the acquirer, as well as to a carrier for the purpose of dispatching it to the acquirer or to a communications organisation for forwarding to the acquirer the property alienated without the obligation of handing over.

Property shall be considered as transferred to the acquirer from the moment when the property actually comes into possession of its acquirer or of the person indicated thereby.

2. When at the moment of signing a contract on alienation of property, it is already in possession of the acquirer, the property shall be considered as transferred thereto from that moment.

3. Handing over a bill of lading on the property or any other document on disposition of goods shall be equivalent to the transfer of property.

Article 178. Ownerless property

1. The property which has no owner or the owner of which is unknown or has renounced the right of ownership thereto shall be considered as ownerless.

2. The right of ownership to ownerless movable property may be acquired according to the rules of Articles 179-186 of this Code.

3. The right of ownership to ownerless immovable property may be acquired by virtue of acquisitive prescription (Article 187). This norm shall not apply to the immovable property considered as unauthorised construction.

4. Grounds and procedure for recognition of the right of ownership to ownerless property shall be established by the Civil Procedure Code of the Republic of Armenia.

(Article 178 supple mented by HO-188-N of 4 October 2005)

Article 179. Movable property renounced by the owner

1. Movable property that is abandoned or otherwise left by the owner (derelict property) for the purpose of renunciation of the right of ownership thereto, may be appropriated by other persons, as prescribed by point 2 of this Article.

2. Where there is a derelict property with the value of obviously less than fifty-fold of the minimum salary or derelict metal scraps, defected products, dumps generated in the course of extraction of minerals, industrial and other waste, in the land parcel,

body of water or other object that is owned, possessed or used by a person, the latter shall have the right to appropriate that property by starting to use it or performing other actions of appropriating the property.

Other derelict property shall pass into ownership of the person possessing it, when the court declares the property ownerless upon the application of that person.

Article 180. Found property

1. The finder of a lost property shall be obliged to immediately inform thereon the person who has lost the property or the owner of the property or any other person known to him or her entitled to receive that property, and return it. When the property is found in a building or transportation means, it shall be handed over to the owner or possessor of that building or transportation means. In this case, the person, to whom found property is handed over, shall acquire the rights and bear the obligations of the person who has found the property.

2. When the person who has the right to require returning the property or his or her place of stay are unknown, the person who has found the property shall be obliged to report about the found property to the police or local self-government body.

3. The person who has found the property shall have the right to keep it or deposit it with the police, local self-government body or with a person indicated by them.

Perishable property or the property — the expenses for the maintenance of which disproportionately exceed its value — may be realised by the finder of the property, by obtaining written evidence certifying the amount of proceeds. The amount received from the sales of the found property shall be returned to the person entitled to receive it.

4. The finder of the property, within the limits of the value of the property, shall be liable for the loss or harm thereof only in case of existence of fault.

Article 181. Acquisition of the right of ownership to the found property

1. The finder of the property shall acquire the right of ownership to the property when the person entitled to receive the found property is not identified or has not declared about his or her right to the property to the person who has found it, the police or local self-government body within a period of six months following the moment of reporting to the police or local self-government body about the found property (point 2 of Article 180).

2. When the finder of the property refuses to appropriate the found property, it shall become the ownership of the community.

Article 182. Compensation for the expenses related to the found property and reward to the finder of property

1. The person, who has found a property and returned it to the person entitled to receive it, shall have the right to receive from that person, and when the property passes to the ownership of the community — from the relevant local self-government body, compensation for the expenses needed for the maintenance, transfer or realisation of the property, including compensation for the expenses for identifying the person entitled to receive the property.

2. The finder of the property shall have the right to require, from the person authorised to receive it, a reward for the found property in the amount of up to twenty percent of the value of the property. When the found property is of value solely for the person entitled to receive it, the amount of reward thereof shall be determined by the agreement with that person, and in case of failing to reach such agreement — by court. Where the person entitled to require the return of the found property has publicly promised a reward, it shall be paid under the conditions of a promised reward.

The finder of the property shall have the right to keep the found property, unless he or she is rewarded.

3. The right to reward shall not arise, when the finder of the property has not reported about the found property or has attempted to conceal it.

Article 183. Animals left without attendance

1. A person, who has found and/or keeps livestock that is left without attendance or strayed, or other animals left without attendance, shall be obliged to return them to the owner, and when the owner of animals or his or her place of stay is unknown, shall be obliged, within a period of three days, to report to the police or local self-government body about the animals found, which should undertake measures for identifying the owner.

2. In the course of search for the owner of animals, the person keeping them may leave the animals to himself or herself and use them or transfer them to another person for keeping and use.

Upon the request of the person keeping the animals left without attendance, the police or local self-government body shall find a person having the necessary conditions for keeping them and shall transfer the animals to him or her.

3. The person keeping the animals left without attendance, and the person to whom they were transferred for keeping and using, shall be obliged to keep them properly and shall be liable for loss of or harm to the animals within the limits of their value, in case of existence of fault.

Article 184. Acquisition of the right of ownership to animals left without attendance

1. When the owner of animals left without attendance is not identified or has not declared about his or her right to those animals within a period of six months following the announcement about keeping the animals left without attendance, the person, who has kept and used the animals, shall acquire the right of ownership thereto.

In case that person refuses to acquire the animals kept by him or her as ownership, they shall become the ownership of the community and shall be used as prescribed by the local self-government body.

2. Where the former owner of the animals appears after the right of ownership to the animals is transferred to another person, the former owner, in the existence of circumstances attesting the affection of those animals towards him or her, shall have the right to require the return thereof to him or her under the conditions established by the agreement with the new owner, and, where no such agreement is available — under the conditions established by court.

Article 185. Compensation for the expenses for keeping animals left without attendance and remuneration for them

In case the animals left without attendance are returned to the owner, the person, who has kept the animals, shall have the right to require from the owner compensation for the expenses needed for keeping thereof, setting off the benefits received from the use of the animals.

The person keeping animals left without attendance shall have the right to remuneration in accordance with point 2 of Article 182 of this Code.

Article 186. Treasure trove

1. Treasure trove — that is money or other valuable objects buried in the ground or in other property or otherwise concealed, the owner of which may not discover them or has lost the right of ownership thereto by virtue of law — shall, in equal shares, pass into the ownership of the owner of the property (land parcel, construction, etc.) where the treasure trove has been hidden and of the person having discovered it, unless otherwise provided for by their agreement.

2. In case a treasure trove is discovered by a person excavating or searching for valuables without the consent of the owner of the land parcel or other property where the treasure is discovered, it shall be transferred to the owner of the land parcel or property.

3. Treasure trove containing historical and cultural monuments shall be transferred to the ownership of the State. Moreover, the owner of the land parcel or other property where the treasure trove has been hidden and the person having discovered the treasure trove shall together have the right to receive remuneration in the amount of fifty percent of the value of the treasure trove. The remuneration between those persons shall be distributed in equal shares, unless otherwise provided for by their agreement.

In case such treasure trove is discovered by a person excavating or searching for valuables without the consent of the owner of the land parcel or other property where the treasure trove has been hidden, the remuneration shall be given to the owner of the property in full.

4. The rules of this Article shall not apply to those persons in the employment and official duties of which excavation and search for treasure troves are included.

Article 187. Acquisitive prescription

1. A citizen or a legal person which is not the owner of immovable property, but possesses it in good faith, openly and consecutively as own property within ten years, shall acquire the right of ownership to that property (acquisitive prescription).

2. A person invoking the acquisitive prescription may join to the term of his or her possession the time period during which that property has been possessed by a person whose legal successor he or she is.

3. Prior to the acquisition of the right of ownership to property by virtue of acquisitive prescription, the person possessing the property as ownership shall have the right to protect it from third persons who are not owners of the property and do not have the right of possession to it on other ground provided for by law or contract.

4. The right of ownership to immovable property for the person having acquired it by virtue of acquisitive prescription shall arise from the moment of state registration of that right.

Article 188. Unauthorised construction

1. Unauthorised construction shall be considered as a building, construction or other structure built or reconstructed on a land parcel not allocated for that purpose as prescribed by law or other legal acts, or without permission or with material breach of the conditions provided for by the permission, or of the norms and rules of urban development.

2. The ownership of the State or the community shall be recognised for an unauthorised construction located in a land parcel which is a state or community ownership, regardless of the constructor thereof.

The right of ownership to an unauthorised construction shall be recognised for the person to whom the land parcel where the construction is located belongs by the right of ownership.

Recognition of the right of ownership of the owner of the land parcel for the unauthorised construction shall be neither a ground for recognition of the unauthorised construction as legal nor an impediment to satisfaction of the claim referred to in paragraph 2 of point 3 of this Article.

Owner of the land parcel, including the acquirer of the land parcel with an unauthorised construction, shall bear the risks related to the use and demolition of the unauthorised construction located thereon.

3. Owner of a land parcel shall have the right to demolish an unauthorised construction located on his or her land parcel.

Upon the claim of the State, community or other interested person, whose rights and interests protected by law have been violated, the unauthorised construction, which is not legalised, shall be subject to demolition, and the land parcel shall be subject to restoration to the former state at the expenses of the owner of the land parcel.

The person, who has made an unauthorised construction on a land parcel of another person, shall be obliged to compensate for the damage caused to the owner of the land parcel, including expenses for the demolition of the unauthorised construction and restoration to the former state of the land parcel.

4. Unauthorised constructions may be recognised as legal by heads of communities, by marzpets [regional governors] — beyond the administrative territory of a community, as prescribed by the Government.

Unauthorised construction may be recognised as legal only upon application of the person whereto, by the ownership right, belongs the land parcel where that construction is situated.

5. Unauthorised construction may not be recognised as legal when preservation of the construction violates the rights and interests protected by law of other persons or threatens the life and health of citizens.

Unauthorised constructions may not be declared legal and they shall be subject to demolition when built on the land parcels defined by Article 60 of the Land Code of the Republic of Armenia, as well as in alienation or security zones of engineering- transportation facilities or when built with material breach of the norms and rules of urban development and when they give rise to the right of requiring a compulsory servitude.

6. Specific aspects of registration of the right of ownership to immovable property with the existence of unauthorised constructions shall be regulated by the law on state registration of rights to property and by other legal acts adopted on the basis thereof.

7. ***(point repealed by HO-238-N of 15 December 2005)***

(Article 188 amended, supplemented by HO-511-N of 26 December 2002, edited by HO-188-N of 4 October 2005, amended, edited, supplemented by HO-238-N of 15 December 2005, amended by HO-14-N of 26 December 2008)

CHAPTER 12

COMMON OWNERSHIP

Article 189. Concept of common ownership and the grounds for arising thereof

1. A property in the ownership of two or more persons shall belong to them by the right of common ownership.

2. Property may belong to common ownership by determining the share of each of the owners in the right of ownership (shared ownership) or without determining those shares (joint ownership).

3. Common ownership with respect to property shall be considered as shared, unless joint ownership with respect to it is defined by law.

4. Common ownership shall arise when the property, which may not be divided without change in its purpose (indivisible property) or is not subject to division by law, becomes the ownership of two or more persons.

Common ownership to divisible property shall arise in the cases provided for by law or contract.

5. Upon the agreement of the participants of joint ownership, and in case of lacking such agreement — by court judgment, shared ownership of those persons may be established over common property.

6. The specific aspects of the relations pertaining to common shared ownership of the participants of the fund with regard to the assets of the contractual fund shall be defined by this Code and other laws.

(Article 189 supplemented by HO-69-N of 18 May 2010)

Article 190. Determination of shares in the right of common shared ownership

1. Shares shall be considered as equal when the shares of participants of the shared ownership may not be determined on the ground of law or are not established by the agreement of all participants.

2. The procedure for determining and changing the shares of participants may be established upon the agreement of all the participants of the shared ownership, in accordance with their contribution to formation and growth of the common property.

3. Participant in the shared ownership, who has made improvements indivisible from that property at his or her own expenses subject to the established procedure for the use of common property, may require increasing of his or her share in the right of common ownership corresponding thereto.

4. Improvements divisible from the common property shall pass to the ownership of the participant who has made them, unless otherwise provided for by the agreement of the participants of the shared ownership.

Article 191. Possession and use of property in shared ownership

1. The property under shared ownership shall be possessed and used by the agreement of all the participants thereof, and where such agreement is not available — as prescribed by court.

2. Participant of a shared ownership shall have the right to demand a part, proportional to his or her share in the common property, to be provided for his or her possession and use, and, where it is impossible, to demand compensation for damages from other participants possessing and using the property.

Article 192. Disposal of property under shared ownership

1. The property under shared ownership shall be disposed by the agreement of all the participants thereof.

2. Participant of a shared ownership shall have the right to sell, donate, bequeath, pledge his or her share or otherwise dispose of it, in compliance with the rules provided for by Article 195 of this Code, in case of non-gratuitous alienation thereof.

Article 193. Fruits, products and income received from use of property under shared ownership

Fruits, products and income received from the use of property under shared ownership shall be included in the composition of common property and shall be distributed among participants of shared ownership in proportion to their shares, unless otherwise provided for by their agreement.

Article 194. Expenses for maintenance of the property under shared ownership

1. Each participant of shared ownership shall be obliged to participate in payment of taxes, duties and other fees charged from the common property in proportion to his or her share, as well as of other expenses for maintenance of the property.

2. Unnecessary expenses borne by one of the owners, without the consent of the others, shall not be reimbursed by other owners. Disputes arising in this connection shall be settled through judicial procedure.

Article 195. Preferential right of purchase

1. When selling a share in the right of common ownership to third persons, the other participants of shared ownership shall have preferential right of purchase,

by the selling price and under other equal conditions, except for the case of the sales through public bidding.

(paragraph repealed by HO-13-N of 16 December 2005)

2. The seller of a share shall be obliged to notify in writing the other participants of shared ownership about his or her intention to sell his or her share to a third person, with indication of the price and other sales conditions. When other participants of shared ownership refuse to purchase the share being sold or fail to acquire the share in the right of ownership to immovable property within a period of one month, and in the right of ownership to movable property — within a period of ten days upon receipt of notification, the seller shall have the right to sell his or her share to any person.

3. In case of sales of a share in violation of the preferential right of purchase, any participant of shared ownership shall have the right, within a period of three months, to require, through judicial procedure, to transfer to him or her the rights and duties of the purchaser.

4. The preferential right of purchase of a share may not be surrendered.

5. The rules of this Article shall also apply to alienation of a share under barter contract.

(Article 195 amended by HO-13-N of 16 December 2005)

Article 196. Moment of transfer of a share in the right of common ownership to acquirer under a contract

1. A share in the right of common ownership shall be transferred to the acquirer under a contract from the moment of concluding the contract, unless otherwise provided for by the agreement of parties.

2. The moment of transfer of a share in the right of common ownership under a contract, the rights arising wherefrom are subject to state registration, shall be determined in accordance with point 2 of Article 176 of this Code.

Article 197. Dividing the property under shared ownership and partition of a share therefrom

1. The property under shared ownership may be divided between the participants thereof by their agreement.

2. A participant of the shared ownership shall have the right to require the partition of his or her share from the common property.

3. In case of lack of an agreement between the participants of the shared ownership on the ways and conditions of division of common property or of partition of the share of one of them, the participant of the shared ownership shall have the right to demand partition of his or her share from the common property in kind through judicial procedure.

When partition of a share in kind is not allowed by law or is not possible without causing disproportional damage to the property under common ownership, the partitioning owner may demand from the other participants of shared ownership to pay the value of his or her share.

4. In accordance with this Article, disproportion of the property being partitioned in kind of participant in the shared ownership to his or her share in the right of shared ownership shall be eliminated by paying him or her corresponding sum of money or other compensation.

Instead of partition in kind of a share of the participant of the shared ownership, other owners may pay compensation to him or her upon his or her consent. Where the share of the owner is insignificant, may not be actually partitioned and that owner

does not have an essential interest in the use of common property, the court may, in case of lack of the consent of that owner, allow the other participants of shared ownership to pay compensation.

5. The owner shall lose the right to the share in common property from the moment of receiving compensation in accordance with this Article.

6. In case of obvious inexpedience of division of common property or the partition of a share from it by the rules defined in points 3-5 of this Article, the court shall have the right to deliver a court judgment on the sales of the property through public biddings with subsequent distribution of the amount received among participants of common ownership, in proportion to their shares.

Article 198. Possession, use and disposition of property in joint ownership

1. Participants of the joint ownership shall possess and use the common property jointly, unless otherwise provided for by their agreement.

2. The property in joint ownership shall be disposed by the agreement of all the participants, regardless of which participant enters into the transaction for disposition of property.

3. Each of the participants of joint ownership shall have the right to enter into transactions for disposition of common property, unless otherwise provided for by their agreement. Transaction for disposition of common ownership entered into by one of the participants of the joint ownership may be declared invalid upon the request of other participants in case of the lack of necessary powers of the participant entering into transaction, where it is proved that the other party to the transaction has known or should have obviously known about it.

Article 199. Division of property under joint ownership and partitioning a share therefrom

1. Common property shall be divided among participants of the joint ownership or the share of one of them shall be partitioned after preliminary determination of the share of each participant in the right to common property.

2. When dividing the common property and partitioning a share therefrom, the shares of the participants of joint ownership shall be considered as equal, unless otherwise provided for by law or by the agreement of the participants.

3. The grounds and procedure for division of common property and the partition of a share therefrom shall be established by the rules of Article 197 of this Code.

Article 200. Levy of execution on a share in common property

1. In case of insufficiency of other property of a participant of the shared or joint ownership, his or her creditor shall have the right to submit a claim for partition of a share of the debtor, for the purpose of levying of execution thereupon.

2. Where partition in kind of a share is impossible, or other participants of shared or joint ownership object against it, the creditor shall have the right to demand from other participants of common ownership to purchase the share of the debtor at the market value in order to cover the debt. Where the other participants of common ownership refuse to acquire the share of the debtor, the creditor shall have the right to require levy of execution on the share of the debtor in the right of common ownership, in accordance with Article 197 of this Code.

(Article 200 edited by HO-13-N of 16 December 2005)

Article 201. Common ownership of spouses

1. The property acquired by spouses in the course of marriage is their joint ownership, unless otherwise provided for by law or by the contract between them.

2. The property of each spouse belonging thereto before marriage, as well as the property received by one of the spouses as a gift or succession in the course of marriage shall be his or her ownership.

3. Personal use property (clothing, footwear, etc.), except for jewellery and luxury items, shall be considered as the ownership of the spouse who has used that property, even when it has been acquired at the expenses of common funds of spouses in the course of marriage.

4. The property of each spouse may be recognised as their joint ownership where it is established that contributions at the expense of common property or personal property of the other spouse have been made in the course of marriage, which have significantly increased the value of that property (capital repair, reconstruction, re-equipment, etc.), unless otherwise provided for by a contract concluded between the spouses.

5. The property under the ownership of one of the spouses may be levied in execution for his or her obligations, as well as on his or her share in common property of the spouses.

(Article 201 edited by HO-253-N of 22 December 2010)

CHAPTER 13

RIGHT OF OWNERSHIP AND OTHER PROPERTY RIGHTS TO LAND

Article 202. Land parcel as an object of right of ownership

1. Territorial boundaries of a land parcel shall be determined, as prescribed by law, by the state authorised body, on the ground of the documents issued to the owner.

2. The right of ownership to land parcel shall extend to terrestrial and underground territory within the boundaries thereof, except for the cases provided for by law.

3. Owner of the land parcel shall have the right to use everything situated on and under the surface of his or her land parcel, unless otherwise provided for by law and unless it violates the rights of other persons.

4. The land parcels — the use of which for the purposes other than the designated and operational purposes thereof is prohibited or restricted — shall be determined by law.

5. Owner of a land parcel may, in compliance with the norms and rules of urban development, as well as subject to the requirements with respect to the purpose of the land parcel, construct buildings and structures thereon, to reconstruct or demolish them, unless otherwise provided for by law.

6. Owner of a land parcel shall acquire the right of ownership to buildings, structures and other immovable property constructed on the land parcel belonging to him or her.

7. Consequences of unauthorised construction by the owner on a land parcel belonging to him or her shall be determined in accordance with Article 188 of this Code.

8. Land parcels, which are state or community ownership, may be transferred to other persons for the purpose of development only by the right of ownership, except for the cases of provision to foreign states and international organisations for diplomatic and representative purposes, as well as for the land parcels, which are state and community ownership, defined by the Land Code of the Republic of Armenia, the transfer of which by the right of ownership is prohibited.

(Article 202 edited by HO-188-N of 4 October 2005, supplemented by HO-28-N of 27 February 2012)

Article 203. Prohibition to enter a land parcel, building, structure and a territory of other immovable property

1. Each person shall have the right to prevent others from entering the land parcel, building, structure and the territory of other immovable property under his or her legal possession.

No one shall have the right to enter a land parcel, building, structure or the territory of other immovable property (hereinafter referred to as "intrusion") without the grounds established by law or permission of legal possessor.

The following shall also be considered as intrusion:

(1) failure to comply with the demand of the legal possessor to leave the land parcel, building or structure or the territory of other immovable property by a person who has entered the land parcel, building or structure or the territory of other immovable property upon the permission of the legal possessor;

(2) failure to comply with the demand of the legal possessor to leave the land parcel, building or structure or the territory of other immovable property by a person who has entered the land parcel, building or structure or the territory of other immovable

property on the grounds established by law, following the termination of those grounds or after performance of the relevant actions provided for by law.

2. It shall not be deemed to be intrusion where the land parcel is not fenced or walled in, or there is no written or voice message or image sign prohibiting the entrance into the land parcel, and the entry into the land parcel will not cause damage to the land parcel.

3. Each person shall have the right to freely access the land parcels which are open to everyone and are the ownership of the State or community, without any permission, and avail themselves of natural objects situated therein, observing the norms established by law and other legal acts.

4. Legal possessor shall have the right to undertake reasonable measures of defence in order to prevent or eliminate the intrusion, including the use of force proportionate to the consequence of intrusion, when non-forcible measures may not prevent or eliminate the intrusion. Legal possessor shall have the right to remove the property of another person illegally situated in his or her land parcel, building or structure or the territory of immovable property. Damage caused to the person, who has made an intrusion, as a result of measures undertaken for the purpose of prevention or elimination of the intrusion under the conditions provided for by this part, shall not be subject to compensation.

5. Legal possessor of a land parcel, building or structure or the territory of other immovable property shall have the right to authorise the police to carry out actions on behalf of him or her aimed at prevention or elimination of intrusion. Procedure for and conditions of authorising the police by a legal possessor shall be established by the Government.

(Article 203 edited by HO-187-N of 27 November 2006)

Article 204. Construction of buildings, structures on a land parcel by the owner thereof

1. Owner of a land parcel may, in compliance with norms and rules of urban development and construction, as well as subject to the requirements with respect to the purpose of the land parcel (Article 202(4)), construct buildings and structures thereon, reconstruct or demolish them, permit other persons to carry out construction on his or her land parcel.

(Article 204 edited by HO-188-N of 4 October 2005)

Article 204[1]. Right to development of a land parcel

1. A person may, under contract, acquire a development right on a land parcel belonging to another person — to construct buildings and structures, to reconstruct or demolish them, observing in the prescribed manner the norms and rules of urban development, as well as requirements of the purpose of the land parcel, and possess and use that property during the period of validity of the development rights.

2. The person having the development right may dispose of this right — transfer to another person, freely alienate, pledge it, as well as to perform other transactions concerning the development right.

The development right may be transferred to another person through legal succession.

3. Indivisible improvements made by the person carrying out development shall not be compensated after expiration of the term of development, unless otherwise provided for by law or contract.

4. Buildings and structures constructed or created by the development right on a land parcel belonging to another person by the right of ownership shall be the ownership of the owner of the land parcel, unless otherwise provided for by law.

5. The development right shall, unless a shorter term is provided for by law, be provided for the term established by the contract and may not exceed 99 years.

6. Contracts on acquisition of the development right, the alienation thereof, mortgage and other contracts shall be subject to notary certification.

7. The development right shall be subject to state registration as prescribed by the law on state registration of the rights to property.

(Article 204[1] supplemented by HO-188-N of 4 October 2005)

Article 205. Grounds for acquisition of the right to use a land parcel

1. Owner may provide the land parcel belonging to him or her to other persons for use, including for lease.

2. The right to use a land parcel under the ownership of the state or a community shall be given to citizens and legal persons on the ground of the decision of state or local self government bodies having the power to give land parcels in use, as prescribed by law.

3. In the case provided for by point 1 of Article 207 of this Code, owner of the building, structure or other immovable property may also acquire the right to use the land parcel.

4. In case of reorganisation of a legal person, the right to use a land parcel belonging to it shall pass to the legal successor.

Article 206. Right to possess and use a land parcel

1. Person who is not considered as the owner of the land parcel may possess and use the land parcel as prescribed by law or a contract concluded with the owner.

2. The person having the right to use a land parcel may lease it or transfer for gratuitous use upon the consent of the owner of the land parcel.

Article 207. Right of the owner of immovable property to use the land parcel

1. Owner of the immovable property situated on a land parcel belonging to another person shall have the right to use the part of the land parcel on which the immovable property is affixed.

2. When the right of ownership to immovable property situated on another's land parcel passes to another person, the latter shall acquire the right to use the respective part of the land parcel under the same conditions and in the same volume as the former owner of the immovable property.

Transfer of the right of ownership to a land parcel to another person shall not be a ground for changing or terminating the right of the owner of the immovable property situated on that land parcel to use the land parcel.

3. Owner of the immovable property situated on another's land parcel shall have the right to possess, use and dispose of his or her property, including demolition of respective buildings and structures, unless it contradicts the conditions, established by law or contract, for the use of the given land parcel.

Article 208. Consequences of termination of the right to use a land parcel

Upon termination of the right to use a land parcel, the right of ownership to buildings, structures and other immovable property constructed by the land user on that land shall pass to the owner of the land parcel, unless otherwise provided for by the contract between the owner of the land parcel and land user.

Article 209. Transfer of the right to a land parcel upon alienation of a building or a structure situated thereon

1. When transferring the right of ownership to a building or structure situated on the land parcel belonging to the owner, the part of the land parcel occupied by the building or structure shall also be alienated, as well as those rights to the land parcel, which are necessary for the use and maintenance of the building and structure.

2. It shall be prohibited to alienate those buildings or structures which are situated on such land parcels that are under the ownership of the State and community, the transfer of which by the right of ownership is prohibited by law. Such buildings or structures may be provided by the right to use or development.

Buildings and structures defined by this part may be privatised only in case the designated purpose of the land parcel has been changed as prescribed by law.

3. In case of alienation of a separate area in a subdivided building, structure, the right of common shared ownership to the land parcel under the building shall pass to the acquirer. In this case, the rules provided for in Article 195 and points 2-6 of Article 197 of this Code shall not apply to participants of common shared ownership.

(Article 209 edited by HO-188-N of 4 October 2005)

Article 210. Right to limited use of another's land parcel (servitude)

1. Owners or users of a land parcel shall have the right to require from the owner of the adjacent land parcel, and if necessary also from the owner of another land parcel, to grant them the right to limited use of that land parcel (servitude).

2. Servitude may be established for the purpose of passing and traffic through the adjacent or another land parcel, installation and operation of electric transmission lines, communications and pipelines, water supply and amelioration, as well as for

other needs of the owner of immovable property which may not be ensured without establishing a servitude.

3. Burdening of a land parcel with servitude shall not deprive the owner of the land parcel of the right to possess, use and dispose of that land parcel.

4. Servitude may not be an independent subject of trade, pledge and lease.

5. Servitude may be voluntary or compulsory.

(Article 210 edited, supplemented by HO-159 of 20 March 2001)

Article 211. Voluntary servitude

1. Voluntary servitude shall be established by a notary certified written agreement of the person requiring servitude and the owner of the adjacent or another land parcel.

2. The term of effectiveness and the conditions of the servitude shall be indicated in the contract on establishing voluntary servitude. The plan of the immovable property burdened with the servitude shall be attached to the contract with indication of the location of the servitude.

(Article 211 supplemented by HO-159 of 20 March 2001)

Article 212. Compulsory servitude

1. In case of failure to establish voluntary servitude or to reach an agreement about the conditions thereof, compulsory servitude shall be established by court upon the claim of the person requiring servitude.

2. Court judgment on establishing compulsory servitude shall contain the conditions referred to in point 2 of Article 211 of this Code.

3. Compulsory servitude for public needs may be established by law.

31. Free of charge, compulsory and permanent servitude shall be established on respective land parcels for public needs, regardless of the subject of the right of ownership, for the purpose of safekeeping and maintenance of main line engineering infrastructures (electric transmission and communication lines, gas pipes, water supply, water removal and heating systems), aerial and underground cable lines and pipelines, columns and other structures related to the safe operation thereof.

(Article 212 supplemented by HO-159 of 20 March 2001, HO-391-N of 26 June 2002)

Article 213. State registration of servitude

Servitude shall be subject to state registration as prescribed by the law on state registration of the rights to property, except for the cases provided for by that law.

(Article 213 supplemented by HO-159 of 20 March 2001)

Article 214. Payment for servitude

1. Owner of the land parcel burdened with servitude shall have the right to require payment for using the land parcel from the persons in favour of whom the servitude has been established, unless otherwise provided for by law or contract.

2. The amount of voluntary servitude payment shall be determined by the agreement of the parties, and in case of compulsory servitude it shall be determined by court judgment or law.

(Article 214 supplemented by HO-159 of 20 March 2001)

Article 215. Preservation of servitude in case of transfer of rights to land parcel

Servitude shall be preserved when transferring the right to the land parcel burdened with servitude to another person.

Article 216. Termination of servitude

1. Servitude may be terminated upon the request of the owner of the land parcel burdened with servitude, when the grounds for establishing it have been eliminated.

2. In cases when the land parcel belonging to a citizen or a legal person may not be used in compliance with its purpose as a result of being burdened with servitude, the owner shall have the right to require the termination of the servitude through judicial procedure.

Article 217. Burdening buildings and structures with servitude

Buildings, structures and other immovable property the limited use of which is necessary, may be burdened with servitude by application of the rules provided for by Articles 210-216 of this Code.

Article 218. Alienation of ownership for public and state needs

Alienation of ownership for public and state needs may only be carried out in special cases, that is for overriding public interests, as prescribed by law, with prior equivalent compensation.

(Article 218 edited by HO-187-N of 27 November 2006)

Article 219. Compensation value for the land parcel taken for state or community needs

(Article repealed by HO-187-N of 27 November 2006)

Article 220. Taking of a land parcel by court judgment for state or community needs

(Article repealed by HO-187-N of 27 November 2006)

Article 221. Rights of the owner of a land parcel subject to taking for state or community needs

(Article repealed by HO-187-N of 27 November 2006)

CHAPTER 14

RIGHT OF OWNERSHIP AND OTHER PROPERTY RIGHTS TO RESIDENTIAL PREMISES

Article 222. Specific aspects of the right of ownership to an apartment and non-residential areas in multi-apartment buildings, as well as to non-residential areas in subdivided building

1. Apartment shall be an area (structure) that is envisaged for residence and is registered or numbered with an individual code with the authorised body carrying out state registration of rights.

2. Non-residential premise shall be an area (structure) that is not envisaged for residence in a building or structure and is registered or numbered with a special code with the authorised body carrying out state registration of rights.

3. Multi-apartment building shall be a building, the apartments and/or non-residential area of which belong to more than one owner by the right of ownership, and the land parcel allotted for construction and maintenance of which or common property of the building may not be partitioned among the owners of the apartments or of non-residential areas.

Subdivided building shall be the building, the non-residential premises of which belong to more than one owner by the right of ownership, and the land parcel allotted for construction and maintenance of which or common property of the building is not partitioned among the owners of non-residential areas.

4. Apartment shall be used only in compliance with its operational purpose.

5. Changing of operational purpose of apartment into industrial, public or other operational purpose shall be carried out as prescribed by law or other legal acts.

(Article 222 supplemented, edited by HO-188-N of 4 October 2005, edited by HO-238-N of 15 December 2005)

Article 223. Specific aspects of the right of ownership to an apartment and non-residential areas in multi-apartment buildings

(Article repealed by HO-238-N of 15 December 2005)

Article 224. Common property of owners of apartments and/or non-residential areas of multi-apartment or subdivided buildings

1. Load-bearing structures for the building, inter-floor coverings of the building (ceilings, floors), basement, attic, technical floors, roof, as well as entrances,

staircases, stairs, elevators, elevator and other wells, mechanical, electrical, sanitary-technical and other equipments and areas serving more than one structure and intended for full and unified maintenance of the multi-apartment building, land parcels — which are not owned by other persons — necessary for safekeeping and maintenance of the building, shall belong to owners of structures of multi-apartment building by the right of common shared ownership.

Share of the owner of each apartment or non-residential area in the land parcel of common shared ownership of the multi–apartment or subdivided building shall be determined by the ratio of the surface area of apartment or non-residential area belonging to the given owner to the surfaces of all apartments and non-residential areas of that building and shall be expressed in fraction.

Share of owners of each apartment or non-residential area in property of common shared ownership of the multi-apartment or subdivided building shall be equal to his or her share in the land parcel in common shared ownership and shall be expressed in fraction.

Shares of the owner of the apartment or non-residential areas in the land parcel that is considered as common shared ownership shall be established and registered along with registration of the land parcel designed for construction and maintenance of the building and may be changed only by consent of all owners of the building in case of adding or lessening an apartment or non-residential area in the building or of changing the sizes of existing apartments or non-residential areas. The consent of the owner on adding or lessening the apartment or non-residential area in multi-apartment or subdivided building or sizes of existing apartments or non-residential areas or on changing the sizes of existing apartments or non-residential areas shall also be considered as consent on adding or lessening the size of the land parcel and common property belonging to the given owner.

Apartment or non-residential area in multi-apartment or subdivided building under construction or sizes of existing apartments or non-residential areas shall not be

changed, in case of changes in the sizes of apartments or non-residential areas due to non-essential construction deviations during construction works.

2. Owner of the apartment and/or non-residential area in a multi-apartment or subdivided building shall not have the right to alienate, pledge, give for use the apartment or non-residential area apart from the land parcel or property which is in common ownership or to carry out other actions of transferring the right of ownership to the apartment and/or non-residential area separately to another person.

3. The rules provided for by Article 195 and points 2-6 of Article 197 of this Code shall not apply to the owners of apartments and/or non-residential areas in multi-apartment buildings.

4. The future apartment or non-residential area in multi-apartment or subdivided buildings under construction may be burdened with the right to purchase immovable property in the building under construction. The contract on the right to purchase immovable property in a building under construction shall be subject to notary certification, and the right to purchase immovable property in a building under construction shall be subject to state registration.

The right to purchase immovable property in a building under construction shall also extend to the corresponding share in the land parcel and areas of common use.

5. Separate units (apartments, non-residential areas) in multi-apartment or subdivided buildings under construction, along with the corresponding share in the land parcel and areas of common use, shall become an object of civil practices from the moment of state registration of the completed building.

6. The procedure for registration of the right of ownership to land parcels, apartments and areas of common use in completed multi-apartment or subdivided buildings shall be established by the law on state registration of rights to property.

7. Upon state registration of the completion of construction of a multi-apartment or subdivided building under construction, the developer shall, within the time limits prescribed by the relevant contract but not later than within a six-month period,

provide the person having the right to purchase immovable property under construction with an act of transfer of the right of ownership over the immovable property in the completed building and the settlement document or, in cases prescribed by law, the tax invoice.

An act of transfer of the right of ownership over an immovable property in a completed building shall indicate:

(1) information, compliant with Article 566 of this Code, regarding the immovable property to be transferred by the contract on the right to purchase immovable property in the building under construction;

(2) the price of the immovable property to be transferred by the contract on the right to purchase immovable property in the building under construction, completed advance payments and, where applicable, conditions of payment of the unpaid part of the price;

(3) time limits for commissioning the completed building at the expense of the developer.

8. An act of transfer of the right of ownership over an immovable property in a completed building shall be subject to notary certification, and the right arising therefrom shall be subject to state registration. The right of ownership over the apartment, non-residential areas, including the corresponding share in the land parcel and areas of common use, in the constructed multi-apartment or subdivided building shall be deemed to be transferred to the person having the right to purchase immovable property in the building under construction from the moment of state registration of the act of transfer of the right of ownership over the immovable property.

(Article 224 edited, supplemented by HO-336 of 7 May 2002, edited by HO-188-N of 4 October 2005, amended, supplemented, edited by HO-238-N of 15 December 2005, by HO-87-N of 19 June 2015)

Article 225. Right to use residential areas

1. The right of a person to use residential areas shall be the right to reside in the residential areas which is the ownership of another person. The right of a person to use residential areas shall be the right inseparably connected to the person, which may not be alienated, be independent subject of pledge, lease or gratuitous use, as well as may not be transferred to another person by succession or through legal succession.

Members of the family (spouse, minor children) of the person enjoying the right to use residential areas may reside with him or her without consent of the owner.

2. Arising of the right to use residential areas, the conditions of the exercising and termination thereof shall be established by a notary certified written contract with the owner. The right to use residential areas shall arise as prescribed by the law on state registration of the rights to property, from the moment of registration of that right.

3. In case of absence of an agreement on termination of the registered right to gratuitous use of residential areas, the concerned right may be terminated upon request of the owner through judicial procedure, with a compensation provided by the owner.

4. Amount of compensation for one month shall be defined based on the amount of lease payment applicable to the given residential areas at the moment of termination of the right, calculated in the following way: for each person who has registered the right to residence, the surface area derived from dividing the size of the residential surface area by the total number of persons enjoying the right to gratuitous use of the residential areas and the owners, but not less than five square metres and not more than nine square metres.

Compensation shall be calculated for a period of three years and shall be provided at once, unless otherwise provided for by the agreement of the parties.

(Article 225 edited by HO-188-N of 4 October 2005)

CHAPTER 14.1

(Chapter supplemented by HO-264-N of 17 December 2014)

SECURED RIGHTS

Article 225.1. Concept and subject of the secured right

1. A secured right is a right held by a creditor to a property or property right or claim right, by virtue of law or a contract, as a measure securing the discharge of liabilities.

2. Relationships connected with immovable property, transportation means, bank accounts, deposits, as well as security pledge, shall be regulated by Chapter 15 of this Code.

3. Any property, including any property right — except for property removed from circulation, claims inherently and inseparably connected with the creditor, including claims for alimony, compensation of damage caused to life or health, registered government (treasury) securities the conditions of issuance of which will provide that the securities in question may not be pledged, and those rights the surrender of which to another person is proscribed by law — may constitute a collateral.

4. A secured right shall also extend to property that directly or indirectly emerges from the use, possession or disposal of the collateral, as well as the insurance compensation for the collateral, except for cases prescribed by law and the relevant contract.

5. A secured right shall arise and be effective from the moment the liabilities arise until the liabilities have been duly discharged.

6. A contract on a secured right shall provide either a general or a specific description of the collateral. Where it is possible to determine the collateral by distinctive or descriptive features, the specific description of the collateral shall be mandatory.

7. Execution on the collateral without recourse to court shall be levied as prescribed by Article 249 of this Code where:

(1) it is provided for by the contract, or

(2) there is a written agreement concluded between the secured person (creditor) and the debtor and, where the consent or permission of a third person was required for the conclusion of the relevant contract, also the written consent of the third person to the realisation of the pledged property without a court's civil judgment.

8. Execution on the collateral shall be levied through judicial procedure in accordance with the requirements of Article 249.1 of this Code.

(Article 225.1 supplemented by HO-264-N of 17 December 2014, edited by HO-190-N of 27 October 2016)

Article 225.2. Preference for secured rights

1. The preferential right to receive satisfaction from the value of the collateral shall be determined in accordance with the order of priority with which the secured right was registered in the unified register, unless otherwise provided for by this Code or a contract signed between the secured persons (creditors).

2. The registration of a secured right to a movable property shall entail a preferential right over any non-registered secured right to the same movable property, unless otherwise provided for by this Code or a contract signed between the secured persons (creditors).

3. In cases where the description of a movable property to be acquired in the future or of a movable property constituting a collateral for a secured right is general, the person who funds the acquisition of the movable property shall have a preferential right to the movable property.

4. A secured right registered at the time of alienation by a debtor of a movable property in circulation constituting a collateral for a secured right shall extend to the assets derived from the alienation of the collateral, unless otherwise provided for by an agreement concluded between the parties.

5. In case a person who has obtained a preferential right through registration surrenders a secured right, the preferential right shall continue to be in effect for the person who obtains the secured right.

(Article 225.2 supplemented by HO-264-N of 17 December 2014)

CHAPTER 15

RIGHT OF PLEDGE

§ 1. GENERAL PROVISIONS ON PLEDGE

Article 226. Concept of the right of pledge

1. The right of pledge (hereinafter referred to as "the pledge") shall be the property right of the pledgee to the property of the pledgor, which is at the same time a measure to secure the fulfilment of pecuniary or other obligations of the debtor towards the pledgee.

2. The pledge shall be a supplementary (accessory) obligation to secure the fulfilment of the principal obligation of the pledgor (debtor) towards the pledgee (creditor).

3. The creditor (pledgee) towards whom there are obligations secured by pledged immovable property, transportation means, bank accounts, deposits or securities shall have a preferential right to receive satisfaction from the value of the pledged property ahead of the other creditors of the owner of the property (pledgor) in case the debtor fails to fulfil that obligation. The pledgee, who has registered the right arising from the contract of pledge of immovable property, transportation means, bank accounts, deposits, as well as securities, in the register of pledge kept by the authorised body earlier than the others shall have the preferential right to receive satisfaction from the value of the pledged property ahead of the other pledgees who have registered their rights arising from the contracts of pledge of the relevant property later or have failed to do so.

4. The pledgee shall have the right, under the principle envisaged by point 3 of this Article, to receive satisfaction from the insurance indemnity for loss or harm of the pledged property, regardless of the fact for whose benefit it is insured, unless such loss or harm is caused by such reasons for which the pledgee is liable.

5. General rules on pledge contained in this Paragraph shall apply to mortgage, unless other rules are envisaged in the Paragraph of this chapter concerning mortgage.

(Article 226 supplemented by HO-78-N of 11 May 2004, edited by HO-264-N of 17 December 2014, HO-190-N of 27 October 2016)

Article 227. Grounds for arising of pledge

1. Pledge shall arise by virtue of a contract. Pledge shall also arise on the ground of law, when the circumstances indicated therein occur. Property, that is considered as pledged for the purpose of securing the fulfilment of an obligation, shall be provided for by law.

2. The rules of this Code on the pledge arisen by virtue of contract shall respectively apply to the pledge arisen on the ground of law, unless otherwise provided for by law.

Article 228. Pledgor

1. Pledgor of property may be only the owner thereof.

2. Both a debtor and a third person may be a pledgor.

3. Pledgor of a right may be a person to whom the pledged right belongs.

Article 229. Pledgee

Pledgee shall be a person who has a property right to the property of a pledgor (right of pledge) on the grounds defined by law or contract, for the purpose of securing the fulfilment of a pecuniary or other obligation towards him or her.

Article 230. Collateral

1. Any property, including property right (claim), except for the property removed from circulation, claims inherently and inseparably connected with the debtor, including claims for compensation of alimony, damage caused to life or health, those registered government (treasury) securities the conditions of issuance of which will provide that the securities in question may not be pledged, and those rights the surrender of which to another person is proscribed by law, may be a collateral.

2. Pledge of the property, which may not be divided without change in its purpose (indivisible property), may not be pledged part by part.

3. Pledge of the right of lease without the consent of the owner of property shall not be permitted.

4. Pledge of individual types of property, particularly the property belonging to citizens, levy of execution on which is not permitted, may be proscribed or limited by law.

(Article 230 supplemented by HO-224-N of 11 November 2005)

Article 231. Pledge of property under common ownership

1. Property under common joint ownership may be pledged only upon the written consent of all owners.

2. Participant in common shared ownership may pledge his or her share in the right to common property without the consent of the other owners.

When selling that share in case of levy of execution thereon, at the request of a pledgee, the rules of preferential right of purchase defined by Article 195 of this Code shall apply.

Article 232. Property to which the rights of pledgee extend

1. Rights of a pledgee (right of pledge) to a collateral property shall also extend to the appurtenances thereof, unless otherwise provided for by contract.

The right of pledge shall be extended to fruits, products and income received as a result of use of a pledged property in the cases provided for by contract.

2. Pledge of property and property rights to be acquired in the future by a pledgor may be provided for by the contract of pledge, and, when the pledge arises on the ground of law it may be provided for by law.

Article 233. Volume of the claim secured by a pledge

Pledge shall secure the claim of the pledgee in the volume it has at the moment of actual satisfaction, unless otherwise provided for by contract or law. That claim shall particularly include interests, default penalty, compensation for the damages caused due to the default of the period of performance, as well as of the expenses incurred by the pledgee for custody and safekeeping of the pledged property, levying execution thereupon and for the realisation thereof, including compensation of taxes related to the sales of the collateral, which the pledgee shall be obliged to pay as the tax agent of the pledgor.

(Article 233 amended by HO-233-N of 23 June 2011)

Article 234. Contract of pledge and the form thereof

1. The contract of pledge shall be concluded in writing.

1.1. When issuing securities secured by a pledge based on a prospectus, the prospectus shall also serve as an offer to sign a contract of pledge.

2. Names of the parties and places of residence (registered offices), collateral, essence, amount of the obligation secured by the pledge and the period of performance thereof shall be indicated in the contract of pledge. In case of issuance of securities secured by a pledge based on a prospectus, the contract of pledge shall, instead of the name and place of residence (registered office) of the pledgee, indicate that the pledgee is the owner of (nominee holding) the security indicated in the register kept by the person keeping records on rights to securities.

3. In the cases provided for by this Code, the contract of pledge shall be subject to notary certification, and the right of pledge shall be subject to state registration.

4. Failure to observe the rules of this Article shall lead to invalidity of the contract of pledge. Such a contract shall be null and void.

(Article 234 supplemented by HO-110-N of 17 June 2016)

Article 235. Arising of the right of pledge

1. The right of pledge shall arise from the moment of concluding the contract of pledge and, where the right of pledge is subject to state registration it shall arise from the moment of its registration. The right of pledge to non-paper securities shall arise from the moment of making a relevant record with the person making records on rights.

2. When collateral is to be held by a pledgee, in accordance with the law or contract, the right of pledge shall arise from the moment of transferring the collateral

to him or her, and when it is transferred prior to conclusion of the contract it shall arise from the moment of the conclusion thereof.

(Article 235 supplemented by HO-79-N of 23 May 2006)

Article 236. Subsequent pledge

1. Pledged property may become a collateral for another pledge (subsequent pledge). The agreement restricting the right of a pledgor to turn the pledged property into a collateral for another pledge (subsequent pledge) shall be null and void.

2. Subsequent pledge of non-paper securities shall be permitted, unless it is prohibited by the conditions of issuance of those securities and/or in declaration of registration of securities.

3. In case of subsequent pledge, claims of the new pledgee shall be satisfied following the satisfaction of claims of the previous pledgee from the value of the collateral, unless otherwise provided for by law and the contract concluded between the new and all previous pledgees.

4. Unless otherwise provided for by the contract concluded between the new and all previous pledgees, in case of failure to fulfil or improper fulfilment, by the debtor, of the obligations towards the new pledgee, the new pledgee shall, prior to starting a process of levy of execution on the collateral and within two working days after being informed of said failure or improper fulfilment, be obliged to notify the previous pledgee of the failure to fulfil or improper fulfilment, by the debtor, of the obligations towards the new pledgee. Upon receiving the notification, the previous pledgee shall have the right to:

(1) not take any action connected with the collateral, or

(2) initiate a process of levy of execution on the collateral, in which case the new pledgee shall no longer be competent to initiate a process of levy of execution, or

(3) purchase the property constituting the collateral, or

(4) purchase from the new pledgee the obligation secured by the pledge, as prescribed by Chapter 25 of the Civil Code of the Republic of Armenia, and terminate the process of levy of execution, or

(5) propose that the new pledgee fulfil in full the debtor's obligation towards the previous pledgee, or

(6) give consent to alienation of the collateral to a third person following the levy of execution by the new pledgee, in which case the previous pledge shall retain the right of pledge of to the property.

The previous pledgee shall, within 10 working days from the moment of receiving the notification provided for by this Article, inform the new pledgee on taking a decision on the exercise of his or her rights provided for by this Article.

In case of failure to fulfil or improper fulfilment, by the debtor, of the obligations towards the new pledgee, the new pledgee shall be obliged to be guided by the decision taken by the previous pledgee regarding the exercise of the rights provided for by points 2, 3, 4 and 6 of part 4 of this Article.

Unless otherwise provided for by the contract concluded between the new and all previous pledgees, where there are several previous pledgees and in case of failure to fulfil or improper fulfilment, by the debtor, of the obligations towards the new pledgee, the new pledgee shall, before initiating a process of levy of execution on the collateral, be obliged to inform, as prescribed by this Article, all previous pledgees preceding the new pledgee and be guided by the decision taken by the previous pledgees on the exercise of the rights provided for by points 2, 3, 4 and 6 of part 4 of this Article, according to the order in which the previous pledges precede each other.

(Article 236 supplemented by HO-78-N of 11 November 2004, supplemented, amended by HO-110-N of 17 June 2016)

Article 237. Custody and safekeeping of the pledged property

1. Pledgor or pledgee, depending on which of them holds the pledged property, unless otherwise provided for by law or contract, shall be obliged to:

(1) insure the pledged property against the risks of loss and injury for its full value, and when its full value exceeds the amount of the claim secured by the pledge — for an amount not less than that of the claim;

(2) undertake measures necessary for safekeeping of the pledged property, including for the protection thereof from encroachments and claims of third persons;

(3) immediately inform the other party about emergence of a threat of loss of or injury to the pledged property.

2. Pledgee and pledgor shall have the right to check, through documents and factually, the presence, quantity, condition and storage conditions of the pledged property held by the other party.

3. In case of gross violation of the obligations referred to in point 1 of this Article by a pledgee, that creates a threat of loss or harm to the pledged property, the pledgor shall have the right to require early termination of the pledge.

Article 238. Use and disposition of collateral

1. Pledgor shall have the right to use the collateral in accordance with its purpose, including receiving of fruits and income from it, unless otherwise provided for by contract.

2. Pledgor shall have the right to alienate the collateral, to grant it on lease or for gratuitous use, or otherwise dispose of it, unless otherwise provided for by law or by contract.

An agreement on limiting the right of a pledgor to bequeath the pledged property shall be null and void.

When the collateral is granted on lease, for gratuitous use, or is burdened with another property right (except for compulsory servitude), in case of realisation of the collateral, those rights shall terminate in the manner and on the grounds prescribed by this Code.

All property rights established prior to the pledge of property shall be preserved, unless otherwise provided for by law.

3. The pledgor shall have the right to provide the land parcel for development rights only upon the consent of the pledgee.

4. The pledgee shall have the right to use the collateral transferred to him or her only in the cases provided for by contract, submitting a report on the use thereof upon the request of the pledgor. A duty to acquire fruits and income from the subject of mortgage may be imposed on a pledgee under contract, in order to redeem the principal obligation or to the benefit of the pledgor.

(Article 238 edited by HO-188-N of 4 October 2005)

Article 239. Consequences of destruction, loss of or harm to a pledged property

1. Pledgor shall bear the risk of accidental destruction, loss of or harm to a pledged property, unless otherwise provided for by the contract of pledge.

2. Pledgee shall be liable for complete or partial destruction, loss of or harm to the collateral transferred to him or her, unless the latter proves that he or she may be exempt from liability in accordance with Article 417 of this Code.

3. Pledgee shall be liable for loss of the collateral in the amount of its actual value, and for the harm thereto in the amount by which that value has been reduced, regardless of the amount the collateral has been assessed when being transferred to the pledgee.

4. When as a result of harm, the collateral transferred to the pledgee changes to the extent that it may not be used for its direct purpose, the pledgor shall have the right to renounce it and to require compensation for the loss thereof.

The obligation of the pledgee to compensate to the pledgor other damages caused by loss of or harm to the collateral may be provided for by contract.

The pledgor who is the debtor of the obligation secured by pledge shall have the right to set off the compensation for the damages caused by loss of or harm to the collateral for the purpose of redeeming the obligation secured by pledge.

Article 240. Replacement and restoration of the collateral

1. Replacement of the collateral shall be permitted upon the consent of the pledgee, unless otherwise provided for by law or contract.

2. When the collateral is destructed or damaged or the right of ownership thereto is terminated on the grounds prescribed by law, the pledgor shall be obliged, within a reasonable term, to restore the collateral or replace it with other property of equal value, unless otherwise provided for by contract.

Article 241. Protection of the rights of pledgee to the collateral

1. Pledgee, who holds or should have held the pledged property, shall have the right to reclaim it from another's illegal possession, including from that of a pledgor (Articles 274, 275 and 278).

2. Where the right to use the collateral transferred to a pledgee is reserved to him or her under terms of the contract, he or she may require from other persons, including the pledgor, to eliminate all the violations of his or her right, although they are not related to deprivation of possession (Articles 277 and 278).

Article 242. Preservation of the right of pledge upon passing of the right of ownership to the pledged property to another person

1. The right of pledge shall remain in force, in case of alienation of the pledged property with or without compensation or passing of the right of ownership of a pledgor to that property to another person through universal legal succession.

Legal successor of a pledgor shall take the place of the pledgor and shall bear all the duties thereof, unless otherwise provided for by the agreement with the pledgee.

2. When the collateral property has passed to several persons through legal succession, each legal successor (acquirers of the property) shall, in proportion to the share passed to him or her from the mentioned property, bear the consequences resulting from non-fulfilment of the obligation secured by a pledge. When the collateral is indivisible or, on other grounds, remains in common ownership of legal successors, they shall become joint pledgors.

Article 243. Consequences of compulsory taking and seizure of the pledged property

1. In cases when the right of ownership of a pledgor to the collateral property has terminated on the grounds and as prescribed by law, by reason of alienation, requisition or nationalisation for public and state needs, and another property and/or relevant compensation has been given to the pledgor, the right of pledge shall extend to the property given instead, or the pledgee shall acquire a preferential right to satisfy his or her claim from the compensation amount due to the pledgor.

2. Where the collateral property is seized from a pledgor as prescribed by law through levy of execution or as a sanction for a crime, a pledgee shall have a preferential right to satisfy his or her claim from the value of that property.

3. Where the collateral property is seized from a pledgor as prescribed by law on the ground that the owner of that property is actually another person, the pledge with respect to that property shall terminate.

4. In the cases provided for by this Article, a pledgee shall have the right to require early fulfilment of the obligation secured by pledge.

(Article 243 amended by HO-187-N of 27 November 2006)

Article 243.1. Restrictions applicable to pledged property for the fulfilment of other obligations of a pledgor towards third persons

1. Neither any attachment, freeze, custody, levy of execution, seizure of pledged property nor any other restriction on property for the fulfilment of other obligations of a pledgor towards third persons (hereinafter also referred to as "Restriction") may hinder (prohibit) a pledgee having a preferential right to receive primary satisfaction from the collateral from exercising all the rights reserved thereto by this Code, including the right to levy execution on and to realise the collateral, except for the cases provided for by the Criminal Procedure Code of the Republic of Armenia, the relationships connected with which shall be regulated by that Code.

2. Where the pledgee, exercising the right provided for by part 1 of this Article, levies execution on the collateral and realises the collateral, all the Restrictions applied to the collateral shall terminate by virtue of law at the time of the realisation of the collateral, and the property shall pass to the new owner without Restrictions. The Restrictions shall be reinstated (restored) with regard to the monetary funds remaining as provided for by part 3 of this Article after the satisfaction of the claims of the pledgee.

At the time of realisation of the collateral, the pledgee shall apply to the body registering (recording) the Restrictions to remove from registration (records)

the Restrictions terminated by virtue of law. The application of the pledgee shall serve as a ground for the body registering (recording) the Restrictions to remove the Restriction in question from registration (records).

3. In accordance with this Article, the amount remaining after the realisation of the collateral and satisfaction of obligations secured by the pledge shall be transferred to the bank account of the pledgor after reduction of the costs provided for by part 1 of Article 251 of this Code. Where the pledgor does not have a bank account or where the pledgor's bank account details are unknown to the pledgee, the pledgee shall, by virtue of law, be obliged to open and maintain a bank account for the pledgor and transfer the relevant funds to the opened bank account. The pledgee shall inform of it the other creditors known to the pledgee and the body having applied the Restriction. Moreover, no other funds than those provided for by this part may be transferred to the bank account, and the account shall be closed after the amount provided for by this part has been debited.

4. The Restriction applied prior to the realisation of the collateral shall be reinstated (restored) by virtue of law with regard to the funds provided for by part 3 of this Article from the moment of transfer of those funds to the bank or deposit account.

5. In case of impossibility to fulfil the obligations prescribed by part 3 of this Article, the provisions of Article 366 of this Code shall apply in accordance with the requirements of this Article.

6. Where a property constitutes a collateral for a subsequent pledge, the new pledgee shall, in accordance with part 1 of this Article and exclusively as prescribed by Article 236 of this Code, be entitled to levy execution on and realise the collateral.

(Article 243.1 supplemented by HO-110-N of 17 June 2016)

Article 244. Surrender of rights arising from contract of pledge

1. Pledgee shall have the right to transfer his or her rights following from the contract of pledge to another person, observing the rules of transferring the rights of creditor through surrender of the claim (Articles 397-405).

2. Surrender by a pledgee of his or her rights, following from the contract of pledge, to another person shall be valid when the right of claim against the debtor in the principal obligation secured by the pledge is surrendered to the same person.

Article 245. Transfer of a debt with an obligation secured by pledge

The pledge shall terminate when transferring the debt with the obligation secured by pledge, unless the pledgor gives the creditor consent to bear the liability instead of a new debtor.

Article 246. Early fulfilment of the obligation secured by pledge and levy of execution on the pledged property

1. Pledgee shall have the right to require early fulfilment of the obligation secured by pledge, if:

(1) the collateral left with a pledgor has come out of his or her possession in violation of the conditions of the contract;

(2) pledgor has violated the rules of replacement of the collateral (Article 240);

(3) the collateral has been lost in such circumstances for which the pledgee is not responsible, and pledgor has failed to avail himself or herself of the right provided for by point 2 of Article 240 of this Code.

2. Pledgee shall have the right to demand early fulfilment of the obligation secured by pledge, and in case of failure to satisfy that demand to levy execution on the collateral, if:

(1) it is provided for by law;

(2) the pledgor has failed to fulfil the obligations provided for by points 1 and 2 of Article 237 of this Code;

(3) the pledgor has violated the rules of use and disposition of the pledged property (points 1 and 2 of Article 238).

(Article 246 edited by HO-110-N of 17 June 2016)

Article 247. Termination of pledge

1. The pledge shall terminate:

(1) upon termination of the obligation secured by pledge;

(2) upon request of pledgor, on the grounds provided for by point 3 of Article 237 of this Code;

(3) in case of destruction of the pledged property or termination of the pledged right, unless the pledgor has availed himself or herself of the right provided for by point 2 of Article 240 of this Code;

(4) in case of realisation (sales) of the pledged property, as prescribed by this Code.

2. Pledgee holding the pledged property shall be obliged to immediately return it to a pledgor upon termination of the pledge as a result of fulfilment of the obligation secured by pledge or upon request of the pledgor (point 3 of Article 237).

(Article 247 amended by HO-188-N of 4 October 2005, HO-238-N of 15 December 2005)

Article 248. Grounds for levy of execution on pledged property

The pledged property may be levied in execution for satisfaction of claims of a pledgee (creditor) in such circumstances of non-fulfilment or improper fulfilment of the obligation secured by pledge by the debtor, for which the latter bears liability.

Article 249. Procedure for levying execution on the pledged property without applying to court

1. For the purpose of satisfying his or her claim, a pledgee shall have the right to levy execution on the collateral and realise it without applying to court, including transferring the pledged property to the ownership of the pledgee or a third person mentioned by the pledgee for the corresponding amount of the principal obligation, if:

(1) it is provided for by the contract of pledge, or

(2) there is a written agreement concluded between the pledgee and the pledgor, and, when a consent or permission of a third person has been required for conclusion of the contract of pledge — also the written consent of the latter, without the court judgment on realisation of the pledged property.

1.1. In case when the property constitutes a collateral for a subsequent pledge, the new pledgee shall, in addition to the conditions provided for by point 1 of this Article and exclusively as prescribed by Article 236 of this Code, be entitled to levy execution on and realise the collateral.

2. In case of non-fulfilment or improper fulfilment of an obligation secured by a pledge, the pledgee shall notify the pledgor and the debtor (where the pledgor and the debtor are different entities) in writing and in a proper manner on the execution levied on the collateral without recourse to court (notification of execution). The pledgor (debtor) shall have the right to challenge, through judicial procedure, the lawfulness of the execution levied on the collateral, in accordance with this Article;

in this case the court may suspend the process of levy of execution on the collateral. The court may suspend the process of levy of execution on the collateral provided the pledgor (debtor) provides security equal to the value of the collateral for the compensation of possible damages caused to the pledgee. In case when the right of pledge is subject to registration (including state registration), the pledgee shall — before starting a process of levy of execution on the pledge, as well as in case of termination or completion of the process of levy of execution on the pledge — be obliged to properly notify of it also the registration body.

After the notification of execution has been properly served to the pledgor and the debtor (where the pledgor and the debtor are different entities) and, where applicable, also to the registration body, the pledgee shall have the right to take the collateral into his or her possession (where it is a movable property), as well as to take reasonable measures for preserving, providing maintenance for and ensuring the safety of the collateral.

The pledgee shall, by virtue of this Code, have the right — subject to Article 195 of this Code — to realise the collateral through direct sales or public biddings on behalf of the pledgor, two months after serving the notification of execution to the debtor and pledgor (where the pledgor and the debtor are different entities) and, where applicable, also to the registration body, unless the pledgor and the pledgee have agreed on another procedure for realising the collateral. The pledgee shall be obliged to realise the collateral at a reasonable price existing at the market at the given moment.

3. Proper notification or notification of execution prescribed by this Article shall be deemed to be properly served to the pledgor or the debtor where the notification has been made as prescribed by Chapter 20.1 of this Code.

4. The specific aspects of the levy of execution on a pledge in case of financial transactions shall be prescribed by Article 252.1.

(Article 249 edited by HO-521-N of 31 March 2003, by HO-188-N of 4 October 2005, supplemented, amended by HO-110-N of 17 June 2016, supplemented by HO-190-N of 27 October 2016)

(the phrase "provided the pledgor provides security equal to the value of the collateral" in the first paragraph of part 2 of Article 249 has been declared invalid and contradicting part 1 of Article 61 and Article 78 of the Constitution of the Republic of Armenia by decision SDO-1294 of 19 July 2016 as long as it is interpreted as allowing the imposition of an obligation on the pledgor to provide security exceeding the amount of the possible damages caused the pledgee)

Article 249[1]. Levy of execution on the collateral through judicial procedure

1. In case of absence of the agreement referred to in point 1 of Article 249 of this Code, the claims of the pledgee (creditor) shall be satisfied by a court judgment, at the expense of the pledged property.

2. The collateral may be levied in execution only by a court judgment, when the collateral is recognised by law or other legal act as a property of significant historical, artistic or cultural value for the society.

When the collateral is a property of significant historical, artistic or cultural value for the society, satisfaction of the claims of a pledgee at the expense of realising the pledged property without applying to court, as well as the permission or consent on transferring the pledged property to the ownership of a pledgee or a third person mentioned by the pledgee for the corresponding amount of the principal obligation shall be null and void.

(Article 249[1] supplemented by HO-188-N of 4 October 2005)

Article 250. Realising (selling) the pledged property

1. Pledged property shall be realised (sold) through public biddings, as prescribed by the law on public biddings.

Another procedure for realising (selling) the pledged property may be established by a notary certified contract of pledge or by a notary certified agreement concluded between a pledgee and a pledgor (except for the case provided for by Article 252.1 of this Code).

2. In the course of realising (selling) the pledged property as prescribed by law, when the auction is declared invalid due to failure to bid more than the initial price of the pledged property by any participant during the auction, a pledgee shall, within a period of seven days, have the right to demand the transfer of the pledged property to him or her for the obligation secured by pledge and actual expenses of realisation (sales) by paying the expenses of realisation (sales) of the pledged property. When the price of the pledged property formed at the given moment is higher than the sum of the claim secured by pledge and expenses of realisation (sales) of the pledged property, a pledgee shall be obliged to compensate the difference to a pledgor; otherwise a pledgee shall have the right to receive the deficient amount from another property of a debtor, unless otherwise provided for by contract.

3. The rules of paragraph 2 of point 1 and point 2 of this Article shall not apply to realisation (sales) of the property pledged by the Compulsory Enforcement Service.

(Article 250 supplemented by HO-164 of 3 April 2001, edited by HO-521-N of 31 March 2003, supplemented by HO-13-N of 16 December 2005, HO-190-N 27 October 2016)

Article 251. Distribution of the amount received from realisation of pledged property

1. A pledgee's claims secured by the pledge shall be satisfied from the amount derived from the realisation of the pledged immovable property, transportation means, bank account, deposit, as well as security, or from the value of the relevant property passed to the ownership of the pledgee or to the person indicated by the pledgee, after deduction of the amounts needed for covering the expenses related to the levy of execution on and realisation of the property in question, and the rest of the amount shall be given to the pledgor. Claims of a pledgee, that are not secured by pledge, shall be satisfied from the amount (value) envisaged by this point in the general procedure established by this Code and other laws.

2. When the amount received from realisation of the pledged property, or the value of the property passed to the ownership of a pledgee or to the person he or she indicates, is not sufficient for satisfying the claims of the pledgee, he or she shall have the right to obtain the deficient amount from another property of the debtor, unless otherwise provided for by contract. Moreover, the pledgee does not enjoy the preferential right to that property based on the pledge.

3. Where the pledged property belonging to a citizen has passed to the ownership of a pledgee bank (credit organisation), the pledged property shall, within the meaning of this Article, be considered as realised:

(1) on the day of further alienation of that property by the bank (credit organisation) at the price of alienation, if that alienation has taken place within 6 months after taking ownership over the property, inter alia, where the property has been alienated at a price that has been considered not reasonably lower than the market price on the day of alienation, the property shall be considered as realised at the marked price of that property on the day of alienation, except for the cases when within 6 months after

taking ownership over that property it has been alienated to the previous owner of that property (whose property has been levied in execution) or to his or her successor, or

(2) on the last day of the six-month period following the taking of ownership over the property at the market price of that property on that day, if the property has not been alienated within that six-month period, and the bank (credit organisation) shall be obliged to, at its own expense, ensure the determination of the market price of the property by an independent appraiser.

4. Where within a civil, criminal, bankruptcy or administrative case to which a pledgor citizen (former owner of the property levied in execution) or his or her successor is a party, attachment shall be imposed over the given property that has been passed to the ownership of the bank (credit organisation), the running of the six-month term envisaged by point 3 of this Article shall be suspended for the entire period of being under attachment.

5. Bank (credit organisation) and the citizen may agree to consider the pledged property provided for by point 3 of this Article to be realised, within the meaning of this Article, on the day when it passes to the ownership of the bank (credit organisation) at its market price as of that day determined by an independent appraiser. The agreement envisaged by this point shall be signed in simple writing.

6. From the day the pledgee takes ownership over the collateral as prescribed by this Chapter, no interest or default penalty shall be applied to the discharged part of the obligation secured by the pledge.

(Article 251 edited by HO-233-N of 23 June 2011, by HO-264-N of 17 December 2014, supplemented by HO-110-N of 17 June 2016, edited by HO-190-N of 27 October 2016)

Article 252. Termination of levy of execution on and realisation of pledged property

1. Debtor or pledgor, who is a third person, shall have the right to terminate the levy of execution on and realisation of the collateral at any time before the sales thereof, by fulfilling the obligation secured by pledge or the part thereof the fulfilment of which has been made in default.

The agreement limiting that right shall be null and void.

2. The person, demanding termination of levy of execution on or realisation of pledged property, shall be obliged to compensate to the pledgee the expenses incurred in connection with levy of execution on and realisation of that property.

Article 252.1. Specific aspects of a pledge in case of financial transactions

1. Unless otherwise provided for by this Article, provisions provided for by this Chapter shall apply to relationships pertaining to pledges securing obligations arising from financial transactions.

2. Within the meaning of this article, the following shall be deemed financial transactions:

(1) derivative financial instruments provided for by the Law of the Republic of Armenia “On securities market”;

(2) transactions concluded within the framework of master agreements complying with the requirements defined by the Central Bank of the Republic of Armenia.

3. If an obligation arising from derivative financial instruments or transactions concluded within the framework of master agreements provided for by part 2 of this Article is secured by a pledge, the pledgor is a legal person, individual entrepreneur or contractual investment fund, and the collateral is a security or monetary means

specific to financial transactions, then the pledgee shall in case of non-fulfilment or improper fulfilment of said obligation secured by the pledge send a notification of execution to the pledgor (debtor).

Unless the parties have agreed in a contract on a longer time limit, immediately after sending a notification of execution to the debtor (pledgor), the pledgee shall have the right to, by virtue of this Code, realise the collateral on behalf of the pledgor or take ownership over the collateral pursuant to the contract of pledge.

4. If an obligation arising from derivative financial instruments or transactions concluded within the framework of master agreements provided for by part 2 of this Article is secured by a pledge, the pledgor is a legal person, individual entrepreneur or contractual investment fund, and the collateral is a security or monetary means specific to financial transactions, then:

(1) another procedure for realisation (sale) of the pledged property may be prescribed also by a simple written contract of pledge concluded in a simple written form or an agreement concluded between the pledgee and the pledgor in a simple written form.

(2) according to a contract of pledge concluded in a simple written form or an agreement concluded between the pledgee and the pledgor in a simple written form, the pledgee may be vested with a right to terminate the pledge at any time during the period of validity of the pledge and to acquire ownership of the pledged property for the purpose of using it as a way to secure its obligations (rehypothecation). Starting from the moment when the pledgee exercises the mentioned right, the pledgor shall have the right to have the collateral returned by the pledgee or to claim from the pledgee an amount equal to the value of the collateral; unless otherwise provided for by the relevant contract of pledge or agreement, the pledgor may exercise said right on the day of discharging its obligation.

(Article 252.1 supplemented by HO-190-N of 27 October 2016)

Article 253. Types of pledge

Types of pledge shall be:

(1) security deposit;

(2) pledge of property handed over to a pawnshop;

(3) pledge of rights;

(4) pledge of monetary means;

(5) hard pledge;

(6) pledge of goods in circulation;

(7) mortgage.

Article 254. Security deposit

A pledge where the collateral passes to the possession of the pledgee shall be deemed to be a security deposit.

Article 255. Pledge of property handed over to a pawnshop

1. Acceptance of movable property of personal use of citizens as a pledge for securing short-term credits shall be carried out as entrepreneurial activities by specialised organisations — pawnshops — having permission (license) therefor.

2. The contract of pledge of the property kept in pawnshop shall be formulated by issuance of a pledge ticket by pawnshop.

3. The pledged property shall be handed over to a pawnshop.

4. Pawnshop shall be obliged to insure, at its expense, the property accepted as pledge to the benefit of a pledgor in the full amount of its value, in accordance with

the market value of property of the given type and quality at the moment of accepting the pledge.

5. Pawnshop shall not have the right to use and dispose of the pledged property.

6. Pawnshop shall bear liability for loss of and harm to the pledged property.

7. In case of failure to return the amount of the credit secured by pledge within the specified term, the pawnshop shall have the right to realise (sell) that property through public biddings. Thereafter, the claims of a pawnshop to a pledgor (debtor) shall be redeemed, even when the amount received from realisation of the pledged property is insufficient for the full satisfaction thereof.

8. The rules of giving credit by pawnshops to the citizens through pledge of the property belonging to them shall be established by law.

9. Conditions of the contract of pledge of property in pawnshop, which restrict the rights of a pledgor in comparison with the rights reserved to him or her by this Code and other laws, shall be null and void.

Article 256. Pledge of right

1. In case of pledge of right, the collateral shall be the right subject to alienation, including the right of participation in the statutory (share) capital of an economic partnership or a company or in equity capital of a commercial cooperative, the right of claim and other rights subject to alienation.

2. The right given for a term may be collateral only until the expiry of the term of its effectiveness.

3. Pledge of the right subject to state registration shall be valid from the moment of its state registration.

4. In case of pledge of a right certified by a definitive security, the security shall be handed over to the pledgee or deposited with a bank or notary public, unless otherwise provided for by the relevant contract.

(Article 256 edited by HO-188-N of 04 October 2005, amended by HO-110-N of 17 June 2016)

Article 257. Pledge of monetary means

Monetary means that are collateral shall be kept in deposit account of a bank or notary public. Interests accrued to that amount shall belong to a pledgor, unless otherwise provided for by contract.

In case of redemption of pledged securities, the monetary means generated as a result of redemption shall become collateral.

(Article 257 supplemented by HO-79-N of 23 May 2006)

Article 258. Hard pledge

Hard pledge shall be considered the pledge the collateral of which is left with a pledgor under the lock of pledgee or with marks attesting the pledge, as well as the collateral left with a pledgor or the right of pledge to which is registered as prescribed by law.

(Article 258 supplemented by HO-188-N of 4 October 2005, amended by HO-238-N of 15 December 2005)

Article 259. Pledge of goods in circulation

1. Pledge of goods in circulation shall be considered the pledge of goods left with a pledgor by reservation to a pledgor of the right to change the composition and natural

form of the pledged property (stock of goods, raw materials, materials, intermediate products, manufactured goods, etc.), provided that the total value thereof is not less than that indicated in the contract of the pledge.

Reduction of the value of pledged goods in circulation shall be permitted in proportion to the fulfilled part of the obligation secured by pledge, unless otherwise provided for by contract.

2. The goods in circulation alienated by a pledgor shall terminate being collateral, upon passing to the ownership of the acquirer, and the goods acquired by a pledgor indicated in the contract of pledge shall become collateral after the right of ownership thereto arises for a pledgor.

3. Pledgor of goods in circulation shall be obliged to keep a book of entries for pledges in which records are made on the conditions of pledge of goods as of the day of last operation and on all the operations changing the composition or natural form of pledged goods, including the processing thereof, unless other conditions of supervision over the activities of a pledgor are provided for by contract.

4. In case of violation by a pledgor of the conditions of pledge of goods in circulation, a pledgee shall have the right to suspend the operations carried out with the pledged goods by placing his or her marks thereon, until the violation is eliminated.

§ 2.MORTGAGE

1.GENERAL PROVISIONS ON MORTGAGE

Article 260. Concept of mortgage

A pledge of immovable property, as well as a pledge of a right to land development or a right to purchase immovable property in a multi-apartment or subdivided building under construction shall be deemed to be mortgage.

(Article 260 edited by HO-188-N of 4 October 2005, supplemented by HO-87-N of 19 June 2015)

Article 261. Contract of mortgage

Under the contract of mortgage, one party — the pledgee — who is a creditor under credit contract or by other obligation (principal obligation) secured by mortgage, shall have the preferential right to satisfy his or her pecuniary claims from the value of the pledged property under that obligation ahead of other creditors of a pledgor.

Article 262. Content of the contract of mortgage

1. Names and places of residence (registered office) of parties, subject of mortgage, essence, amount and the term of fulfilment of the obligation secured by mortgage should be indicated in the contract of mortgage. In case of issuance of mortgage-backed securities based on a prospectus, the contract of mortgage shall, instead of the name and place of residence (registered office) of the pledgee, indicate

that the pledgee is the owner of (nominee holding) the security indicated in the register kept by the person keeping records on rights to securities.

2. The subject of mortgage shall be determined by its name, indication of place of location and the description sufficient for identification of that subject.

When the subject of mortgage is the right belonging to the pledgor, the ground for arising of this right, as well as the immovable property to which the right concerns and the state body having registered the right, should be described in the contract.

3. The obligation secured by mortgage, its amount, grounds for arising and term of fulfilment thereof should be indicated in the contract of mortgage.

When the obligation is based on a contract, the parties to the contract, the year, the month, the day, and the place of its conclusion should be indicated. When the amount of the obligation secured by mortgage is to be determined in future, the procedure for determining it and other necessary conditions should be indicated in the contract of mortgage.

4. When the obligation secured by mortgage is to be fulfilled part by part, the terms or frequency of relevant payments, the amounts thereof or conditions necessary for determining those amounts shall be indicated in the contract of mortgage.

5. When providing credit for acquiring a land parcel, security of an obligation may be provided for by the contract of mortgage through pledge of the land parcel being newly acquired.

(Article 262 edited by HO-188-N of 4 October 2005, supplemented by HO-110-N of 17 June 2016)

Article 263. Form of contract of mortgage

1. The contract of pledge may be both bilateral and multilateral.

2. The parties may conclude a contract of mortgage containing elements of several contracts. The rules on those contracts, elements of which are contained in the contract of mortgage, shall apply to the relations of parties of such contract by relevant parts, unless otherwise follows from the agreement of parties or essence of the contract of mortgage.

3. The contract of mortgage shall be concluded in writing, with the signature of pledgor and pledgee, as well as of debtor, when a pledgor is not a debtor, and when an agreed expression of will of three and more parties is needed for the conclusion of such contract — with the signatures of other parties, by drawing up one single document. In case of issuance of mortgage-backed securities based on a prospectus, the contract of mortgage may be concluded through an exchange of instruments.

4. The contract of mortgage shall be notary certified. In case of issuance of mortgage-backed securities based on a prospectus, the contract of mortgage shall constitute an integral part — including a separate annex (contract of mortgage) — of the prospectus and shall be notary certified.

(Article 263 edited by HO-188-N of 4 October 2005, supplemented by HO-110-N of 17 June 2016)

Article 264. State registration of right of mortgage

1. The right of pledge under the contract of mortgage shall be subject to registration.

1.1. In case of issuance of mortgage-backed securities based on a prospectus, the (first) state registration of the rights of pledge under the contract of mortgage shall be carried out on the basis of the contract of mortgage constituting an integral

part — including a separate annex — of the prospectus. Upon issuance of mortgage-backed securities based on a prospectus, the (further) state registration of the rights of pledge under the contract of mortgage shall be carried out on the basis of a relevant excerpt from the register kept by the person keeping records on rights to securities. Moreover, in each case of changes concerning owners of mortgage-backed securities issued based on a prospectus, the rights of the new pledgee shall be deemed to have passed state registration from the moment the right of ownership to securities has been recorded in the register kept by the person keeping records on rights to securities.

2. The procedure for state registration of the contract of mortgage shall be prescribed by the law on state registration of rights to property.

(Article 264 edited by HO-188-N of 4 October 2005, supplemented by HO-110-N of 17 June 2016)

2. MORTGAGE OF LAND PARCELS

Article 265. Limitations of mortgage of land parcels

1. Only land parcels belonging to citizens and legal persons by the right of ownership may be pledged under a contract of mortgage. In case of mortgage of a land parcel, the right of pledge shall, by virtue of law, also extend to the buildings and structures of a pledgor that are situated on that land parcel or are under construction.

2. In case of common ownership of a land parcel, a mortgage may be established on the land parcel belonging to a citizen or legal person, that is separated in kind from the land parcel in the common ownership as a separate property, and the rights thereto are registered as prescribed by the law on state registration of rights to property.

(Article 265 edited by HO-188-N of 4 October 2005)

Article 266. Mortgage of the land parcel on which buildings or structures of pledgor are located

(Article repealed by HO-188-N of 4 October 2005)

Article 267. Construction of buildings and structures by pledgor on the pledged land parcel

Pledgor shall have the right, without consent of a pledgee, to construct, in the prescribed manner, buildings and structures on the land parcel pledged by the contract of mortgage, unless otherwise provided for by the contract of mortgage. The right of pledge shall also extend to those buildings and structures, by virtue of law.

(Article 267 edited by HO-188-N of 4 October 2005)

Article 267.[1] Mortgage of the development right

In case of mortgage of the development right, a pledgor shall have the right to exercise his or her development right.

(Article 267[1] supplemented by HO-188-N of 4 October 2005)

Article 268. Mortgage of the land parcel burdened with rights of third persons

1. When mortgage is established to the land parcel which is burdened with the development right of another person, the person enjoying development rights shall preserve his or her development rights and obligations, as prescribed by law or contract, in the same volume and for the same term.

2. In case of levy of execution on the land parcel or the realisation thereof — in addition to the rights and duties that the pledgor has had with respect to the person carrying out development — shall pass to the acquirer.

3. Where mortgage has been established over a land parcel buildings and premises under construction whereon are burdened with the right to purchase immovable property in a multi-apartment or subdivided building under construction, persons having a right to purchase immovable property in a building under construction shall preserve their rights to the extent and within the time limits referred to in the relevant contract.

4. In case of levy of execution on or realisation of a land parcel, as well as buildings and premises under construction thereon, any encumbrances connected with the rights of persons having a right to purchase immovable property in a relevant multi-apartment or subdivided building under construction shall also pass to the acquirer along with the rights passing to thereto with the transfer of the land parcel, as well as of the buildings and premises.

(Article 268 edited by HO-188-N of 4 October 2005, supplemented by HO-87-N of 19 June 2015)

3. MORTGAGE OF RESIDENTIAL HOUSES (APARTMENTS), BUILDINGS AND STRUCTURES

Article 269. General provisions on mortgage of residential houses (apartments), buildings and structures

1. Mortgage of multi-apartment and private residential houses and apartments belonging to the ownership of the State or community shall not be permitted.

2. Hotels, hostels, rest houses, summer houses, garden cottages and other buildings and structures not envisaged for permanent residence may be subject of mortgage on general basis.

Article 270. Mortgage of apartments in multi-apartment buildings

1. In case of mortgage of an apartment in multi-apartment building, the corresponding share in the right of shared ownership to the land parcel and common property of the multi-apartment building shall be deemed pledged along with the apartment, by virtue of law.

2. In case of mortgage of an apartment in multi-apartment building under construction, the right of mortgage of the apartment shall extend to the corresponding share of the land parcel in the right of common shared ownership, until the certificate of occupancy of the building is formulated.

3. In case of mortgage of an apartment in constructed multi-apartment building, the right of mortgage shall extend to the apartment acquired by the right of ownership and the corresponding land parcel and share in the right of common shared ownership, from the moment of formulation of the certificate of occupancy of the building and state registration in the prescribed manner.

4. ***(point repealed by HO-238-N of 15 December 2005)***

(Article 270 edited by HO-188-N of 4 October 2005, amended by HO-238-N of 15 December 2005)

Article 271. Mortgage of residential houses, buildings and structures under construction

1. When granting credit for construction, reconstruction, repair, renovation of a residential house, building or structure, security of the obligation by the land parcel,

uncompleted construction and materials and equipments acquired for construction belonging to the pledgor may be provided for by the contract of mortgage.

2. When granting credit for construction, reconstruction of a building or structure on land parcels under the right of use, security of the obligation by the development rights and materials and equipments — acquired for construction belonging to the person carrying out development — may be provided for by the contract of mortgage.

(Article 271 edited by HO-188-N of 4 October 2005)

Article 272. Levy of execution on pledged residential house or apartment

1. Levy of execution on pledged residential house or an apartment and the realisation thereof shall not be a ground for eviction of persons having the right to use the residential premise, except for the cases provided for by points 2 and 4 of this Article.

2. After the levy of execution on pledged residential house or apartment and the realisation of that property, pledgor and the persons having the right to use the residential premise shall be obliged to vacate the occupied residential premise, upon request of the owner of house (apartment), not later than within a month.

3. The persons residing in the pledged house or apartment under the conditions of the contract of lease of residential premise before conclusion of the contract of mortgage shall not be subject to eviction, when realising the pledged residential house or apartment, unless otherwise provided for by contract.

4. The persons residing in the pledged house or apartment under the conditions of the contract of lease of residential premise concluded after conclusion of the contract of mortgage shall be subject to eviction within the term provided for by point 2 of this

Article when realising the pledged residential house or apartment unless otherwise provided for by contract.

(Article 272 edited by HO-188-N of 4 October 2005)

CHAPTER 16

PROTECTION OF THE RIGHT OF OWNERSHIP AND OTHER PROPERTY RIGHTS

Article 273. Recognition of the right of ownership

The owner shall have the right to require recognition of his or her right of ownership.

Article 274. Right to reclaim one's property from another's illegal possession

The owner shall have the right to reclaim his or her property from another's illegal possession.

Article 275. Right to reclaim one's property from good-faith acquirer

1. When the property has been acquired by compensation from a person who had no right to alienate the property, and the acquirer has not known and could have not known (good-faith acquirer) about that, the owner shall have the right to reclaim the property concerned from the acquirer only in case the property has been lost by the owner or the person to whose possession that property has been transferred by

the owner, or it has been unlawfully taken from one or the other, or has otherwise come out of their possession independent of their will.

2. When the property has been acquired without compensation from a person who had no right to alienate it, the owner shall have the right to reclaim that property in any case.

3. Monetary means, as well as bearer securities may not be reclaimed from good-faith acquirer.

4. The owner shall have the right to reclaim the searched goods and/or transportation means — under the headings 8702, 8703, 8704, 8705 of the Foreign Economic Activity Commodity Nomenclature — with reprinted or deleted numbers of the engine or identification numbers or with other signs of unlawful taking from the good-faith acquirer within a period of one year after informing the state body authorised by the Government of the Republic of Armenia, which is competent to duly notify the owner as prescribed by the legislation.

(Article 275 supplemented by HO-179-N of 16 September 2009)

Article 276. Settlements when returning property from illegal possession

1. When reclaiming property from another's illegal possession, the owner shall have the right to require from the person who has known or should have known that his or her possession is illegal (bad-faith possessor) to return or compensate also all those income that the person has received or could have received during the whole period of illegal possession of the property, and to require from good-faith possessor to return or compensate all those income that he or she has received or could have received starting from the moment when he or she has learnt or should have learnt that his or her possession is illegal or has been served a notification on returning the property upon claim of the owner.

2. Both good-faith and bad faith possessors in their turn shall have the right to require from the owner the necessary expenses on the property incurred by them starting from the moment when the income received from the property reach the owner.

3. Good-faith possessor shall have the right to retain the improvements made by him or her when they may be separated without causing damage to the property. When it is impossible to separate the improvements, the good-faith possessor shall have the right to require compensation for the expenses incurred by him or her for improving the property, but not more than the amount of value added of the property.

Article 277. Protection of rights of owner from violations not related to deprivation of possession

Owner shall have the right to require elimination of every violation of his or her rights even when those violations have not been accompanied with deprivation of possession.

Article 278. Protection of rights of the possessor not considered as owner

The rights provided for by Articles 274-277 of this Code shall also belong to the person who is not an owner, but possesses the property on the ground provided for by law or contract. That person shall have the right to protection of his or her possession also against the owner.

CHAPTER 17

TERMINATION OF RIGHT OF OWNERSHIP AND OTHER PROPERTY RIGHTS

Article 279. Grounds for termination of the right of ownership and other property rights

1. The right of ownership shall terminate in case of alienation of the property by its owner, renunciation of the right of ownership, destruction of property and in other cases of losing the right of ownership to the property provided for by law.

2. Compulsory taking or seizure of the property of an owner shall not be permitted, except for the cases when, on the grounds provided for by law:

(1) execution is levied upon the property for obligations (Article 281);

(2) the property, that may not belong to the given person by virtue of law, is alienated (Article 282);

(3) the ownership is alienated for public and state needs (Article 218);

(4) mismanaged cultural values are taken (Article 284);

(5) requisition is carried out (Article 285);

(6) confiscation is carried out (Article 288);

(7) the legal person is reorganised or liquidated by court judgment (Articles 63 and 67);

(8) the property is alienated in the cases provided for by point 4 of Article 197, Articles 208 and 220 of this Code.

3. The property belonging to the ownership of the State shall be alienated to citizens and legal persons as prescribed by the laws on privatisation (denationalisation).

4. Nationalisation of the property belonging to the ownership of citizens and legal persons shall be carried out on the basis of law, with compensation of the value of that property and other damages, as prescribed by Article 286 of this Code.

5. Property rights shall terminate in the cases provided for by Articles 216 and 247 of this Code, as well as in other cases provided for by law or contract.

(Article 279 edited by HO-187-N of 27 November 2006)

Article 280. Renunciation of the right of ownership

1. A citizen or a legal person may renounce the right of ownership to the property belonging to him or her by declaring in writing about that or by performing such actions which obviously attest his or her isolation from the possession, use and disposal of the property, without intent to preserve any right to that property, and in the case provided for by part 4 of Article 275 of this Code — without reclaiming the property. Where the owner of the goods and/or transportation means provided for by part 4 of Article 275 of the Code is unknown, the expiration of the period of one year after the import thereof shall be considered as a basis for recognising the fact of renunciation of the right of ownership.

2. Renunciation of the right of ownership shall not be a ground for termination of the rights and obligations of the owner to the property, until another person acquires the right of ownership to that property.

(Article 280 supplemented by HO-179-N of 16 September 2009)

Article 281. Levy of execution on property for obligations of owner

1. The property belonging to the owner may be seized for his or her obligations through levy of execution thereon on the basis of court judgment, unless other procedure for the levy of execution is provided for by law.

2. The right of the owner to the property upon which execution has been levied shall terminate at the moment when the right of ownership arises for the person to whom the property concerned passes.

Article 282. Termination of the right of ownership of a person to the property that may not belong to him or her

1. When, on the grounds permitted by law, the property passes as ownership to a person to whom it may not belong by virtue of law, the owner should alienate that property within a period of one year from the moment when the right of ownership thereto arises, unless another term is provided for by law.

2. In cases the owner fails to alienate the property within the term referred to in point 1 of this Article, such property, taking into account its nature and purpose, upon court judgment delivered on the basis of application of the state body, shall be compulsorily sold and the received amount shall be transferred to the former owner or shall turn into the state ownership, and the value of the property shall be compensated to the former owner. In this case, the expenses for alienation of the property shall be deducted.

3. When a citizen or a legal person, on the grounds permitted by law, has property for the acquisition of which a special permission is needed, and the request of the owner to receive such permission is rejected, that property shall be alienated in the manner established for the property that may not belong to the owner concerned.

Article 283. Alienation of immovable property in connection with taking of the land parcel on which it is located

(Article repealed by HO-187-N of 27 November 2006)

Article 284. Taking of mismanaged cultural values

1. In cases when the owner of cultural values which are particularly valuable and protected by the State in accordance with law, mismanages them, which threatens the loss of the purpose thereof, such values may be taken from the owner by court judgment through compensation of its price by the State.

2. When taking cultural values, the value thereof shall be compensated to the owner upon agreement of parties, and in case of dispute — in the amount defined by court.

Article 285. Requisition

1. In cases of natural disasters, technological accidents, epidemics and other circumstances of emergency nature, the property may be taken from the owner, in the conditions and as prescribed by law, upon decision of the state bodies, to the benefit of the society, on the condition of paying its value (requisition).

2. The owner may challenge in the court the amount of the value of compensation of the compulsorily taken property.

3. The person, whose property has been compulsorily taken, shall have the right to require returning to him or her the preserved property when the circumstances in connection to which the requisition has been carried out are eliminated.

Article 286. Consequences of termination of the right of ownership by virtue of law

In case a law terminating the right of ownership is adopted by the Republic of Armenia, the damages caused to the owner as a result thereof, including the value of the property, shall be compensated by the State. Disputes on compensation of damages shall be settled by court.

Article 287. Appraisal of property upon termination of the right of ownership

Property shall be appraised at the market value thereof upon termination of the right of ownership.

Article 288. Confiscation

In the cases provided for by law, property may be seized from the owner without compensation by a criminal judgment, as a sanction for a crime (confiscation).

FIFTH SECTION

TRANSACTIONS. REPRESENTATION. TERMS. NOTIFICATIONS. STATUTE OF LIMITATIONS

(Title supplemented by HO-110-N of 17 June 2016)

CHAPTER 18

TRANSACTIONS

§ 1.CONCEPT, TYPES AND FORMS OF TRANSACTIONS

Article 289. Concept of transaction

Transactions shall be the actions of citizens and legal persons directed at the establishment, amendment or termination of civil rights and obligations.

Article 290. Types of transactions

1. Transactions may be bilateral or multilateral (contract), as well as unilateral.

2. The expression of concerted will by two parties (bilateral transaction) or by three or more parties (multilateral transaction) shall be required for entering into a contract.

3. Expression of will by one party shall be necessary and sufficient for entering into a unilateral transaction in compliance with the law, other legal acts or agreement of the parties.

Article 291. Obligations under a unilateral transaction

Unilateral transaction shall create obligations for the person having entered into the transaction. It may create obligations for other persons solely in cases provided for by law or the agreement with these persons.

Article 292. Legal regulation of unilateral transactions

General provisions on obligations and contracts shall be applied respectively to unilateral transactions unless these contradict with the law, the unilateral nature and essence of the transaction.

Article 293. Transactions entered into under condition

1. Transaction shall be deemed to be entered into under a condition precedent, where the parties have made the arising of rights and obligations conditional on a circumstance, the occurrence or non-occurrence whereof is indefinite.

2. Transaction shall be deemed to be entered into on resolutory condition, where the parties have made the termination of the rights and obligations conditional on a circumstance, the occurrence or non-occurrence whereof is indefinite.

3. Where the party, for whom the fulfilment of the condition is not advantageous, has impeded in bad faith the fulfilment of the condition, the condition concerned shall be recognised as fulfilled.

4. Where the party, for whom the fulfilment of the condition is advantageous, has contributed in bad faith to the fulfilment of the condition, the condition concerned shall be recognised as not fulfilled.

Article 294. Forms of transactions

1. Transactions shall be entered into in a verbal or written (simple or notarial) form.

2. A transaction, which may be entered into verbally, shall be deemed to be entered into also in the case when the will for entering into the transaction is evident from the conduct of the person.

3. In cases provided for by law or by agreement of parties, silence shall be deemed an expression of will to enter into a transaction.

Article 295. Verbal transaction

1. A transaction, for which written (simple or notarial) form is not prescribed by law or by agreement of parties, may be entered into verbally.

2. All transactions that are made at the time of entering into may be entered into verbally, with the exception of transactions, for which notarial form is prescribed, as well as those transactions for which the failure to observe the simple form shall entail invalidity thereof, unless otherwise defined by the agreement of parties.

3. Transactions aimed at the execution of a written contract may be entered into verbally upon the agreement of parties, unless it contradicts law, other legal acts and the contract.

Article 296. Written transaction

1. Written transaction must be entered into through drawing up a document reflecting the content of the transaction and signed by the person or persons entering into the transaction or persons duly authorised thereby.

Bilateral (multilateral) transactions may be concluded in the manners provided for by Article 450(3) and (4) of this Code.

2. Additional requirements may be prescribed by law, other legal acts and by agreement of parties, to which the form of transaction must comply (conclusion on a certain type of blank, imprinted with a seal, etc.), and consequences may be stipulated for the failure to meet those requirements. Where no such consequences are envisaged, the consequences for the failure to observe the simple written form of a transaction shall apply (point 1 of Article 298).

3. In making transactions the use of facsimile reproductions of signatures, through mechanical and other means of copy, electronic digital signature or other similar copy of one's signature shall be allowed in cases and under the procedure prescribed by law, other legal acts or agreement of parties.

4. Where a citizen, due to a physical defect, disease or illiteracy, is unable to sign with his or her own hand, the transaction upon his or her request may be signed by another citizen. The signature of the latter must be certified by a notary public or other official having the right to perform notarial actions, with an indication of those reasons by virtue whereof the party entering into the transaction has been unable to sign it.

Article 297. Transactions concluded in a simple written form

1. With the exception of transactions requiring notary certification, the following must be concluded in a simple written form:

(1) transactions of legal persons among each other and with citizens;

(2) transactions among citizens in an amount exceeding the twenty-fold of the defined minimum salary, and in cases prescribed by law — transactions irrespective of the amount.

2. Simple written form shall not be required for those transactions, which according to Article 295 of this Code may be concluded verbally.

Article 298. Consequences for the failure to observe the simple written form of a transaction

1. Failure to observe the simple written form of transaction shall, in case of disputes, forfeit the parties of the right to invoke witness testimony in confirmation of the transaction and the terms and conditions thereof, but shall not forfeit the right to submit written and other evidence.

2. Failure to observe the simple written form of transaction in cases directly referred to in the law or the agreement of parties shall entail the invalidity thereof.

3. Failure to observe the simple written form of foreign economic transaction shall entail the invalidity thereof.

Article 299. Transactions certified by a notary public

1. Notary certification of transactions shall be made by a notary public or by an official having the right to perform notarial actions, with a certificate of endorsement, on the document complying with the requirements of Article 296 of this Code.

2. The procedure for the notary certification of a transaction shall be defined by the law on notaries.

3. Notary certification of transactions shall be mandatory:

1) in the cases referred to in this Code;

2) upon the request of any of the parties, even if that form is not required by law for the given type of transactions.

4. The requirement for notary certification prescribed by sub-point 1 of point 3 of this Article shall not apply to the contracts provided for by Articles 204.1, 211, 225, 263, 562, 572, 595, 610, 654, 662, 678, 686 or 959 of this Code, as well as to contracts of bulk transfer of loans secured by immovable property, contracts on consolidation and separation of immovable property, where all the conditions set forth therein are written in accordance with the standard contract conditions approved by the Government of the Republic of Armenia, other conditions are not included therein, and the authenticity of signatures of the parties of those contracts has been verified as prescribed by the Law "On state registration of rights to property".

Conformity of the contracts provided for in this point with the standard contract conditions approved by the Government of the Republic of Armenia shall be approved as prescribed by the law on state registration of rights to property.

(Article 299 supplemented by HO-248-N of 23 June 2011, supplemented by HO-110-N of 17 June 2016)

Article 300. Consequences for failure to observe the notarial form of transaction

1. The failure to observe the notarial form of transaction shall entail the invalidity thereof. Such transaction shall be null and void.

2. When one of parties has fully or partially performed a transaction requiring notary certification, whereas the other party evades from the notary certification of transaction, the court shall be entitled to declare the transaction as valid upon

the request of the party having performed the transaction. In that case further notary certification of transaction shall not be required.

3. The party unreasonably evading from notary certification of a transaction must compensate the other party for the damages relating to the delay of entering into the transaction.

Article 301. State registration of rights arising from transactions

1. Rights arising from transactions made on immovable property shall be subject to state registration.

2. Rights arising from transactions made on movable property shall be subject to state registration in cases provided for in this Code and other legal acts.

3. The procedure for state registration and the grounds for renouncing registration shall be defined by law.

(Article 301 amended by HO-40-N of 8 April 2010)

Article 302. Consequences of failure to observe the requirements of state registration of rights arising from transactions

1. Failure to observe the requirement of state registration of rights arising from transactions shall result in the invalidity thereof. Such transaction shall be null and void.

2. When the transaction has been entered into properly, and one of the parties refuses to register the rights arising from the transaction, the court shall have the right to render, upon the request of the other party, a judgment on the registration of those rights. In that case the rights arising from the transaction shall be registered based on the court judgment.

3. The party unreasonably evading from state registration of rights arising from transaction must compensate the other party for the damages relating to the delay of registration.

§ 2.INVALIDITY OF TRANSACTIONS

Article 303. Disputable and void transactions

1. A transaction shall be invalid by virtue of recognition thereof as such by the court on the grounds defined by this Code (disputable transaction) or irrespective of such recognition (null and void transaction).

2. A claim for recognising a disputable transaction as invalid may be filed by persons referred to in this Code.

3. Any interested person may file a claim on application of the consequences of the invalidity of a null and void transaction. The court shall have the right to apply such consequences on its own initiative.

Article 304. General provisions on consequences of invalidity of a transaction

1. An invalid transaction shall not entail legal consequences, except for the consequences relating to the invalidity of the transaction. Such a transaction shall be invalid as from the moment of making it.

2. In case of invalidity of a transaction each of the parties shall be obliged to return the other party all that has been received under the transaction and in case of impossibility to return in kind what has been received (including when whatever has been received is expressed in making use of property, performed work or delivered

service) to compensate its value in money, unless other consequences of invalidity of transaction are provided for by law.

3. When the content of a disputable transaction implies that it may terminate only in the future, the court shall terminate its effectiveness in the future by declaring the transaction as invalid.

Article 305. Invalidity of a transaction not complying with the requirements of the law or other legal acts

A transaction not complying with the requirements of the law or other legal acts shall be invalid, unless the law defines that such a transaction is null and void or does not envisage other consequences of violation.

Article 306. Invalidity of fraudulent and sham transactions

1. A fraudulent transaction — that is a transaction entered into ostensibly, without an intention to bring about relevant legal consequences — shall be null and void.

2. A sham transaction — that is a transaction entered into with the purpose of disguising another transaction — shall be null and void. Given the essence of that transaction, the rules relating to the transaction, which the parties have in reality had in mind while making the sham transaction, shall apply to this transaction.

Article 307. Invalidity of a transaction entered into by a citizen recognised as having no active legal capacity

1. A transaction entered into by a citizen recognised as having no active legal capacity as a consequence of mental disorder shall be null and void.

Each of the parties to such a transaction shall be obliged to return to the other party in kind all that has been received, and in case of impossibility to return in kind — to compensate its value in money.

In addition, the party having active legal capacity shall be obliged to compensate the other party for the actual damage incurred thereby, if he has known or should have known about the lack of active legal capacity of the other party.

2. Based on the interests of a citizen declared as having no active legal capacity as a consequence of mental disorder, a transaction entered into thereby may be recognised as valid by the court upon the claim of the guardian, if it has been entered into to the benefit of that citizen.

Article 308. Invalidity of transaction entered into by a citizen recognised as having limited active legal capacity

1. A transaction on disposal of property entered into, without the consent of the curator, by a citizen recognised as having limited active legal capacity, may be recognised as invalid by the court upon the claim of the curator.

When such a transaction has been recognised as invalid, the rules provided for in the second and third paragraphs of Article 307(1) of this Code shall correspondingly apply.

2. The rules of this Article shall not cover small household transactions, which a citizen with limited active legal capacity may independently enter into in accordance with Article 32 of this Code.

Article 309. Invalidity of a transaction entered into by a minor not having attained the age of fourteen

1. A transaction entered into by a minor (junior) not having attained the age of fourteen shall be null and void. Rules of the second and third paragraphs of Article 307(1) of this Code shall apply with respect to that transaction.

2. Based on the interests of a junior, the transaction entered into thereby may be declared as valid by the claim of the parents, adopters or the guardian thereof, if it has been entered into to the benefit of the junior.

3. Rules of this Article shall not cover small household and other transactions entered into by juniors, which they have the right to independently enter into in accordance with Article 29 of this Code.

Article 310. Invalidity of a transaction entered into by a minor aged fourteen to eighteen

1. A transaction entered into by a minor aged fourteen to eighteen years without the consent of the latter's parents, adopters or curator, in cases where such a consent is required in accordance with point 1 of Article 30 of this Code, may be declared as invalid by the court upon the claim of the parents, adopter or the curator.

When such a transaction has been recognised as invalid, rules provided for by the second and third paragraphs of point 1 of Article 307 of this Code shall respectively apply.

2. Rules of this Article shall not extend to the transactions by minors having acquired full active legal capacity in compliance with the rules of Article 24 of this Code.

Article 311. Invalidity of a transaction entered into by a citizen unable to understand the meaning of or control own actions

1. A transaction entered into by a citizen with active legal capacity — who at the moment of entering into the transaction has been in such a state that he or she was unable to understand the meaning of his or her actions or control them — may be recognized as invalid through the court upon the claim of that citizen or those persons, the rights and interests whereof protected by law have been violated as a consequence of entering into that transaction.

2. A transaction, entered into by a citizen subsequently recognized as having no active legal capacity, may be recognized as invalid by the court upon the claim of his or her guardian, if it has been proven that the citizen at the moment of entering into the transaction was unable to understand the meaning of his or her actions or control them.

3. Where a transaction has been recognized as invalid based on this Article, the rules provided for in the second and third paragraphs of point 1 of Article 307 of this Code shall respectively apply.

Article 312. Invalidity of a transaction entered into under the influence of error in substantia

1. Transaction entered into under the influence of error in substantia may be declared invalid upon the claim of the party who has acted under the influence of misrepresentation.

Misrepresentation relating to the nature or such attributes of the subject-matter of the transaction shall have essential significance where it considerably reduces the possibilities to use it for its designated purpose.

Misrepresentation with respect to the motives of the transaction shall not be of essential significance.

2. Where a transaction has been declared as invalid as one entered into under the influence of error in substantia, the rules of provided for by Article 304 of this Code shall apply.

Moreover, the party by the claim of which the transaction has been declared as invalid shall have the right to claim compensation from the other party for the actual damage caused thereto if it proves that the misrepresentation has emerged at the fault of the other party. Where it has not been proved, the party, by the claim whereof the transaction has been declared invalid, shall be obliged to compensate the actual damage caused to the other party upon the claim of the latter, even if the misrepresentation has arisen in circumstances beyond the control of the misrepresented party.

Article 313. Invalidity of a transaction entered into under the influence of fraud, violence, threat, at the malicious collusion of the representative of one party with the other party or due to grave circumstances

1. A transaction made under the influence of fraud, violence, threat, at the malicious collusion of the representative of one party with the other party, as well as a transaction that a person has been compelled to enter into, due to grave circumstances, in ultimately disadvantageous conditions for him or her, from which the other party has benefited (enslaving transaction), may be declared as invalid by the court upon the claim of the injured person.

2. Where a transaction has been declared invalid on one of the grounds referred to in point 1 of this Article, the other party shall return to the injured person all that has been received under the transaction, and in case of impossibility to return in kind

what has been received, shall compensate its value in money. The property of the injured person received under the transaction from the other party, as well as everything payable thereto from the other party shall be levied in execution for the benefit of the Republic of Armenia. In case of impossibility to hand over to the State the property in kind, its value shall be levied in money. Besides, the other party shall reimburse to the injured person the actual damage inflicted thereto.

Article 314. Invalidity of a transaction entered into by a legal person beyond the scope of its legal capacity

A transaction entered into by a legal person that contradicts the objectives of the activity as clearly outlined by the statute thereof or a transaction entered into by a legal person lacking permission (license) for the relevant activity, may be declared invalid through the court upon the claim of the legal person concerned, its founder (participant) or that of a state body exercising control or supervision over the operation of the legal person, where it has been proved that the other party to the transaction has known or obviously should have known about it being illegal.

Article 315. Consequences for limiting the power for making a transaction

Where powers of a person to enter into a transaction are limited by a contract or such powers of a legal person are restricted by its statute, as compared to the powers prescribed in the letter of attorney, in a law, or that are obvious from the circumstance under which the transaction has been entered into, and in entering into the transaction such person or entity has exceeded the scope of those restrictions, the court may declare the transaction as invalid upon the claim of the person to the benefit whereof the restrictions are defined, solely in cases where it is proved that the other party to the transaction has known or obviously should have known about the mentioned restrictions.

Article 316. Consequences of invalidity of a part of transaction

The invalidity of any part of transaction shall not entail invalidity of the other parts thereof, where the transaction might have been entered into also without the inclusion therein of the invalid part.

Article 317. Term for statute of limitations for invalid transactions

1. The claim on application of the effects of invalidity of a null and void transaction may be submitted within a period of ten years upon its performance.

2. A claim may be filed on declaring a disputable transaction invalid and on applying the consequences of its invalidity, where the transaction has been entered into under the influence of violence or threat, within a period of one year following the day of its termination (point 1 of Article 313) or following the day when the plaintiff has become aware or should have become aware of the circumstances serving as a ground for declaring the transaction as invalid.

CHAPTER 19

REPRESENTATION

Article 318. Representation

1. A transaction— entered into by one person (representative) on behalf of another person (represented person) by virtue of authorisations based on the letter of attorney, law or an act of the state body or local self-government body authorised

therefor — shall create, change and terminate civil rights and obligations directly for the represented person.

Authorisation may explicitly follow also from the situation where the representative acts (in retail trade – retailer, treasurer, etc.).

2. Representatives shall not be those persons who although act for the benefit of another person but on their own behalf (commercial intermediaries, in case of bankruptcy – tender administrators, in case of succession – executors of will, etc.), as well as those persons empowered to conduct negotiations on further possible transactions.

3. A representative may not enter into a transaction on behalf of the represented person with respect to himself or herself personally. He may not enter into a transaction also in respect with another person being the representative thereof at the same time, except for the case of commercial representation.

4. A transaction which in its essence may be entered into only in person, as well as other transactions mentioned in the law, shall not be allowed to be entered into through a representative.

Article 319. Entering into a transaction by an unauthorised person

1. A transaction, concluded with no power to act on other person's behalf or abuse of such powers, shall be deemed to be entered into on behalf and to the benefit of the person who has entered into it, unless the other person (represented person) further directly approves the transaction concerned.

2. Further approval of transaction by the represented person shall, under the given transaction, create, change and terminate civil rights and obligations for him or her, as from the moment of its conclusion.

Article 320. Commercial representation

1. Commercial representative shall be the person who, while signing contracts on behalf of entrepreneurs in the field of entrepreneurship, permanently and independently represents them.

2. Concurrent commercial representation of different parties to transaction shall be permitted upon the consent of those parties and in other cases provided for by law.

A commercial representative shall have the right to demand from the parties to the contract to pay the agreed remuneration in equal instalments and reimburse the costs incurred by him or her during the performance of an assignment, unless otherwise envisaged by their agreement.

3. Commercial representation shall be exercised on the basis of a contract signed in writing and containing instructions on the powers of the representative, and where there are no such instructions it shall be exercised on the basis of a letter of attorney.

A commercial representative shall be obliged to keep confidential the information on commercial transactions disclosed to him or her also upon the accomplishment of the assignment given to him or her.

4. Specific aspects of commercial representation in specific fields of entrepreneurial activities shall be prescribed by law and other legal acts.

Article 321. Letter of attorney

1. A letter of attorney shall be deemed to be a written authorisation, which a person grants to another person for being represented to third persons.

The represented person may, for conclusion of transactions by the representative, grant written authorisation directly to the respective third person.

2. Letter of attorney for concluding transactions requiring notarial form shall be certified by a notary public, except for cases envisaged by law.

3. The following shall be equated to powers of attorney certified by a notary public:

(1) letters of attorney of military servants and other persons, undergoing medical treatment in hospitals, sanatoriums and other military healthcare institutions — certified by the head of that institution, deputy head of the medical unit, senior physician or the physician on duty;

(2) the letters of attorney of military servants, and, in dislocation sites of military units, military formations, military establishments and military educational institutions, where there are no notary offices and other bodies performing notarial actions, also the powers of attorney of workers and service staff, members of their families and members of families of military servants — certified by the commander (head) of such military units, military formations, military establishments and military educational institutions;

(3) powers of attorney of persons in places of imprisonment — certified by the head of the relevant imprisonment facility;

(4) powers of attorney of adult citizens having active legal capacity, staying in institutions for social security of population — certified by the management of such institution or the head (deputy head) of the relevant body responsible for social security of population.

4. The letter of attorney for receiving salary and other payments related to labour relations, remuneration for authors and inventors, pensions, allowances and stipends, citizens' bank deposits and postal deliveries, including money and parcels, may also be approved by the organisation where the recipient of the letter of attorney works or studies, the local self-government body of his or her place of residence and the management of the inpatient healthcare establishment where he or she undergoes treatment.

5. The letter of attorney on behalf of a legal person shall be granted with the signature of its head or another person authorised by the statute thereof.

6. A letter of attorney dispatched by telegram, as well as by other means of communication, where the delivery of the document is carried out by communications worker, shall be approved by the communications agency.

Third persons shall have the right to consider authentic the letter of attorney granted for the performance of actions with respect thereto, which has been sent by the authorising person to the authorised person through facsimile or other means of communication, without official communications agencies.

(Article 321 supplemented by HO-121-N of 13 April 2011, amended by HO-49-N of 19 March 2012)

Article 322. Term of a letter of attorney

1. The term of a letter of attorney may not exceed three years. Where no term is indicated in the letter of attorney, it shall remain in force within a period of one year from the day of issuing it.

Letter of attorney with no indication of the year, month and day of its execution shall be null and void.

2. A letter of attorney, certified by a notary public, designed for performance of activities abroad and containing no indication of term of validity, shall remain in force until it is abolished by the issuer of the letter of attorney.

Article 323. Reauthorisation

1. The person holding the letter of attorney must personally perform the actions for which he or she is authorised. He or she may reauthorise their performance to another person if authorised therefor by the letter of attorney, or if compelled to do so, due to circumstances, for securing the interests of the authorising person.

2. The person transferring the authorisations to another person shall inform thereon to the authorising person and provide the required information on the person whereto the authorisations have been transferred. The transferor of the authorisation, who has failed to fulfil this obligation, shall be liable for the actions of the person whereto he or she has transferred the authorisation, as if for his or her own actions.

3. The letter of attorney granted as reauthorisation shall be notary certified, except for the cases provided for by point 4 of Article 321 of this Code.

4. The term of a letter of attorney granted as reauthorisation may not exceed the term of the letter of attorney based on which it has been issued.

Article 324. Termination of a letter of attorney

1. A letter of attorney shall terminate, where:

(1) the term of the letter of attorney has expired;

(2) the actions envisaged by the letter of attorney have been performed;

(3) the authorising person has abolished it;

(4) the recipient of the letter of attorney has renounced;

(5) the legal person, on behalf whereof the letter of attorney has been granted, has terminated;

(6) the legal person, in the name whereof the letter of attorney has been granted, has terminated;

(7) the issuer of the letter of attorney has died or has been declared as having no or limited active legal capacity or missing;

(8) the recipient of the letter of attorney has died or has been declared as having no or limited active legal capacity or missing.

2. The issuer of the letter of attorney may at any time abolish the letter of attorney or the reauthorisation, and the recipient of the letter of attorney may renounce it. An agreement on renouncing these rights shall be null and void.

3. Abolition or renunciation of a notary certified letter of attorney shall be carried out in a notarial procedure.

(Article 324 supplemented by HO-181-N of 19 October 2016)

Article 325. Consequences of termination of a letter of attorney

1. The issuer of the letter of attorney and has later abolished it, shall be obliged to inform on the abolishment thereof to the recipient of the letter of attorney, as well as to third persons known to him or her, for representation to which the letter of attorney has been granted. Such obligations shall be set also for the legal successors of the issuer of the letter of attorney, where the letter of attorney terminates on the grounds provided for in Article 324(1)(5) and (7) of this Code.

2. Rights and obligations arising as result of the activities of the authorised person, that have arisen before the moment where he or she has known or should have known about the termination of the letter of attorney, shall remain in force with respect to third persons for the person authorising and his or her legal successors. This rule shall not apply, if the third person has known or should have known about the termination of the letter of attorney.

3. Upon termination of the letter of attorney, the authorised person or his or her legal successors shall be obliged to immediately return it.

4. Reauthorisation shall also be repealed upon termination of letter of attorney.

CHAPTER 20

TERMS

Article 326. Determination of terms

1. A term prescribed by law, legal acts, a transaction or that set by the court shall be determined by a calendar year, month, day or by expiration of a certain time period calculated in years, months, weeks, days, or hours.

2. A term may be determined also by indication of an event that should inevitably take place.

Article 327. Beginning of the term determined by a time period

A term expressed in a time period shall start from the day following the calendar year, month and day or following the occurrence of an event whereby the beginning of the term has been set.

Article 328. End of a term determined by a time period

1. A term calculated in years shall expire on the corresponding month and day of the last year of the term.

Rules for terms calculated in months shall be applied with respect to a term determined by a six-month period.

2. Rules for terms calculated in months shall be applied with respect to a term calculated by quarters of a year. Moreover, a quarter shall be deemed equal to three months and calculation of quarters shall start from the beginning of the year.

3. A term calculated in months shall expire on the corresponding date of the last month of the term.

Where the term calculated in months expires on a month which does not have the relevant day, the term shall expire on the last day of that month.

4. A term determined by half a month shall be considered as a term calculated by days and shall be considered as equal to fifteen days.

5. A term calculated in weeks shall expire on the corresponding day of the last week of that term.

Article 329. Expiry of a term on a non-working day

Where the last day of a term coincides with a non-working day, the next working day following it shall be considered to be the day of expiry of the term.

Article 330. Procedure for performing actions on the last day of the term

1. Where the term has been defined for the performance of any action, this action may be performed until 24:00 of the last day of the term.

However, where the action should be performed within an organisation, its term shall expire at the hour when relevant operations terminate in that organisation according to the rules of procedure.

2. The applications and notifications in writing submitted to a communication organisation before 24:00 of the last day of the term shall be deemed submitted within the term.

CHAPTER 20.1

(Chapter supplemented by HO-110-N of 17 June 2016)

NOTIFICATIONS

Article 330.1. Notifications

1. In case no mandatory notification procedures and conditions are provided for by law, parties may agree, in a contract, on a procedure for notifying each other of exercising rights and fulfilling responsibilities reserved thereto by law and the contract; said procedure shall be mandatorily observed by the parties and, in case of being legally or voluntarily bound by such obligation, by others as well.

2. In case no mandatory notification procedures and conditions are provided for by law, legal persons and issuers of securities may prescribe a mandatory notification procedure in, respectively, their statute or a prospectus on issuing securities prescribed by the Law of the Republic of Armenia "On securities market". A notification procedure prescribed by the statute of a legal person shall be mandatory for the founders, participants and members of the management bodies of

the legal person, while a notification procedure prescribed by a prospectus on issuing securities shall be mandatory for the owners of securities.

3. Notification made in accordance with a procedure prescribed by a contract, statute or a prospectus on issuing securities prescribed by the Law of the Republic of Armenia "On securities market" shall be considered as proper notification.

4. In case no mandatory notification procedures and conditions are prescribed by law or a contract or statute or a prospectus on issuing securities prescribed by the Law of the Republic of Armenia "On securities market", a notification shall be considered as proper notification where it has been made through a registered letter accompanied by a delivery notice or by handing it over in person or, in case the mentioned options are impossible to realise, publicly as prescribed by law.

5. In case a right is subject to registration, the exercise of that right through notification shall be considered as proper where the notification has been sent to or registered with the registration body as provided for by law.

6. The notifier may file only such objections to the notified which prove that the notifier has made a notification as prescribed by the contract. The notified may file only such objections to the notifier which prove that the notifier has not made a notification as prescribed by the contract.

7. During the settlement of disputes or the exercise of rights and responsibilities arising from a contract concluded between parties, the court, arbitration tribunal, financial system mediator, as well as state bodies, may, at the request of a party, apply the notification procedure prescribed by the contract concluded between the parties, provided that the contract concluded between the parties directly provides for such possibility. This provision shall also apply to the cases when such possibility is provided for by the statute of a legal person or a prospectus of an issuer of securities.

8. For the purpose of protection of consumer rights, model notification procedure and conditions may be prescribed by law and other legal acts.

(Chapter supplemented by HO-110-N of 17 June 2016)

CHAPTER 21

STATUTE OF LIMITATIONS

Article 331. Concept of statute of limitations

Statute of limitations shall be the time period for the protection of rights on the claim of the person whose rights have been violated.

Article 332. General terms of statute of limitations

General terms statute of limitations shall be three years.

Article 333. Special terms for statute of limitations

1. Special terms shorter or longer than the general terms for statute of limitations may be prescribed by law for certain types of claims.

1[1.] Where the violation of the right of a person has caused damage to him or her and the violation is associated with entering into transactions as prescribed by this Code or with corrupt activity in the course of making those transactions, the term of statute of limitations for claims on compensation of the damage shall be limited to 10 years, calculated as from the day of performance of the activity which has caused the damage.

2. Articles 331, 334-343 of this Code shall also cover the special terms of the statute of limitations, unless otherwise provided for by law.

(Article 333 supplemented by HO-123-N of 20 May 2005)

Article 334. Invalidity of the agreement on changing the terms for statute of limitations

1. Terms for statute of limitations and the procedure for their calculation shall be stipulated by law and may not be changed at the agreement of parties.

2. Grounds for suspension and interruption of the terms for statute of limitations shall be prescribed by this Code and other laws.

Article 335. Application of statute of limitations

1. A claim on protection of the right shall be accepted by the court for examination irrespective of the expiration of the term for statute of limitations.

2. The court shall apply the statute of limitations solely upon the application of the party to the dispute that should be submitted prior to the delivery of the judgment by the court.

The expiration of the term for statute of limitations, for the application whereof the party to the dispute has claimed for, shall serve as a ground for the court to deliver a judgment on dismissal of the claim.

Article 336. Terms for statute of limitations regarding supplementary claims

The terms for the statue of limitations for supplementary claims (pledge, default penalty, withholding, suretyship, pre-payment) shall expire by the termination of the term for the statute of limitations for the principal claim.

Article 337. Calculation of the terms for statute of limitations

1. Running of term for statute of limitations shall start on the day when the person has become aware or should have become aware of the violation of his or her right. Exceptions to that rule shall be prescribed by this Code and other laws.

2. For obligations, for the fulfilment of which a certain term has been determined, the running of the statute of limitations shall start upon the termination of that term.

3. For obligations, the term for the fulfilment whereof is not determined or is determined on demand, running of the statute of limitations shall start from the moment when the right of the creditor to claim the fulfilment of obligations arises, while in case when the debtor has been allotted a grace period for the fulfilment of the requirement, the calculation of the statute of limitations shall start after the termination of that term.

4. Running of the statute of limitations for regress obligations shall start upon the fulfilment of the principal obligation.

Article 338. Terms for the statute of limitations in case of change of persons under obligation

Change of persons under obligation shall not result in the change of the term for statute of limitations and the procedure for the calculation thereof.

Article 339. Suspension of the term for statute of limitations

1. Running of the term for the statute of limitations shall be suspended where:

(1) an unusual and unavoidable circumstance (force-majeure), under the existing conditions, has impeded the filing of the claim;

(2) the plaintiff or the respondent is enrolled in armed forces specially placed under the martial law;

(3) a period of delay for the performance of obligations (moratorium) has been defined, based on law, by the Government of the Republic of Armenia or the Central Bank of the Republic of Armenia;

(4) the person having no active legal capacity does not have a legal representative;

(5) effectiveness of the law or other legal act regulating the relevant relations has been suspended;

(6) payment order has been submitted, from the moment of handing that over to court up to the moment of making an objection.

(7) conciliation process has been started on the basis of a conciliation agreement, for the period from starting the conciliation process until the completion of the conciliation.

2. Running of the term for statute of limitations of claims on compensation for damage caused to the life or health of a citizen shall be suspended also in connection with the application of the citizen to a relevant authority for granting pension or benefit until the award of pension or benefit or the refusal thereof.

3. Running of the term for the statute of limitations shall be suspended solely in cases when the circumstances referred to in this Article have arisen or persisted within the last six months of the term for the statute of limitations, and within the term for the statute of limitations where that terms equals to or is less than six months.

4. Running of the term shall continue starting from the day when the circumstance serving as a ground for suspension of the term for the statute of limitations ceases to exist. The rest of the term shall be prolonged up to six months; and where the term

for the statute of limitations equals to or is less than six months it shall be prolonged up to the term for the statute of limitations.

(Article 339 edited by HO-260 of 6 November 2001, supplemented by HO-155-N of 7 July 2005, HO-46-N of 7 May 2015)

Article 340. Interruption of the running of the term for the statute of limitations

1. Running of the term for the statute of limitations shall be interrupted by filing a claim in the prescribed manner, as well as by performing actions evidencing the acknowledgement of the debt by the person obliged.

2. Running of the term for the statute of limitations shall restart after the interruption. The time which has elapsed before the interruption shall not be calculated within the new term.

Article 341. Running of the term for the statute of limitations in case of dismissal of the claim

1. Where the court has dismissed a claim, running of the term for the statute of limitations, having started before bringing the action, shall continue by the general procedure.

2. Where the court has dismissed an action brought in a criminal case, running of the term for the statute of limitations, having started before bringing the action, shall be suspended till the entry into legal force of the judgment by which the action has been dismissed. The period, during which the statute of limitations has been suspended, shall not be calculated within the term for the statute of limitations. Moreover, where the rest of the term is less than six months, it shall be prolonged up to six months.

Article 342. Restoration of the term for the statute of limitations

In exceptional cases, where the court, taking into account the circumstances (serious illness, helpless state, illiteracy, etc.) in relation to the plaintiff, declares as justifiable the omission of the term for the statute of limitations, the violated right of the citizen shall be subject to protection. The reasons for the omission of the term for the statute of limitations may be declared as justifiable where they have occurred within the last six months of the term for the statute of limitations, and where that term is equal to or less than six months — within the term for the statute of limitations.

Article 343. Fulfilment of obligation after expiry of the term for the statute of limitations

The debtor or any obliged person, who has fulfilled the obligation after the expiry of the term for the statute of limitations, shall not have the right to claim back whatever has been fulfilled, even if at the moment of fulfilment he or she has not been aware of the expiry of the term for the statute of limitations.

Article 344. Claims whereto the statute of limitations shall not apply

The statute of limitations shall not apply to:

(1) claims for the protection of personal non-property rights and other intangible assets, except for the cases provided for by law;

(2) claims filed with banks by depositors for repayment of deposits;

(3) claims for compensation of the damage caused to citizen's life or health. However, claims filed three years after the time of arising of the right for compensation of such damage for the past period shall be satisfied for not more than three years preceding the bringing of the action;

(4) claims for elimination of each violation of the right of the owner or other possessor even if those violations have not been related to dispossession (Article 277);

(5) claims of the owner for declaring invalid the act of a state or local self-government body or the officials thereof, which has violated the owner's rights for property possession, use and disposal;

(6) other claims defined by law.

SIXTH SECTION

GENERAL PROVISIONS ON OBLIGATIONS

CHAPTER 22

CONCEPT OF OBLIGATION AND PARTIES THERETO

Article 345. Concept of obligation and grounds for the arising thereof

1. By virtue of obligation one person (debtor) shall be obliged to perform an action to the benefit of another person (creditor) — that is pay money, transfer property, perform works, deliver services, etc. — or abstain from performing a certain type of action, and the creditor shall have the right to demand from the debtor to fulfil his or her obligation.

2. Obligations shall arise from a contract, as a consequence of causing damage and from other grounds referred to in this Code.

Article 346. Parties to obligation

1. One or simultaneously several persons may participate as parties to an obligation — creditor or debtor.

Invalidity of the claims of creditor against one of the parties to the obligation on the side of the debtor, as well as the expiry of the term for the statute of limitations of the claim against that person shall not per se affect the claims thereof against other persons.

2. Where each of the parties undertakes an obligation under the contract with respect to the other party, it shall be the debtor in whatsoever it is obliged to perform to the benefit of the other party and at the same time it shall be the creditor in whatsoever it is entitled to demand from the other party.

3. An obligation shall not give rise to responsibilities for those persons not participating as parties (third persons).

In cases prescribed by law, other legal acts or upon the agreement of parties, an obligation may give rise to rights for third persons against one or two of the parties.

CHAPTER 23

FULFILLMENT OF OBLIGATIONS

Article 347. General provisions

Obligations must be fulfilled in due manner, in compliance with the conditions of obligation, law and requirements of other legal acts, and in case of absence of such

conditions and requirements – in compliance with customary business practices or other generally set requirements.

Article 348. Impermissibility to unilaterally refuse fulfilling an obligation

1. It shall not be permitted to refuse fulfilling an obligation and change its conditions unilaterally, with the exception of cases provided for by law.

2. Unilateral refusal to fulfil an obligation, related to the implementation of entrepreneurial activities by its parties, and unilateral change of the conditions of such an obligation shall be permitted also in cases envisaged by a contract, unless otherwise follows from the law or the essence of the obligation.

Article 349. Right of the creditor not to accept the fulfilment of an obligation in parts

The creditor shall have the right not to accept the fulfilment of an obligation in parts, unless otherwise provided for by law, other legal acts, conditions of the obligation and unless otherwise follows from customary business practices or the essence of the obligation.

Article 350. Fulfilment of an obligation with respect to the proper person

An debtor, while fulfilling the obligation, shall have the right to demand evidence that the fulfilment is accepted by the creditor himself/herself or a person authorised for that thereby and shall bear the risk of consequences for not demanding so, unless otherwise envisaged by the agreement of parties and otherwise follows from customary business practices or the essence of the obligation.

Article 351. Fulfilment of an obligation by a third person

1. A debtor may assign fulfilment of an obligation to a third person, unless the responsibility of the debtor to fulfil the obligation in person follows from law, other legal acts, conditions of the obligation or the essence thereof. In that case, the creditor shall be obliged to accept the fulfilment of the obligation by a third person instead of the debtor.

2. As a result of levying of execution on the debtor's property, the third person — who has been subjected to the danger of loss of his or her lease or other right to that property — may upon the agreement of the debtor satisfy the claim of the creditor at his or her own account and acquire the rights of the creditor in accordance with Articles 397-405 of this Code.

Article 352. Terms for fulfilment of obligation

1. Where an obligation envisages or allows determining its date or period, the obligation must be fulfilled on that day or at any moment of that period.

2. In the cases when an obligation does not envisage a term for fulfilment and does not contain conditions for determining a term, it shall be fulfilled within reasonable terms after the arising of the obligation.

3. The debtor shall be obliged to fulfil the obligation not fulfilled within a reasonable terms, as well as the obligation, the term for the fulfilment whereof is determined by the moment of submission of the claim, within a period of seven days following the day of submission by the creditor of a claim thereon, unless another term for the fulfilment of the obligation follows from law, other legal acts, conditions of the obligation, customary business practices or the essence of the obligation.

Article 353. Early fulfilment of obligation

1. A debtor shall have the right to an early fulfilment of an obligation, unless otherwise provided for by law, other legal acts or the conditions of the obligation or unless otherwise follows from the essence of the obligation.

2. Early fulfilment of obligations related to the implementation of entrepreneurial activities by its parties, shall be permitted solely in cases where the possibility for early fulfilment of the obligation is provided for by law, other legal acts or the conditions of the obligation or follows from customary business practices or the essence of the obligation.

Article 354. Information on the process of fulfilment of obligation

The duty of the debtor to inform the creditor or the person indicated thereby about the process of fulfilment of the obligation may be provided for by law, other legal acts or the conditions of the obligation.

Article 355. Place of fulfilment of obligation

1. Obligation must be fulfilled in the place, which is determined by law, other legal acts or the contract or which follows from the customary business practices or the essence of the obligation.

2. Where the place of fulfilment of an obligation has not been determined, it should be fulfilled:

(1) at the location of property — for the obligation of handing over a land parcel, building, construction or other immovable property;

(2) at the place of delivery to the first carrier for delivery to the creditor — for the obligation to deliver goods or other property envisaging its transportation;

(3) at the place of making or keeping the property, where that place has been known to the creditor at the moment of arising of the obligation — for the obligation of the entrepreneur to deliver goods or other property;

(4) in the place of residence of the creditor at the moment of arising of the obligations, and, if the debtor is a legal person, at its registered office at the moment of arising of the obligation — for pecuniary obligations. Where the creditor has changed the place of residence or the registered office at the time of fulfilment of the obligation and has informed thereof to the debtor — in the new place of residence or registered office of the creditor — with the costs related to the change in the place of fulfilment to be incurred by the creditor;

(5) at the place of residence of the debtor, and if the debtor is a legal person at the registered office — for other obligations.

Article 356. Currency of pecuniary obligations

1. Pecuniary obligations shall be expressed in drams of the Republic of Armenia (Article 142).

2. ***(point repealed by HO-41-N of 20 March 2006)***

3. Indexation of payments may be envisaged for long-term obligations, on conditions reserved by parties.

4. Use of foreign currency, as well as payment documents in foreign currency in making calculations under obligations in the territory of the Republic of Armenia shall be permitted in cases and under the procedure provided for by law.

(Article 356 edited by HO-229-N of 15 November 2005, amended by HO-41-N of 20 March 2006)

Article 357. Increase of a citizen's subsistence allowance

The amount of reimbursement for damage caused to life or health or the amount paid in other cases directly as subsistence allowance to a citizen under a pecuniary obligation shall increase in proportion to the increase of the minimum amount of salary.

Article 358. Sequence of satisfaction of the claims for pecuniary obligations

In case of insufficiency of the amount paid for the fulfilment of a pecuniary obligation in full, unless another agreement has been reached, firstly the expenses of the creditor directed towards the receipt of the fulfilment of the obligation shall be satisfied, followed by the interests, including the interests envisaged by Article 411 of the Code, and with the remaining part the principal amount of the debt shall be satisfied.

(Article 358 supplemented by HO-521-N of 31 March 2003)

Article 359. Fulfilment of an alternative obligation

The debtor with an obligation to deliver any property or to perform any of several actions shall have the right to choose any of those, unless otherwise follows from law, other legal acts or the conditions of the obligation.

Article 360. Fulfilment of obligation with the participation of several creditors or several debtors

Where several creditors or several debtors participate in an obligation, each of the creditors shall have the right to claim the fulfilment of the obligation, and each of the debtors shall be obliged to fulfil that obligation together with the others in equal share, unless otherwise follows from law, other legal acts or the conditions of the obligation.

Article 361. Joint and several obligations and joint and several claims

1. Joint and several obligation (liability) or joint and several claim shall arise where the joint and several nature of the obligation or joint and several nature of the claim is envisaged by the contract or prescribed by law, particularly where the object of obligation is indivisible.

2. Obligations of a number of debtors under an obligation relating to entrepreneurial activities shall be joint and several, and claims of creditors shall be joint and several, unless otherwise stipulated by law, other legal acts or the conditions of the obligation.

Article 362. Rights of a creditor in case of a joint and several obligation

1. In case of joint and several obligation of debtors, the creditor shall have the right to demand jointly from all debtors, as well as from each of them the fulfilment of the obligation in full as well as in any part of the debt.

2. A creditor who has not received full satisfaction from one of the joint and several debtors shall have the right to demand the unreceived portion from other joint and several debtors.

3. Joint and several debtors shall remain obliged as long as the obligation is fully fulfilled.

Article 363. Objections against the claims of a creditor in case of a joint and several obligation

In case of joint and several obligation, the debtor shall not have the right to make such objections against the claims of the creditors, which are based on the relations of other debtors and the creditor wherein the given debtor does not take part.

Article 364. Fulfilment of joint and several obligation by one of the debtors

1. Fulfilment of a joint and several obligation in full by one of the debtors shall release the rest of the debtors from the fulfilment of the obligation with respect to the creditor.

2. Unless otherwise follows from relations of joint and several debtors:

(1) the debtor having fulfilled the joint and several obligation shall have the right for regress claim, in respect to the rest of the debtors, in equal shares, by subtracting his share;

(2) the part that has not been paid by one of the joint and several debtors to the debtor who has fulfilled the joint and several obligation shall fall in equal shares to the debtor who has failed to pay and to the rest of the debtors.

3. The rules of this Article shall correspondingly apply where the joint and several obligation is set-off against the counter-claim of one of the debtors.

Article 365. Joint and several claims

1. In case of joint and several nature of the claims, any of the joint and several creditors shall have the right to file a claim in full to the debtor.

Before one of the joint and several creditors files a claim, the debtor shall have the right to perform, at his or her discretion, the obligation towards each of them.

2. The debtor shall not have the right to make such objections against the claim of one of the joint and several creditors which are based on the relations between the debtor and another joint and several creditor wherein the given creditor does not take part.

3. Fulfilment of an obligation in full with respect of one of the joint and several creditors shall release the debtor from the fulfilment of the obligation against the other creditors.

4. A joint and several creditor who has received fulfilment by a debtor shall be obliged to reimburse, in equal shares, to the other creditors their dues, unless otherwise follows from their relations.

Article 366. Fulfilment of obligation by placing the debt on deposit

1. The debtor shall have the right to place the sum of money or securities to be levied therefrom on deposit with a notary public, and in cases provided for by law — on deposit with the court, where he or she is unable to fulfil the obligation since:

(1) the creditor or the person authorised thereby for accepting the fulfilment is absent from the place of fulfilment of the obligation;

(2) the creditor has no active legal capacity and has no representative;

(3) it is not explicitly clear who is the creditor under the obligation, as well as in case of a dispute thereon between the creditor and other persons;

(4) the creditor has evaded form accepting the fulfilment or has made a default.

2. Placing monetary amounts or securities on deposit with a notary public or court shall be fulfilment of obligation.

3. The notary public or the court shall notify the creditor of the monetary amount or securities placed on deposit therewith.

Article 367. Cross fulfilment of obligations

1. Fulfilment of obligation by one of the parties shall be recognised as counter, which, in accordance with the contract, is conditioned by the fulfilment of obligation by the other party.

2. The party responsible for cross fulfilment shall have the right — in case of existence of circumstances explicitly evidencing the failure by the party liable to fulfil the obligation under a contract within the defined term — to suspend the fulfilment of own obligation or to refuse to fulfil it and demand compensation of damages.

3. Where an obligation under a contract has not been fulfilled in full, the party which is liable for cross fulfilment shall have the right to suspend the fulfilment of own obligation or refuse to fulfil it in the extent proportionate to the part not fulfilled by the other party.

4. Where the cross obligation has been fulfilled even though the other party has not fulfilled his or her obligation under the contract, the latter shall be obliged to fulfil it.

5. The rules envisaged by points 2-4 of this Article shall apply, unless otherwise provided for by the contract or law.

CHAPTER 24

SECURING THE FULFILMENT OF OBLIGATIONS

§ 1. GENERAL PROVISIONS

Article 368. Ways of securing the fulfilment of obligations

1. The fulfilment of obligations may be secured by pledge (Chapter 15), default penalty, withholding of debtor's property, suretyship, guarantee, pre-payment and other means envisaged by law or the contract.

2. The invalidity of the agreement on securing the fulfilment of obligation shall not result in the invalidity of the concerned obligation (principal obligation).

3. Invalidity of the principal obligation shall result in the invalidity of the obligation securing it, unless otherwise defined by law.

§ 2.DEFAULT PENALTY

Article 369. Concept of default penalty

1. Default penalty (fine, penalty) shall be the money amount determined by law or contract, which the debtor is obliged to pay to the creditor in case of non-fulfilment of an obligation or improper fulfilment thereof, including in case of fulfilment default. The creditor claiming for the payment of default penalty shall not be obliged to prove that damage has been caused thereto.

2. Only real claim shall be secured by a default penalty.

3. The creditor shall not have the right to claim for payment of default penalty where the debtor does not bear liability for non-fulfilment or improper fulfilment of the obligation.

Article 370. Form of agreement on default penalty

An agreement on default penalty shall be entered into in writing, irrespective of the form of the principal obligation.

Failure to observe the written form shall entail invalidity of the agreement on default penalty.

Article 371. Lawful default penalty

1. The creditor shall have the right to demand payment of default penalty defined by law (lawful default penalty), irrespective of whether or not an obligation for the payment thereof is envisaged by agreement of parties.

2. The size of lawful default penalty may be increased by the agreement of the parties, unless it is prohibited by law.

Article 372. Reduction of default penalty

Where the default penalty subject to payment is obviously disproportionate to the consequences of the breach of obligation, the court shall have the right to reduce it.

§ 3.WITHHOLDING

Article 373. Grounds for withholding

1. A creditor, who holds the property subject to be transferred to the debtor or the person indicated thereby, shall have the right — in case of failure by the debtor to fulfil the obligation of paying for that property or compensating the expenses incurred by the creditor in relation thereto and other damages — to withhold the property until the fulfilment of the respective obligation.

2. Claims — having arisen from the obligation of parties acting as entrepreneurs — not related to the payment for property or the compensation of expenses made thereon and other damages may also be secured by withholding property.

3. A creditor may keep the withheld property irrespective of whether a third person has acquired rights to this property upon the transfer thereof to the possession of the creditor.

4. Rules of this Article shall apply unless otherwise provided for by the contract.

Article 374. Satisfaction of claims at the account of withheld property

The claims of a creditor withholding a property shall be satisfied from its value in the volume and under the procedure envisaged for the satisfaction of claims secured by a pledge.

§ 4.SURETYSHIP

Article 375. Contract of suretyship

1. Under a contract of suretyship, the surety shall undertake an obligation with respect to the creditor of another person to bear liability for the full or partial fulfilment of obligation by that person.

2. Contract of suretyship may be signed also for securing an obligation arising in the future.

Article 376. Form of a contract of suretyship

Contract of suretyship must be entered into in writing. Failure to observe the written form shall entail invalidity of the contract of suretyship.

Article 377. Responsibility of a surety

1. In case of failure to fulfil or improper fulfilment by a debtor of an obligation secured by suretyship, the surety and the debtor shall bear joint and several liability against the creditor, unless subsidiary liability of the surety is envisaged by law or the suretyship contract.

2. The surety shall bear liability against the debtor to the same extent as the debtor, including payment of interests, court expenses connected to levying the debt in execution, compensation for other damages of the creditor incurred as a consequence of failure to fulfil or improper fulfilment of obligation by the debtor, unless otherwise provided for by the suretyship contract.

3. Persons having assumed joint suretyship shall jointly bear liability against the creditor, unless otherwise provided for by the suretyship contract.

Article 378. Remuneration for the services of a surety

The surety shall have the right to remuneration for the services rendered to the debtor, unless otherwise provided for by the contract.

Article 379. Right of the surety to object against the claim of the creditor

1. The surety shall have the right to make such objections against the claim of the creditor, which might have been filed by the debtor, unless otherwise follows from the suretyship contract. The surety shall not lose the right to objection even in the case when the debtor has renounced it or has accepted his or her debt.

2. Before the satisfaction of the claim of a creditor, the surety shall be obliged to notify thereon to the debtor, and — if a claim has been filed against the surety — to make the debtor involved in the matter concerned.

3. Where the surety has failed to fulfil the obligations referred to in point 2 of this Article, the debtor shall have the right to submit such objections against the regress claim of the surety that the debtor has had against the creditor.

Article 380. Rights of the surety having fulfilled the obligation

1. The rights of the creditor with the concerned obligation and the rights of the creditor as to the part belonging thereto as a pledgee shall be transferred to the surety who has satisfied the claim of the creditor. The surety shall have the right also to demand from the debtor to reimburse the interests of the sum paid to the creditor and other damages incurred by the surety in relation to bearing the liability instead of the debtor.

2. Upon fulfilment of the obligation by the surety, the creditor shall be obliged to transfer to the surety all the documents attesting the claim he or she has had against the debtor and to transfer the rights securing that claim.

3. Rules prescribed by this Article shall apply, unless otherwise provided for by law, other legal acts or the contract concluded between the surety and the debtor, and unless otherwise follows from their relations.

Article 381. Informing the surety on the fulfilment of the obligation by the debtor

A debtor having fulfilled an obligation secured by suretyship shall be obliged to inform thereon to the surety. Otherwise, the surety, having fulfilled the obligation in his or her turn, shall have the right to levy from the creditor whatever has been received unjustly or to submit a regress claim against the debtor.

Article 382. Termination of suretyship

Suretyship shall terminate:

(1) in case of termination of the obligation secured thereby, as well as in case of change in the obligation without the consent of the surety, having resulted in an increase of the scope of the latter's liability or other unfavourable consequences therefor;

(2) by transferring to another person the debt under obligation secured by suretyship, unless the surety has given consent to the creditor to bear liability against a new debtor;

(3) where the creditor has refused to accept the proper fulfilment offered by the debtor or surety;

(4) with termination of the term indicated in the suretyship contract for which it has been issued. In case there is no such a term, the suretyship shall terminate if the creditor has not filed a claim against the surety within a period of one year upon the expiry of the term for the fulfilment of the obligation secured by suretyship. In

the cases when the term for the fulfilment of the principal obligation is not indicated and may not be determined or has been determined based on the moment of the claim, the suretyship shall terminate, where the creditor has not filed a claim against the surety within a period of two years upon entering into the suretyship contract.

§ 5.GUARANTEE

Article 383. Concept of guarantee

The guarantor (bank, other credit institution or insurance undertaking) shall, by the request of another person (principal), undertake an obligation in writing before the principal's creditor (beneficiary), in accordance with the terms and conditions of the obligation undertaken by the guarantee to pay a sum of money to the beneficiary upon submission of a written demand by the latter.

Article 384. Securing with a guarantee for the fulfilment of obligation by the principal

1. The guarantee shall secure proper fulfilment of the principal's obligation to the beneficiary (principal obligation).

2. The principal, for the issuance of a guarantee, shall pay the agreed remuneration to the guarantor.

Article 385. Independence of guarantee from the principal obligation

The obligation, envisaged by the guarantee, assumed before the beneficiary by the guarantor, shall be autonomous and shall be independent from the principal

obligation for securing the fulfilment whereof it has been issued even if a reference is made to that obligation in the guarantee.

Article 386. Irrevocability of a guarantee

The guarantee may not be revoked by the person having provided the guarantee unless otherwise provided for by the guarantee.

Article 387. Non-transferability of rights by guarantee

The right of claim belonging under a guarantee to the beneficiary with respect to the guarantor may not be transferred to another person unless otherwise provided for by the guarantee.

Article 388. Entry into force of guarantee

A guarantee shall enter into force from the day of its issuance unless otherwise provided for by the guarantee.

Article 389. Filing a claim under guarantee

1. The claim of a beneficiary to pay a monetary amount under a guarantee shall be submitted to the guarantor together with the documents indicated in the guarantee. The beneficiary shall mention in the claim or its appendix the infringement by the principal of the principal obligation for securing whereof the guarantee has been issued.

2. The claim of the beneficiary to the guarantor shall be submitted prior to the expiry of the term established by the guarantee for which it has been issued.

Article 390. Duties of the guarantor in examining the claim of the beneficiary

1. Upon receiving the claim of the beneficiary, the guarantor shall immediately inform thereon to the principal and hand over to the latter the copy of the claim, together with all the documents concerning thereto.

2. The guarantor shall examine the claim of the beneficiary with all the documents accompanying it, within the term indicated in the guarantee, and where such a term is not available it shall examine it within a reasonable term, and show due diligence in verifying the compliance of that claim and the documents accompanying it to the terms and conditions of the guarantee.

Article 391. Refusal by a guarantor to satisfy the claim of the beneficiary

1. The guarantor shall refuse the beneficiary's claim where the claim or the accompanying documents do not comply with the terms and conditions of the guarantee or have been submitted to the guarantor after the expiry of the term set by the guarantee.

The guarantor shall be obliged to inform immediately to the beneficiary on the refusal of the latter's claim.

2. Where prior to satisfying the claim of the beneficiary, the guarantor has become aware that the principal obligation secured by the guarantee has been fully or partially fulfilled, has been terminated on other grounds or is invalid, the guarantor shall be obliged to inform thereon immediately to the beneficiary and the principal.

After this communication the repeat claim received from the beneficiary shall be satisfied by the guarantor.

Article 392. Scope of obligations of the guarantor

1. The obligation, as provided for by guarantee, assumed before the beneficiary by the guarantor shall be limited by the sum in the amount of which the guarantee has been issued.

2. The liability of the guarantor before the beneficiary for the failure to fulfil or for improper fulfilment of the obligation secured by the guarantor with a guarantee shall not be limited to the sum by which the guarantee has been issued, unless otherwise provided for by the guarantee.

Article 393. Termination of a guarantee

1. The obligation to the beneficiary of a guarantor under a guarantee shall terminate:

(1) by paying the sum to the beneficiary by which the guarantee has been issued;

(2) by the expiry of the term set by a guarantee;

(3) as a consequence of renouncement by the beneficiary of the rights thereof under the guarantee and the return of the guarantee to the guarantor;

(4) as a consequence of renouncement by the beneficiary of the rights thereof under the guarantee through submission of an application in writing on releasing the guarantor from obligations.

Based on the grounds referred to in sub-points 1, 2 and 4 of this point, termination of an obligation of a guarantor shall not depend upon returning the guarantee thereto.

2. Where the guarantor has become aware of the termination of the guarantee, the latter shall be obliged to inform immediately thereon to the principal.

Article 394. Regress claims of a guarantor against the principal

1. The right of the guarantor to claim from the principal, under the procedure of regress claim, the sums of money paid to the beneficiary under the guarantee shall be prescribed by the agreement between the guarantor and the principal.

2. The guarantor shall not have the right to demand from the principal to compensate the sums of money which do not comply with the terms and conditions of the guarantee or paid to the beneficiary in violation of the obligation of the guarantor before the beneficiary, unless otherwise provided for by the agreement between the guarantor and the principal.

§ 6.PRE-PAYMENT

Article 395. Concept of pre-payment form of agreement on pre-payment

1. Pre-payment shall be the monetary amount which one of the contracting parties shall, at the account of payments to be received from the contract, give to the other party as a proof of entering into the contract and security for the performance thereof.

2. The agreement on pre-payment, irrespective of the amount of pre-payment, should be signed in writing.

3. Where there is any doubt on whether the amount paid by the party at the account of whatever to be received under the contract is an advance payment, including in case of not complying with the rule prescribed by point 2 of this Article, this amount shall be deemed to be an advance payment unless otherwise proved.

Article 396. Consequences of termination of and failure to fulfil an obligation secured by a pre-payment

1. Before starting the fulfilment of an obligation, upon the agreement of the parties or in case of termination of the obligation as a consequence of impossibility of fulfilment (Article 432), the pre-payment should be returned.

2. Where the liability for the failure to execute the contract lies with the party having provided the pre-payment, it shall remain to the other party. Where the liability for the failure to execute the contract lies with the party having received the pre-payment, the latter shall be obliged to pay the twofold of the pre-payment to the other party.

The party liable for the failure to execute the contract shall be obliged also to compensate for the damages to the other party through the set-off of the amount of the pre-payment, unless otherwise provided for by the contract.

CHAPTER 25

CHANGE OF PERSONS IN AN OBLIGATION

§ 1.PASSING OF THE RIGHTS OF CREDITOR TO ANOTHER PERSON

Article 397. Grounds and procedure for the passing of the creditor's rights to another person

1. The right (claim) belonging to a creditor by virtue of the obligation may be transferred thereby to another person through transaction (surrender of claim) or pass to another person based on law.

Rules on the passing of creditor's rights to another person shall not apply to regress claims.

2. Consent of the debtor shall not be required for the passing of the creditor's rights to another person, unless otherwise provided for by law or contract.

3. Where the debtor has not been informed on the passing of the creditor's rights to another person, the new creditor shall bear the risk of unfavourable effects arising therefrom for the latter. In that case the fulfilment of the obligation to the original creditor shall be deemed to be fulfilled to the proper creditor.

(Article 397 edited by HO-38 of 8 March 2000)

Article 398. Rights that may not pass to other persons

Passing to another person of the rights inherently and inseparably connected with the creditor, including claims for alimonies and compensating damages caused to life or health, shall not be permitted.

Article 399. Volume of the rights of the creditor passing to another person

The right of an original creditor shall pass to a new creditor in the volume and with terms and conditions existing at the moment of the passing thereof, unless otherwise provided for by law or contract. In particular, other rights securing the fulfilment of obligations, as well as relating to the claim, including the right to unpaid interests shall pass to a new creditor.

Article 400. Evidence of the rights of a new creditor

1. The debtor shall have the right not to fulfil an obligation to the benefit of a new creditor before furnishing evidence on the transfer of the claim to the person concerned.

2. The creditor having surrendered the claim to another person shall be obliged to submit the documents certifying the right to claim and communicate the information relevant for fulfilling the claim.

Article 401. Objections of a debtor against the claim of a new creditor

The debtor shall be entitled to make objections against the claim of a new creditor which the debtor has had against the original creditor at the moment of receiving the notification on passing of the rights to the new creditor.

Article 402. Passing of the rights of a creditor to another person based on law

Based on law and with the emergence of circumstances mentioned therein, the rights of a creditor shall pass to another person:

(1) as a result of universal legal succession of the rights of the creditor;

(2) by a court judgment on the transfer of the rights of the creditor to another person, where a possibility for such transfer is provided for by law;

(3) as a result of fulfilment of the obligation of the debtor by the surety of the debtor or by a pledgor other than the debtor under that obligation;

(4) in case of passing to the insurer the rights of the creditor with respect to the responsible debtor in case of occurrence of insurance incident;

(5) in other cases provided for by law.

Article 403. Conditions for surrender of the claim

1. The surrender of a claim of a creditor to another person shall be permitted, unless it contradicts the law, other legal acts or the contract.

2. Surrender of claim without the debtor's consent with respect to an obligation, where the persona of the creditor is of essential importance to the debtor, shall not be permitted except for cases provided for by the Law of the Republic of Armenia "On secured mortgage bonds", by the Law of the Republic of Armenia "On asset securitisation and asset-backed securities".

(Article 403 supplemented by HO-107-N of 26 May 2008)

Article 404. Form of surrender of a claim

1. The claim based on a transaction entered into in simple written or notarial form must be surrendered in the same manner.

2. Surrender of a claim under a transaction, the rights arising wherefrom are subject to state registration, must be registered under the procedure defined for registration of these rights, unless otherwise provided for by law.

3. Surrender of a claim by order security shall be made through making an endorsement on this security (point 3 of Article 149).

Article 405. Liability of a creditor having surrendered a claim

The original creditor having surrendered a claim shall be held liable to the new creditor for the invalidity of the claim transferred thereto, but shall not be held liable for the failure by the debtor to satisfy that claim, except for the case where the original creditor has undertaken suretyship for the debtor to the new creditor.

§ 2.TRANSFER OF DEBT

Article 406. Condition and form of transferring a debt

1. The debtor may transfer his or her debt to another person solely upon the creditor's consent, except for the cases provided for by the Law of the Republic of Armenia "On insurance and insurance activities", by the Law of the Republic of Armenia "On secured mortgage bonds".

2. Rules stipulated in points 1 and 2 of Article 404 of this Code shall apply to the form of transfer of debt.

(Article 406 supplemented by HO-178-N of 9 April 2007, HO-107-N of 26 May 2008)

Article 407. Objections of a new debtor against the claim of the creditor

The new debtor shall have the right to make objections against the claim of a creditor which are based on the relations between the creditor and the original debtor.

CHAPTER 26

LIABILITY FOR VIOLATING OBLIGATIONS

Article 408. The concept of violation of obligation

The violation of an obligation shall be deemed failure to fulfil it or improper fulfilment thereof (with default, with defects of goods, works and services, or with violations of other conditions determined by the content of the obligation).

Article 409. Compensation of damages caused by the violation of obligation

1. A debtor having violated an obligation shall be obliged to compensate the damages caused to the creditor.

2. Damages shall be determined in accordance with the rules provided for by Article 17 of this Code.

3. When determining the damages, the prices in effect in the place where the obligation should have been fulfilled, on the day of voluntary satisfaction of the creditor's claim by the debtor, shall be taken into account, and where the claim has not been satisfied the prices in effect on the day of making the court judgment shall be taken into account, unless otherwise provided for by law, other legal acts or contract.

4. When determining the lost benefit, the measures taken by the creditor for recovering it and the preparations made to that end shall be taken into account.

Article 410. Damages and default penalty

1. Where a default penalty is prescribed for the failure to fulfil or improper fulfilment of an obligation, the damages shall be compensated for the portion not covered by the default penalty.

Cases may be envisaged by law or contract, where:

(1) it is permitted to levy only the default penalty, but not for the damages;

(2) the damages may be levied for in the full amount, not including the default penalty;

(3) either the default penalty or the damages may be levied upon creditor's choice.

2. In cases where limited liability is established for the failure to fulfil or improper fulfilment of an obligation (Article 416), damages subject to compensation in part not covered by the default penalty or in addition thereto or instead of it may be levied for within the scope established by such limitation.

Article 411. Liability for the failure to fulfil a pecuniary obligation

1. In cases of illegally holding another person's monetary means, avoiding to return them, using them through other payment default or unjust receipt on another person's account or saving thereof, interests shall be charged with respect to that amount. Interests shall be calculated from the day of default until the day of the termination of the obligation, according to the bank interest rates established by the Central Bank of the Republic of Armenia for the relevant time periods.

(Paragraph deleted by HO-521-N of 31 March 2003)

The procedure envisaged by this point shall be in force, unless another amount of damage compensation or interest is not envisaged by law or contract. Where another size of damage compensation or interest is envisaged by law or contract for a certain time period, the procedure envisaged by this point shall not apply only during the given time period.

Interests envisaged by this point shall not be calculated for the default penalty calculated based on Article 369 of this Code, damages and default penalties calculated based on Article 410, and interests calculated based on point 3 of this Article, unless otherwise provided for by law.

2. The bank interest rate shall be set by the Central Bank of the Republic of Armenia for the dram of the Republic of Armenia and for those foreign currencies by which the Central Bank of the Republic of Armenia performs operations in the Republic of Armenia.

3. Where damages caused to the creditor through the Illegal use of the monetary means thereof exceed the sum of the interests to be paid to the creditor based on point 1 of this Article, the latter shall have the right to demand from the debtor to compensate for the damages.

4. The interests for the use of others' means shall be levied until the day of payment to the creditor of the sum of those means, unless a shorter period for accrual of interests is established by contract.

(Article 411 edited, amended, supplemented by HO-521-N of 31 March 2003)

Article 412. Fulfilment of liability and obligation in kind

1. In case of improper fulfilment of an obligation, the payment of default penalty and the compensation of damages to the creditor shall not release from the fulfilment of the obligation in kind, unless otherwise provided for by law or contract.

2. The compensation of damages in case of failure to fulfil an obligation and the payment of default penalty for the failure to fulfil it shall release the debtor from fulfilling the obligation in kind, unless otherwise provided for by law or contract.

3. The refusal of the creditor to accept the fulfilment which, as the result of default, has lost its interest for the creditor (point 2 of Article 421), as well as the payment of a default penalty established as a refusal fee (Article 425) shall release the debtor from the fulfilment of the obligation in kind.

Article 413. Fulfilment of an obligation on the account of the debtor

In case of failure by the debtor to fulfil the obligation of preparing and transferring the property to the ownership or for use of the creditor, or the obligation of fulfilling certain work or rendering a service to the latter, the creditor shall have the right to delegate the fulfilment of the obligation to third persons within a reasonable term and

for a reasonable price, or to perform it by own efforts and to demand from the debtor compensation for the necessary expenditures and other damages incurred, unless otherwise follows from law, other legal acts, contract or the essence of the obligation.

Article 414. Consequences of non-fulfilment of an obligation to transfer an individually identified property

1. In case of failure to fulfil the obligation of transferring to the ownership or non-gratuitous use of the creditor the individually identified property, the latter shall have the right to demand that the property is taken from the debtor and transferred thereto according to the conditions envisaged by the obligation. This right shall abolish where prior to that the property has been transferred to a third person by the right of ownership. Where the property has not yet been transferred, the preferential right shall belong to the one, from among the creditors, to the benefit whereof the obligation has arisen earlier, and where it is impossible to determine it shell belong to the one who has filed the claim earlier.

2. Instead of demanding to transfer thereto the property which is the subject-matter of the obligation, the creditor may demand compensation for damages.

Article 415. Subsidiary liability

1. Before submitting the claims to the person who, in compliance with the law, other legal acts or terms and conditions of the obligation, bears liability supplementary to the liability of the principal debtor (subsidiary liability), the creditor shall submit the claim to the principal debtor.

2. Where the principal debtor has refused to satisfy the claim of the creditor, or the creditor has not received an answer to the claim submitted thereto within a

reasonable term, the concerned claim may be submitted to the person bearing subsidiary liability.

3. The creditor shall not have the right to claim from the person bearing subsidiary liability satisfaction of the claim thereof directed to the principal debtor, where this claim may be satisfied through set-off of the counter-claim against the principal debtor.

4. A person bearing subsidiary liability, before satisfying the claim made thereto by the creditor, should notify thereon to the principal debtor, and where an action has been filed against him or her — should involve the latter in the case. Otherwise, the principal debtor shall have the right to make such objections against the regress claim of the person bearing subsidiary liability, which he or she has had with respect to the claims of the creditor.

Article 416. Limiting the amount of liability for obligations

1. The right to incomplete compensation of damages may be prescribed by law for liabilities relating to separate types of obligations and certain types of activities (limited liability).

2. Under the adhesion or another contract, according to which the creditor shall be a consuming citizen, the agreement on limiting the amount of liability of the debtor shall be null and void, where the amount of liability for violating the given type of obligation or for the given violation are prescribed by law, or the agreement has been settled before the emergence of the circumstances resulting in the liability for the failure to fulfil or improper fulfilment of the obligation.

Article 416.1. Limited liability of an electronic communication service provider

1. An electronic communication service provider shall not be liable for the content of electronic documents transferred by third persons through its information system, as well as for obligations arising between third persons as a result of the transfer, unless otherwise provided for by law or the contract concluded with the service provider.

2. Electronic communication service providers shall be liable where, without having the authority to do so or acting beyond their authority, they have:

(1) transferred an electronic document in the name of another person;

(2) selected, in the name of another person, a receiver of an electronic document;

(3) selected and made changes to an electronic document of another person.

(Article 416.1 supplemented by HO-115-N of 17 June 2016)

Article 416.2. Grounds for liability of an electronic trading platform operator

1. An operator of a website or an electronic application serving as a platform for third persons to conclude and implement contracts (electronic trading platform operator) shall not be liable for obligations arising from contracts concluded between third persons, unless otherwise provided for by law, by the contract concluded between the electronic trading platform operator and the third person.

2. Part 1 of this article shall not apply in cases where the electronic trading platform operator has operated the electronic trading platform in violation of the requirements of the law.

(Article 416.2 supplemented by HO-115-N of 17 June 2016)

Article 417. Grounds for liability for violating the obligation

1. The debtor shall be liable for the failure to fulfil and/or improper fulfilment of an obligation where there is a fault, unless otherwise provided for by law or contract.

The debtor shall be declared as having no fault, if he or she proves that has undertaken all the measures under the latter's control for the proper fulfilment of the obligation.

2. Absence of fault shall be proved by the person who has violated the obligation.

3. The person who has failed to fulfil or has improperly fulfilled the obligation while engaged in entrepreneurial activity shall be held liable, unless he or she proves that the proper fulfilment was impossible due to force majeure — that is as a consequence of emergency and unpredictable circumstances in given conditions — unless otherwise provided for by law or contract. Such circumstances shall, in particular, not be the violation of obligations by counterparts of the debtor, the absence of required goods at market or of necessary monetary means with the debtor.

4. A priorly concluded agreement on abolishing or limiting the liability for wilful violation of the obligation shall be null and void.

Article 418. Liability of the debtor for the actions of the employees thereof

Actions of the employees of the debtor aimed at the fulfilment of an obligation shall be deemed to be actions of the debtor. The debtor shall be liable for these actions where they have resulted in the failure of the fulfilment or improper fulfilment of the obligation.

Article 419. Liability of the debtor for actions of third persons

The debtor shall be held liable for the failure to fulfil or improper fulfilment of an obligation by third persons, which were responsible for the fulfilment, unless it is provided for by law that the liability shall be borne by the third person fulfilling the obligation personally.

Article 420. Consequences of violating the obligation due to the fault of both parties

1. Where failure to fulfil or improper fulfilment of an obligation has occurred by the fault of both parties, the court shall correspondingly reduce the amount of the debtor's liability. The court shall have the right to reduce the amount of the debtor's liability also where the debtor has deliberately or neglectfully contributed to the increase in the amount of damages caused as a consequence of non-fulfilment or improper fulfilment of the obligations or has not taken reasonable measures for the reduction thereof.

2. Rules of point 1 of this Article shall respectively apply also in cases, where the debtor, irrespective of his or her fault, bears liability by virtue of law or contract for the failure to fulfil or improper fulfilment of the obligation.

Article 421. Default of the debtor

1. The debtor who has made a default of performance shall be liable before the creditor for the damages caused by the default and for the consequences of the impossibility of fulfilment which accidentally emerged at the time of default.

2. Where the fulfilment has lost its interest for the creditor as a consequence of the default by the debtor, he or she may refuse from accepting the performance and demand compensation of damages.

3. The debtor shall not be considered as defaulter as long as the obligation may not be fulfilled as a result of the default by the creditor.

Article 422. Default of the creditor

1. The creditor shall be considered as defaulter where he or she has refused from accepting the proper fulfilment offered by the debtor, or has not performed actions prescribed by law, other legal acts or contract or arising from customary business practices or from the essence of the obligation, in case of non-performance of which the debtor could not have performed his or her obligation.

The creditor shall be considered as defaulter in the cases referred to in points 2 and 3 of Article 424 of this Code.

2. The default by a creditor shall entitle the debtor to demand compensation for the damages caused by the default, unless the creditor proves that the default has occurred in such circumstances, for which neither the latter, nor those persons whereon the acceptance of the fulfilment has been vested by virtue of law, other legal acts or creditor's assignment, are not responsible.

3. The debtor bearing pecuniary obligation shall not be obliged to pay interests for the default of the creditor.

CHAPTER 27

TERMINATION OF OBLIGATIONS

Article 423. Grounds for terminating obligations

1. The obligation shall terminate fully or partially on the grounds provided for by law, other legal acts or contract.

2. It shall be permitted to terminate the obligation upon the request of one of the parties solely in cases provided for by law or contract.

Article 424. Termination of an obligation by fulfilment

1. Proper fulfilment shall terminate an obligation.

2. The creditor shall, accepting the fulfilment, be obliged to give the debtor, upon the latter's request, a notice on receipt of the fulfilment in full or in its relevant part.

Where the debtor has issued an evidence of indebtedness to the creditor in confirmation of the obligation, the creditor, accepting the fulfilment, must return this document and, where impossible it must indicate thereon in the receipt issued thereby. The receipt may be replaced with an endorsement made on the returned evidence of indebtedness.

The fact that the evidence of indebtedness is held by the debtor shall confirm the termination of the obligation, unless otherwise has not been yet proved.

3. In case of refusal by the creditor to give a receipt, return the evidence of indebtedness or indicate in the receipt the impossibility of returning it, the debtor shall have the right to suspend the fulfilment. In these cases the creditor shall be considered a defaulter.

Article 425. Refusal fee

Upon the consent of the parties, the obligation may terminate by providing a refusal fee (payment of money, transfer of property, etc.) instead of the fulfilment. The amount of refusal fee as well as the terms and procedure for providing thereof shall be determined by the parties.

Article 426. Termination of obligation with set-off

The obligation shall terminate fully or partially with set-off of a cross claim of the same type, the term of which has expired or is not indicated or has been determined based on the moment of the claim. The announcement by one of the parties will be sufficient for the set-off.

Article 427. Cases of impermissibility of set-off

Set-off of claims shall not be allowed where:

(1) at the request of other party the statute of limitations shall be subject to application in respect of the claim and the concerned term has expired;

(2) these relate to compensation of damages caused to health or life;

(3) these relate to levy in execution of alimony.

Set-off of claims shall not be allowed also in cases provided for by law or contract.

Article 428. Set-off when surrendering a claim

1. In case of surrendering a claim, the debtor shall be entitled to set-off his or her cross claim in respect to the initial creditor against the claim of the new creditor.

2. The set-off shall be made where the claim has arisen on grounds existing at the moment of receiving by the debtor a notification on surrendering the claim and the term for the claim has expired prior to the receipt thereby of the notification on surrendering the claim, or where the term is not indicated or has been determined based on the moment of the claim.

Article 429. Termination of an obligation in case of the debtor coinciding with the creditor

In case of the debtor coinciding with the creditor, the obligation shall be terminated.

Article 430. Termination of obligation by novation

1. The obligation shall terminate by agreement on replacing the initial obligation between the parties with another obligation between the same persons, which envisages another subject-matter, or method of fulfilment thereof (novation).

2. Novation shall not be allowed with respect to compensation of damages caused to life or health and with respect to obligations of payment of alimony.

3. Novation shall terminate supplementary obligations relating to the initial obligation, unless otherwise provided for by the agreement of parties.

Article 431. Waiver of debt

The obligation shall terminate through releasing the debtor from obligations (by waiving the debt) by the creditor, unless it violates other persons' rights towards the creditor's property.

Article 432. Termination of obligation due to the impossibility of fulfilment

1. An obligation shall terminate due to the impossibility of fulfilment, if this has occurred as a result of such circumstances for which neither of the parties is responsible. In such a case the creditor shall not have the right to demand from the debtor the fulfilment of the obligation.

2. In case of impossibility of fulfilment by the debtor of the obligation, which has occurred at creditor's fault, the latter shall not have the right to demand whatever it has performed under the obligation.

Article 433. Termination of an obligation based on an act of state or local self-government body

1. Where as a result of promulgation of an act by a state or local self-government body the fulfilment of the obligation becomes fully or partially impossible, the obligation shall terminate fully or in the relevant part. The parties which have incurred damages as a result thereof, according to Articles 15 and 18 of this Code, shall be entitled to demand compensation of damages.

2. In case of declaring invalid the act of a state or local self-government body under the prescribed procedure, based on which the obligation has been terminated, the obligation shall be recovered, unless otherwise follows from the agreement of the parties or from the essence of the obligation and unless its fulfilment has not lost its interest for the creditor.

Article 434. Termination of an obligation by the death of a citizen

1. An obligation shall terminate by the death of the debtor if the fulfilment may not be achieved without the personal involvement of the debtor or if the obligation is otherwise inherently and inseparably connected with the debtor.

2. An obligation shall terminate by the death of the creditor if the fulfilment is envisaged personally for the creditor, or the obligation is otherwise inseparably related to the persona of the creditor.

Article 435. Termination of obligation due to liquidation of legal entity

An obligation shall terminate with the liquidation of the legal person (debtor or creditor).

SEVENTH SECTION

OBLIGATIONS ARISING FROM CONTRACTS

FIRST SUBSECTION

GENERAL PROVISIONS ON CONTRACTS

CHAPTER 28

CONCEPT OF CONTRACT AND THE CONDITIONS THEREOF

Article 436. Concept of contract

1. A contract shall be an agreement of two or several persons, which is aimed at establishing, changing or terminating civil rights and duties.

2. Rules on bilateral and multilateral transactions provided for in Chapter 18 of this Code shall apply to contracts.

3. General provisions on obligations shall apply with respect to the obligations arising from a contract, unless otherwise provided for by the rules of this Chapter or the rules of this Code on separate types of contracts.

4. General provisions on contracts shall apply with respect to the contracts entered into between more than two parties, unless it contradicts the multilateral nature of such contracts.

Article 437. Freedom of contract

1. Citizens and legal persons shall be free in entering into a contract.

Coercion to enter into a contract shall not be permitted except for cases where the duty to enter into a contract is provided for by this Code, by law or by a voluntarily assumed obligation.

2. Parties may enter into a contract provided for as well as not provided for by law or other legal acts.

3. Parties may enter into a contract containing elements of several contracts provided for by law or other legal acts (mixed contract). Rules on the contracts, the elements whereof are contained in mixed contracts, shall apply in relevant parts with respect to the relations of parties to a mixed contract, unless otherwise follows from the agreement of the parties or the essence of the mixed contract.

4. The conditions of a contract shall be determined at the discretion of the parties, except for the cases where the content of the relevant condition is prescribed by law or other legal acts (Article 438).

5. In cases when the condition of a contract is provided for by an applicable norm, unless otherwise prescribed by agreement of parties (dispositive norm), parties may, by their agreement, exclude the application of that norm or establish a condition other than the one envisaged thereby. Where there is no such agreement, the condition of the contract shall be determined by a dispositive norm.

6. Where the condition of a contract is not prescribed by the agreement of the parties or by a dispositive rule, the relevant condition shall be determined by the customary business practices applied with respect to these relations of the parties.

Article 438. Contract and law

1. A contract should comply with the mandatory rules (imperative norms) for parties prescribed by law or other legal acts effective at the moment of entering into the contract.

2. Where a law has been adopted after entering into the contract, establishing rules mandatory for the parties other than those effective at the moment of entering into the contract, the conditions of the contract entered into shall remain in force, except for the cases where it is prescribed by law that its effect extends to the relations arising from previously concluded contracts.

Article 439. Non-gratuitous and gratuitous contracts

1. A contract under which a party shall receive payment or cross execution for its duties shall be non-gratuitous.

2. A contract shall be considered as gratuitous under which one party undertakes the obligation to provide something to the other party without receiving from the latter any payment or other cross execution.

3. A contract shall be supposed to be non-gratuitous, unless otherwise stipulated by law, other legal acts, the content or the essence of the contract.

Article 440. Contract price

1. The execution of a contract shall be paid at the price fixed by the agreement of the parties.

In cases provided for by law, prices (tariffs, pricings, rates, etc.) established or regulated by authorised state bodies shall apply.

2. After entering into the contract, it shall be permitted to change its price in the cases and under the conditions provided for by the contract or law.

3. In cases where no price is envisaged in a non-gratuitous contract and it may not be determined based on the conditions of the contract, the execution of the contract must be paid for at the price which in comparable circumstances is usually levied for analogous goods, works or services.

Article 441. Effectiveness of a contract

1. A contract shall enter into force and become binding for the parties from the moment of entering into it.

2. The parties shall have the right to define that the conditions of the contract they have entered into shall apply to their relationships having arisen before entering into the contract.

3. It may be provided for by law or contract that the obligations of the parties shall terminate with the expiry of the term of the contract.

A contract not containing such a condition shall be effective till the end of the fulfilment of the obligation determined thereby.

4. The expiry of the term of the contract shall not release the parties from the liability for prior violations of the contract.

Article 442. Public contract

1. Public contract shall be the contract entered into by a commercial organisation and establishing its obligations for the sales of goods, performance of works or delivery of services, which the organisation, due to its nature, must perform with respect to anyone who applies thereto (retail trade, transport operations by common carrier, communication services, energy supply, healthcare, hotel service, etc.).

2. In case of concluding a public contract, the commercial organisation shall not have the right to show preference to one person over another.

3. The price of goods, works and services, as well as other conditions of a public contract shall be established as identical for all consumers.

4. In case of a possibility to supply goods, perform works and provide services for a consumer, the commercial organisation may not refuse from entering into a public contract.

Where a commercial organisation unreasonably avoids from concluding a public contract, the rules established by Article 461 of this Code shall apply.

5. In cases provided for by law, the Government and the Public Services Regulatory Commission of the Republic of Armenia may promulgate rules mandatory for parties on entering into and performing a public contract (standard contracts, etc.).

6. Conditions of a public contract that are incompliant with the requirements prescribed by points 3 and 5 of this Article shall be null and void.

(Article 442 amended by HO-22-N of 25 December 2003)

Article 443. Standard conditions of a contract

1. It may be provided for by a contract that special conditions thereof shall be determined upon the standard conditions elaborated for relevant types of contracts and published in press.

2. In cases where the contract does not contain a reference to standard conditions, such standard conditions shall be applied with respect to the relations of parties as customary business practices, if they comply with the requirements prescribed by Article 7 and point 6 of Article 437 of this Code.

3. Standard conditions may be set forth in the form of a standard contract or other document containing those conditions.

Article 444. Contract of adhesion

1. A contract of adhesion shall be the contract, the conditions whereof are defined by one of the parties in a formulary or other standard form, whereas the other party may accept these condition by a full adhesion to the offered contract.

2. A party adhering to a contract shall be entitled to demand rescission or change of a contract where, although the adhesion contract does not contradict the law and other legal acts, but it deprives that party from the rights usually granted under such contracts, excludes or limits the liability of another party for violating the obligations or contains other conditions explicitly non-gratuitous for the adhering party which the latter, based on its own reasonably acknowledged interests, would have not accepted if provided with the opportunity to participate in the defining of the conditions of the contract.

3. In case of existence of circumstances provided for by point 2 of this Article, the request to rescind or change the contract submitted by the party who has adhered to the contract, in relation to the engagement of the latter in entrepreneurial activity,

shall not be subject to satisfaction if the adhering party has known or should have known the terms and conditions under which the latter is entering into the contract.

Article 445. Preliminary contract

1. Under the preliminary contract, the parties shall undertake an obligation to enter into a contract on transfer of property, performance of works or delivery of services (principal contract) under the conditions provided for by the preliminary contract.

2. A preliminary contract shall be entered into in the form provided for by the principal contract, and where the form of the principal contract is not established it shall be entered into in writing. Failure to observe the rules on the form of the preliminary contract shall render it null and void.

3. A preliminary contract shall contain conditions which enable establishing the scope of the principal contract as well as other essential conditions.

4. The preliminary contract shall indicate the term during which the parties shall be obliged to enter into the principal contract. Where such a term has not been indicated in the preliminary contract, the principal contract should be entered into within a period of one year from entering into the preliminary contract.

5. In cases when the party who has entered into a preliminary contract evades from entering into the principal contract, the rules prescribed by Article 461 of this Code shall apply.

6. Obligations provided for by a preliminary contract shall terminate where the principal contract is not entered into prior to the expiry of the term during which the parties should have concluded it or one of the parties does not make an offer to the other party on entering into that contract.

7. An agreement of intent (protocol of intent, etc.), where there is no direct implication of the will of the parties to enforce a preliminary contract, shall not entail civil legal consequences.

Article 446. Contract for the benefit of a third person

1. A contract may be deemed to be for the benefit of a third person, where the parties thereto have established that the debtor must be obliged to fulfil the obligation not for the benefit of the creditor but for the benefit of a third person indicated or not indicated in the contract, who is entitled to claim from the debtor fulfilment of the obligation for own benefit.

2. From the moment of informing the debtor of the will to exercise one's contractual right by a third person, the parties may not, without the third person's consent, rescind or change the contract they have entered into, unless otherwise provided for by law, other legal acts or contract. In cases provided for by the pension legislation of the Republic of Armenia, silence may be deemed to be an expression of the will of the third person to enjoy his or her right pursuant to the contract.

3. The debtor shall have the right to make such objections against the claim of the third person which the debtor might have filed against the creditor.

4. In the case when the third person renounces the rights granted thereto under the contract, the creditor may avail himself or herself of that right, unless it contradicts the law, other legal acts and the contract.

(Article 446 supplemented by HO-69-N of 21 June 2014)

Article 447. Interpretation of a contract

1. In interpreting the conditions of a contract, the court shall rely on the literal meaning of the words and expressions contained therein. In case of vagueness of the literal meaning of a condition of a contract, it shall be defined through juxtaposing the other conditions of the contract and the overall meaning of the contract.

2. Where the rules contained in point 1 of this Article do not provide an opportunity to determine the content of the contract, the real common will of the parties must be clarified given the objective of the contract. Moreover, all relevant circumstances shall be considered, including negotiations and correspondence preceding the contract, the practice established in the interrelations between parties, customary business practices, further behaviour of parties.

CHAPTER 29

ENTERING INTO A CONTRACT

Article 448. General provisions on entering into a contract

1. A contract shall be deemed to be entered into, where an agreement has been reached in the required manner between parties on all essential conditions of the contract.

Conditions on the subject-matter of a contract, the conditions indicated as essential in the law and other legal acts or conditions necessary for the given type of a contract, as well as all those conditions whereon agreement should be reached by the statement of one of the parties.

2. A contract shall be entered into through sending an offer of one of the parties (an offer to enter into a contract) and through its acceptance (acceptance of an offer).

Article 449. Moment of entering into a contract

1. A contract shall be deemed to be entered into from the moment of receipt of acceptance by the person having sent the offer.

2. Where, in accordance with law, it is necessary also to transfer property for entering into a contract, the contract shall be deemed to be entered into from the moment of transfer of property (Article 177).

3. A contract, the rights arising from which are subject to state registration, shall be deemed to be entered into from the moment of the registration of that right.

Article 450. Form of a contract

1. A contract may be entered into in any form envisaged for entering into transactions unless a specific form is prescribed by law for entering into the given type of a contract.

2. Where the parties have arranged to enter into a contract in a specific form, it shall be deemed to be entered into upon giving an agreed form thereto, even if that form for the given type of a contract is not required by law.

3. A contract may be entered into in a written form upon signature of parties through drawing up a single document, as well as through exchanging information or a communication (document) via means of postal, telegraphic, facsimile, telephone, electronic or other communication which make it possible to confirm its authenticity and accurately establish that it comes from the contracting party. When concluding a contract via means of electronic communication, unless other requirements regarding the form of such contract are prescribed by law, an electronic document not protected

by an electronic digital signature shall have the same legal effect as any document signed by hand by a given person.

4. The written form of a contract shall be deemed to be observed, where the written proposal to enter into a contract has been accepted as prescribed by point 3 of Article 454 of this Code.

(Article 450 edited by HO-115-N of 17 June 2016)

Article 451. Offer

1. An offer shall be a proposal addressed to one or several specific persons, which definitely reveals the intention of the offeror to consider the contract as entered into with the person having accepted the offer.

An offer shall contain essential conditions of a contract.

2. An offer shall encumber the sending person from the moment of receiving it by the addressee.

Where a notice on the recall of an offer has been received before receiving the offer or simultaneously, the offer shall be considered as not sent.

When concluding a contract via means of electronic communication, an offer shall be deemed as received from the moment it has entered the information system specified by the addressee or, where it has been sent to an information system not specified by the addressee, from the moment it has been discovered by the addressee.

(Article 451 supplemented by HO-115-N of 17 June 2016)

Article 452. Irrevocability of an offer

1. An offer received by an addressee may not be recalled within the period established in the offer for its acceptance, unless other reservation exists in the offer or follows from the essence of an offer or the situation in which it has been made.

2. When concluding a contract via means of electronic communication, the offeror and acceptor shall have the right to correct misprints, misspellings and miscalculations made by them in the offer or acceptance, provided that it is made immediately after detecting the misprint, misspelling or miscalculation, and that the other party has not taken any action aimed at the implementation of the contract (loading of goods, performance of works, rendering of services, making payments, etc.) which has lead to expenses.

(Article 452 supplemented by HO-115-N of 17 June 2016)

Article 453. Invitation to make an offer. Public offer

1. An advertisement and other offers addressed to an indefinite group of persons shall be deemed to be an invitation to make an offer, unless otherwise directly indicated in the offer.

2. An offer, containing all the essential conditions of a contract, which imply the will of an offeror to enter into a contract with each offeree on the conditions specified in the offer, shall be deemed to be a public offer.

Article 454. Acceptance

1. An acceptance shall be a response by a person on accepting an offer to whom an offer has been addressed.

An acceptance should be complete and unreserved.

2. Silence shall not be acceptance, unless otherwise arises from the law, customary business practices or former business relations between parties.

3. An acceptance shall be deemed to be the undertaking of actions (loading of goods, performance of works, rendering of services, payment of a relevant sum, etc.) targeted at fulfilment of conditions of the contract mentioned in the offer within the term set for acceptance by an offeree, unless otherwise provided for by law, other legal acts or mentioned in the offer.

4. When concluding a contract through means of communication ensuring electronic communication, the acceptance shall be deemed as received from the moment when the electronic notification on taking actions aimed at the fulfilment of conditions of the contract is entered the information system mentioned by the offeror, or it has been detected by the offeror, where it has been sent to the information system not mentioned by him or her.

(Article 454 supplemented by HO-115-N of 17 June 2016)

Article 455. Withdrawal of an acceptance

Where an offeror has received the notice on withdrawal of the acceptance before the acceptance or simultaneously, the acceptance shall be considered as not received.

Article 456. Entering into a contract based on an offer establishing a term for acceptance

Where a term for an acceptance is established in the offer, the contract shall be deemed to be entered into, if the person who has sent the offer has received the acceptance within the term indicated in the offer.

Article 457. Entering into a contract based on an offer not establishing a term for acceptance

1. Where a term for acceptance is not established in the written offer, the contract shall be deemed to be entered into, if the person, who has sent an offer, has received the acceptance before the expiry of the term established by law or other legal acts, and where such a term is not defined — within the term required for it.

2. Where the offer has been made verbally without indication of a term for acceptance, the contract shall be deemed to be entered into where the other party has immediately declared of the acceptance thereof.

Article 458. Late acceptance

Where the notice on acceptance sent in time has been received late, an acceptance shall not be deemed to be late where the party who has sent the offer does not immediately inform the other party on receiving a late acceptance. Where the party who has sent an offer to the other party immediately informs on receiving the late acceptance, the contract shall be deemed to be entered into.

Article 459. Acceptance under other conditions

A response on the agreement to enter into a contract under terms and conditions other than those indicated in the offer shall not be deemed to be acceptance. Such a response shall be deemed to be a refusal from acceptance and at the same time a new offer.

Article 460. Place of entering into a contract

Where the place of contract is not mentioned in the contract, a contract shall be deemed to be entered into in the place of residence of a citizen or registered office of a legal person.

Article 461. Evasion of a party from entering into a contract

1. Where the party, for whom entering into a contract is obligatory in accordance with the law, evades from entering into it, the other party shall have the right to apply to the court with a claim to force the entering into the contract.

2. The party unreasonably evading from concluding a contract shall compensate the other party for the damages caused thereby.

Article 462. Pre-contract disputes

In case of bringing to the court the divergences, having arisen when entering into the contract, based on Article 461 of this Code or by the agreement of parties, the conditions of the contract with respect to which there are divergences between the parties shall be determined in accordance with the court judgment.

Article 463. Entering into a contract through a bidding

1. A contract, unless otherwise follows from its essence, may be entered into through a bidding. A contract shall be awarded to the person who has won in the bidding.

2. Owner of property, holder of rights, offeror of works or services, as well as the person acting based on a written contract entered into with the owner or rightholder and acts on their or his or her own name, may be an organiser of a bidding.

3. In the cases referred to in this Code or other law, the contracts on selling the property or property right may be concluded only through bidding.

4. Biddings shall be conducted in the form of an auction or a tender.

The highest bidder shall be deemed to be the winner in the auction, and the person, who has proposed the best conditions based on the conclusion of the tender committee previously appointed by the organisers of biddings, shall be deemed to be the winner in the tender.

The form of biddings shall be determined by the owner of the property under sales or holder of the property right under sales, unless otherwise provided for by law.

(Article 463 edited by HO-16-N of 8 October 2003)

Article 464. Procedure for organising and holding biddings

1. Auctions and tenders may be open and closed.

Any person may participate in an open auction and open tender. Only persons invited specially for that purpose may participate in closed auctions and closed tenders.

2. A notice on holding biddings shall be made by the organiser at least thirty days before holding biddings, unless otherwise provide for by law. A notice shall contain information on the time, place and form of biddings, their subject-matter and procedure for holding them, including on the formulation of participation in the biddings, decision of the person having won in the biddings as well as the starting price.

In the case, where the subject-matter of biddings is the right to enter into a contract, the term provided for that shall be indicated in the notice on biddings to be held.

3. The organiser of open biddings shall have the right to refuse the conduct of the auction but not later than at least three days before holding the auction, whereas in conducting a tender – not later than thirty days before holding it, unless otherwise provided for by law or by the notice on holding biddings.

In cases where the organiser of open biddings has refused to conduct them in violation of the indicated terms, the latter shall be obliged to compensate the participants for the actual damage incurred by them.

An organiser of a closed auction or closed tender shall be obliged to compensate for the real damage incurred by the participants invited thereby, irrespective of the term of sending the notice on refusal from biddings.

4. Participants to the biddings shall make a pre-payment in the amount, within the terms and according to the procedure indicated in the notice on holding biddings. Where the biddings have not taken place the pre-payment shall be returned. The pre-payment shall be returned also to those participants who have not won in the biddings.

In concluding a contract with a person having won in the biddings, the pre-payment that the latter has made shall be calculated within the payment for the performance of obligations under the contract entered into.

5. The person having won in the biddings and the organiser of the bidding shall, on the day of holding the auction or tender, sign a protocol on the results of biddings which has the force of a contract. The person having won in the biddings, in case of evading from signing the protocol, shall lose the pre-payment made. The organiser of biddings refusing to sign the protocol shall be obliged to return the pre-payment in the double amount as well as to compensate the person winning in the biddings for the damages incurred while participating in the bidding.

6. Where the subject-matter of biddings is solely the right of entering into a contract, the parties must sign such a contract not later than at least twenty days after the end of biddings and drawing up the protocol or not later than another term specified in the notice.

7. In case of evasion by one of the parties from entering into a contract, the other party shall have the right to apply to court for forcing to enter into the contract as well

as with a claim to compensate for the damages caused as a consequence of avoiding to enter into the contract.

(Article 464 amended by HO-16-N of 8 October 2003).

Article 465. Consequences of violating the rules on holding biddings

1. Biddings held in violation of the rules established by law may be declared as invalid by the court, upon the claim of an interested person.

2. Declaring biddings as invalid shall result in the invalidity of the contract entered into with the winning bidder.

CHAPTER 30

AMENDMENT AND RESCISSION OF A CONTRACT

Article 466. Grounds for amendment and rescission of a contract

1. Amendment and rescission of a contract shall be possible upon the agreement of parties, unless otherwise provided for by law or the contract.

2. A contract may, upon the request of one of the parties, be amended or rescinded through a court judgment solely in case of an essential violation of the contract by the other party or in other cases provided for by law or the contract.

Violation of a contract made by one of the parties shall be recognised as essential, where it results in such damage for the other party that deprives the latter of whatever that party might be entitled to expect while entering into a contract.

3. In case of unilaterally refusing, in full or in part, to perform a contract, where renunciation from a contract is permitted by law or agreement of parties, the contract shall respectively be considered rescinded or amended.

Article 467. Amending and rescinding a contract in relation to an essential change in circumstances

1. The essential change of circumstances on which the parties relied while entering into a contract shall be a basis for amendment or rescission of a contract, unless otherwise provided for by the contract or follows from its essence.

The change of circumstances shall be deemed to be essential where they have changed insomuch as if the parties might have reasonably forecast, a contract with considerably different conditions would have been entered into between them or would not have been entered into at all.

2. Where the parties have not reached an agreement on bringing the contract into compliance with the considerably changed circumstances or on rescinding it, the contract may be rescinded; whereas on grounds provided for by point 4 of this Article the contract may be amended through the court by the claim of the interested party upon simultaneous existence of the following conditions:

(1) at the moment of entering into the contract the parties have were based on that such a change in circumstances would not take place;

(2) the change of circumstances has emerged due to such reasons which the interested party may not overcome after their emergence with prudence and due diligence required from it by the nature of the contract and conditions of circulation;

(3) the performance of the contract without any change in the conditions thereof would have violated insomuch the correlation of property interests of parties complying with a contract and would have caused such damage to the interested party

that would have deprived the latter of whatever the party might be eligible for when entering into the contract;

(4) it does not follow from customary business practices or the essence of the contract that the risk of change in circumstances shall be borne by the interested party.

3. When rescinding a contract, as a result of an essential change in circumstances the court shall, upon the claim of any party, determine the consequences of the rescission based on the need for fair distribution between the parties of the expenses incurred thereby in connection with performing that contract.

4. Change in a contract, in connection with an essential change of circumstances, shall be allowed through court judgment in exceptional cases where the rescission of a contract contradicts public interests or causes such damage to the parties that considerably exceeds the costs required for performance of a contract with the conditions changed by the court.

Article 468. Procedure for amendment and rescission of a contract

1. An agreement to amend or rescind a contract shall be concluded in the same form as the contract, unless otherwise follows from law, other legal acts, contract or customary business practices.

2. A party may file with the court a claim on amending or rescinding a contract solely upon the receipt of refusal by the other party concerning a proposal to amend or rescind the contract or upon failure to receive a response within the term referred to in the proposal, and in case of absence thereof, within a period of thirty days.

Article 469. Consequences of amending and rescinding a contract

1. When amending a contract, the obligations of parties shall be retained according to the amended contract.

2. The obligations of parties shall terminate when rescinding a contract.

3. In case of amending or rescinding a contract, the obligations shall be deemed to be amended or terminated as from the moment of signing an agreement of parties on amending or rescinding a contract, unless otherwise follows from agreement or the essence of amendment of the contract, whereas while amending or rescinding a contract through judicial procedure — as from the moment of entry into legal force of the court judgment on amendment or rescission of the contract.

4. The parties shall not have the right to demand the return of whatever they performed by virtue of obligation till the moment of amendment or rescission of the contract, unless otherwise prescribed by law or by agreement of parties.

5. Where the essential violation of a contract made by one of the parties has served as a basis for amending or rescinding the contract, the other party shall have the right to demand compensation of damages caused by amending or rescinding the contract.

SECOND SUBSECTION

PROPERTY ALIENATION CONTRACTS

CHAPTER 31

PURCHASE AND SALES

§ 1. GENERAL PROVISIONS ON PURCHASE AND SALES

Article 470. Purchase and sales contract

1. Under a purchase and sales contract one of the parties (the seller) shall undertake the obligation to transfer goods (property) as ownership to the other party (the purchaser) and the purchaser shall undertake the obligation to accept these goods and pay certain amount of money (price) for them.

2. The provisions provided for by this Paragraph shall apply to the purchase and sales of securities and currency valuables, unless special rules for the purchase and sales thereof are prescribed by law.

3. In the cases provided for by this Code or by other law, the specific aspects of purchasing and selling specific types of goods shall be prescribed by laws and other legal acts.

4. The provisions provided for by this Paragraph shall apply to the sales of property rights, unless otherwise follows from the content or the essence of these rights.

5. The provisions provided for by this Paragraph shall apply to individual types of purchase and sales contracts (retail purchase and sales, supply of goods, supply of goods for state needs, energy supply, sales of immovable property), unless otherwise provided for by the rules of this Code in respect of these types of contract.

Article 471. Contract condition on goods

1. Any property complying with the rules provided for by Article 133 of this Code may be goods under a purchase and sales contract.

2. The contract may be entered into both on the purchase and sales of goods, that are under the possession of the seller at the moment of entry into the contract, and on the purchase and sales of those goods, that the seller must prepare or obtain in the future, unless otherwise prescribed by law or otherwise follows from the nature of goods.

3. The condition on goods of the purchase and sales contract shall be deemed to be agreed upon, where the contract enables to determine the name and quantity of goods.

Article 472. Duties of the seller to transfer goods

1. The seller shall be obliged to transfer to the purchaser the goods provided for by the purchase and sales contract.

2. The seller shall be obliged to, at the same time while transferring the goods, transfer to the purchaser its appurtenances, as well as documents pertaining to it (technical passport, quality certificate, instructions for operation, etc.) that are provided for by law, other legal acts or contract, unless otherwise provided for by the purchase and sales contract.

Article 473. Term for performance of the duty to transfer goods

1. The term for performance of the duty by the seller to transfer goods to the purchaser shall be defined by the purchase and sales contract, and where the contract does not enable determining such term — in accordance with the rules prescribed by Article 352 of this Code.

2. The purchase and sales contract shall be deemed to be entered into under a condition of its execution within a certain term, where it clearly follows from the contract that in case of breach of the execution term the purchaser shall lose interest in the contract.

The seller shall have the right to execute such a contract earlier than or after the expiry of the term defined therein only upon the consent of the purchaser.

Article 474. Moment of performance by the seller of the duty to transfer goods

1. Unless otherwise provided for by the purchase and sales contract, the duty of the seller to transfer goods to the purchaser shall be deemed to be performed at the moment, when:

(1) goods are transferred to the purchaser or to the person mentioned thereby, where the contract provides for the duty of the seller to deliver the goods;

(2) goods are transferred to the disposal of the purchaser, where they must be transferred to the purchaser or to the person mentioned thereby at the place of location of the goods. Goods shall be deemed to be transferred to the disposal of the purchaser if, within the term, at the proper place provided for by the contract, goods are ready to be transferred and the purchaser, in conformity with the conditions of the contract, is informed that goods are ready to be transferred.

The goods shall not be considered as ready to be transferred, unless these are identified by labelling or by other means for the purposes of the contract.

2. In cases where the duty of the seller to deliver the goods or transfer them to the purchaser at the place of their location does not derive from the purchase and sales contract, the duty shall be deemed to be performed at the moment of transferring the goods to the carrier or the communication company, unless otherwise provided for by the contract.

Article 475. Passage to the purchaser of the risk of accidental loss of and accidental harm to the goods

1. Unless otherwise provided for by the purchase and sales contract, the risk of accidental loss of or accidental harm to the goods shall pass to the purchaser from the moment when the seller, in conformity with law or the contract, is deemed to have performed the duty of transferring goods to the purchaser.

2. In case of sales of goods en route the risk of accidental loss of or accidental harm to the goods shall pass to the purchaser from the moment of entry into the purchase and sales contract, unless otherwise provided for by such contract or customary business practices.

3. The court may declare invalid the condition of the contract, according to which the risk of accidental loss of or accidental harm to the goods passes to the purchaser as from the moment of transferring the goods to the first carrier, where at the moment of entry into the contract the seller has known or should have known that the goods have been lost or harmed but has not informed the purchaser thereof.

Article 476. Duty of the seller to transfer goods free of the rights of third persons

1. The seller shall be obliged to transfer to the purchaser goods that are free of the rights of third persons, except for the case when the purchaser has agreed to accept the goods encumbered with rights of third persons.

Failure by the seller to perform that duty shall give the purchaser a right to require reduction in the price of goods or rescission of the purchase and sales contract, unless the seller proves that the purchaser has known or should have known of the rights of third persons to the given goods.

2. The rules provided for by point 1 of this Article shall correspondingly apply also in the case when at the moment of transferring the goods to the purchaser there has been pretensions of third persons to the goods, whereof the purchaser has been aware, if afterwards these pretensions have been recognised as lawful under the procedure defined.

Article 477. Liability of the seller in seizure of goods from the purchaser

1. In case of seizure of goods from the purchaser by third persons upon the grounds having arisen before the execution of the purchase and sales contract, the seller shall be obliged to compensate the purchaser for the damages incurred, unless the seller proves that the purchaser has known or should have known of existence of these grounds.

2. In cases third persons claim the goods obtained by the purchaser, the agreement of the parties on releasing the seller from liability or restricting the latter's liability shall be null and void.

Article 478. Duties of the seller and the purchaser in case of action brought on seizure of goods

1. Where a third person, on the ground having arisen before the execution of the purchase and sales contract, brings an action against the purchaser on seizure of goods, the purchaser shall be obliged to involve the seller as a participant in the case, and the seller shall be obliged to participate in that case on the part of the purchaser.

2. Failure by the purchaser to involve the seller as a participant in the case shall release the seller from liability before the purchaser, where the seller proves that by participating in the case, the latter might have prevented the seizure of sold goods from the purchaser.

3. The seller, who has been invited by the purchaser to participate in the case but has not participated therein, shall be deprived of the right to prove the incorrect administration of the case by the purchaser.

Article 479. Consequences of non-performance of the duty to transfer the goods

1. Where the seller refuses to transfer the sold goods to the purchaser, the purchaser shall have the right to refuse to execute the purchase and sales contract.

2. In case of refusal by the seller to transfer individually identified goods, the purchaser shall have the right to submit to the seller the claims

Article 480. Consequences of non-performance of the duty to transfer appurtenances and documents relating to goods

Where the seller has not transferred or refuses to transfer to the purchaser the appurtenances or documents of goods, which the seller should have transferred

pursuant to law, other legal acts or the purchase and sales contract, the purchaser shall have the right to set a reasonable term for the transfer thereof.

In case of failure by the seller to transfer the appurtenances or documents of goods within the defined term, the purchaser shall have the right to reject the goods, unless otherwise provided for by the contract.

Article 481. Quantity of goods

1. The quantity of goods to be transferred to the purchaser shall be provided for by the purchase and sales contract, expressed in relevant units of measurement or in money. The condition on the quantity of goods may be agreed upon through defining in the contract the manner for determining it.

2. Where the purchase and sales contract does not enable to determine the quantity of goods to be transferred, the contract shall be deemed as not to have been entered into.

Article 482. Consequences of violating the condition on the quantity of goods

1. Where the seller, in violation of the purchase and sales contract, has transferred to the purchaser goods in the quantity less than provided for in the contract, the purchaser shall have the right either to require to supplement the incompletely transferred quantity of goods or to reject the transferred goods and to refuse to pay for them, and if the purchaser has paid for the goods, the latter may require refund of the paid amount, unless otherwise provided for by the contract.

2. Where the seller has transferred to the purchaser goods in excess of the quantity determined by the purchase and sales contract, the purchaser shall be obliged to notify the seller thereof as prescribed by point 1 of Article 499 of this Code. Where

the seller, upon the receipt of the notice from the purchaser, fails to dispose the relevant part of goods within a reasonable term, the purchaser shall have the right to accept the entire goods, unless otherwise provided for by the contract.

3. In case the purchaser accepts goods in excess of the quantity indicated in the purchase and sales contract (point 2 of this Article), the latter shall, for the additionally accepted goods, pay the price defined by the contract for the same goods, unless another price is determined by the consent of the parties.

Article 483. Assortment of goods

1. Where under the purchase and sales contract goods shall be transferred in certain proportions by types, models, sizes, colours or other features (assortment), the seller shall be obliged to transfer to the purchaser goods in the assortment determined by the consent of the parties.

2. Where the assortment is not determined by the purchase and sales contract and the manner of its determination is not provided for by the contract, but it derives from the essence of the obligation that the goods should be transferred to the purchaser in conformity with the assortment, the seller shall have the right to transfer to the purchaser the goods in the assortment meeting the needs of the latter, which have been known to the seller at the moment of entering into the contract, or to refuse executing the contract.

Article 484. Consequences of violating the condition on the assortment of goods

1. In case of transfer of goods by the seller not complying with the assortment provided for by the purchase and sales contract, the purchaser shall have the right to

refuse accepting them and paying for them, and in case the latter has already paid — to require refund of the paid amount.

2. Where the seller has, together with the assortment of goods in conformity to the purchase and sales contract, transferred to the purchaser goods in violation of the condition on the assortment, the purchaser shall have the right at own choice:

(1) to accept the goods conforming to the condition on the assortment and reject the rest of goods;

(2) to reject all transferred goods;

(3) to require replacement of goods, not complying with the condition on the assortment, with goods corresponding to the assortment provided for by the contract;

(4) to accept all transferred goods.

3. The purchaser, in case of rejection of goods, the assortment whereof is does not comply with the condition of the purchase and sales contract, or in case of requiring replacement of goods not complying with the condition on the assortment of goods, shall have the right to refuse paying for the goods and where the payment has been made — to require refund of the paid amount.

4. Goods, not complying with the condition on the assortment of the purchase and sales contract, shall be deemed to have been accepted, where the purchaser, within a reasonable term upon their receipt, has not informed the seller of rejecting the goods.

5. Where the purchaser has not rejected the goods not complying with the assortment determined by the purchase and sales contract, the latter shall be obliged to pay for them the price agreed upon with the seller. Where the seller has not taken measures within a reasonable term for agreeing upon the price, the purchaser shall pay for goods the price which at the moment of concluding the contract is normally charged for similar goods under comparable circumstances.

6. The rules of this Article shall apply, unless otherwise provided for by the purchase and sales contract.

Article 485. Quality of goods

1. The seller shall be obliged to transfer to the purchaser goods of the quality complying with the purchase and sales contract.

2. In case of absence of conditions on the quality of goods in a purchase and sales contract, the seller shall be obliged to transfer to the purchaser goods suitable for the purposes for which the given type of goods are normally used.

Where the purchaser, while entering into the contract, has informed the seller of the specific purposes for acquiring the goods, the seller shall be obliged to transfer to the purchaser the goods suitable for use in conformity with those purposes.

3. While selling goods by sample and/or by description the seller shall be obliged to transfer to the purchaser goods conforming to the sample and/or description.

4. Where mandatory requirements for the quality of goods for sales are envisaged as prescribed by law, the seller involved in carrying out entrepreneurial activity shall be obliged to transfer to the purchaser the goods conforming to those mandatory requirements.

Goods, meeting requirements of higher quality as compared to mandatory requirements envisaged as prescribed by law, may be transferred upon agreement between the seller and the purchaser.

Article 486. Guarantee for the quality of goods

1. Goods, which the seller is obliged to transfer to the purchaser, must at the moment of transferring them to the purchaser conform to the requirements of

Article 485 of this Code, unless another moment for determining the conformity of goods is provided for by the purchase and sales contract. The goods shall, within a reasonable term, be useful for the purposes for which that type of goods are normally used.

2. In case where the duty to provide a guarantee for the quality of goods is envisaged by the purchase and sales contract, the seller shall be obliged to transfer to the purchaser goods which must comply with the requirements of Article 485 of this Code within the term provided for by the contract (guarantee period).

3. The guarantee for the quality of goods shall cover all its components (component parts), unless otherwise provided for by the purchase and sales contract.

Article 487. Calculation of guarantee period

1. The guarantee period shall start from the moment of transferring the goods to the purchaser (Article 474), unless otherwise provided for by the purchase and sales contract.

2. Where the purchaser is deprived of the opportunity to use the goods, having a guarantee period provided for by the contract, by virtue of circumstances under the control of the seller, the guarantee period shall start from the date of elimination of relevant circumstances by the seller.

The guarantee period shall be extended for a period during which the goods may not be used due to defects detected therein on condition of notifying the seller on the defects of goods as prescribed by Article 499 of this Code, unless otherwise provided for by the contract.

3. The guarantee period for component parts shall be deemed to be equal to the guarantee period of the principal goods and shall start from the date of

the guarantee period of the principal goods, unless otherwise provided for by the purchase and sales contract.

4. A guarantee period in the same duration, as defined for the replaced goods, shall be defined for the goods (component part) transferred to the purchaser in exchange of the goods (component part) wherein defects have been detected during the guarantee period (Article 492), unless otherwise provided for by the purchase and sales contract.

Article 488. Expiration date of goods

1. A term may be prescribed by laws, other legal acts, mandatory requirements of state standards or other mandatory rules, upon the expiry of which goods shall be deemed to be unsuitable for their use (expiration date).

2. The seller shall be obliged to transfer to the purchaser goods, for which an expiry date is defined, in such a manner so as, prior to the expiration date, to make the intended use thereof possible.

Article 489. Calculation of the expiration date of goods

The expiration date of goods shall be determined by a period calculated from the day of their manufacturing during which the goods are suitable for use, or by indicating the year, month and day up to which the goods are suitable for use.

Article 490. Quality inspection of goods

1. The quality inspection of goods may be envisaged by law, other legal acts, and mandatory requirements of state standards or the purchase and sales contract.

Where the inspection procedure is prescribed by law, other legal acts, mandatory requirements of state standards, then the procedure for the inspection of quality of goods, provided for by the contract, shall conform to those requirements.

2. Where the procedure for the quality inspection of goods is not prescribed in accordance with point 1 of this Article, the quality inspection of goods shall be carried out in conformity with customary business practices or other rules usually applied for the inspection of goods subject to transfer under a purchase and sales contract.

3. Where a duty of a seller to carry out quality inspection (test, analysis, screening, etc.) of goods to be transferred to the purchaser is provided for by law, other legal acts, mandatory requirements of state standards or the purchase and sales contract, the seller shall be obliged to provide the purchaser evidence on the inspection of the quality of goods.

4. The procedure and conditions for the inspection of the quality of goods carried out by the seller and purchaser shall be similar.

Article 491. Consequences of transferring goods of improper quality

1. Where the seller has not defined a precondition for the defects of goods, the purchaser, whereto goods of improper quality have been transferred, shall have the right, by own choice, to require from the seller:

(1) to proportionately reduce the price of goods;

(2) to gratuitously eliminate defects of goods within a reasonable term;

(3) to compensate the expenses incurred thereby for eliminating the defects of goods.

2. In case of essential breaches of requirements set for the quality of goods (irremediable defects, as well as defects which may not be eliminated without

disproportionate expenses or loss of time, or defects which emerge many times or again after their elimination, and other defects of similar nature) the purchaser shall have the right by own choice:

(1) to refuse executing the purchase and sales contract and require refund of the amount paid for goods;

(2) to require replacement of goods of improper quality with goods of quality conforming to the contract.

3. The claims for elimination of defects or replacement of goods, referred to in points 1 and 2 of this Article, may be filed by the purchaser, unless otherwise follows from the nature of goods or essence of the obligation.

4. In case of improper quality of part of goods included in the set (Article 495), the purchaser shall have the right, regarding that part of goods, to exercise the rights provided for by points 1 and 2 of this Article.

5. The rules provided for by this Article shall apply, unless otherwise provided for by this Code or other law.

Article 492. Defects of goods for which the seller bears liability

1. The seller shall bear liability for the defects of goods, if the purchaser proves that the defects of goods have emerged before the moment of transfer thereto or by reasons having arisen prior to that moment.

2. The seller shall bear liability for the defects of goods transferred with a guarantee for quality, unless the latter proves that the defects of goods have emerged after transfer to the purchaser as a consequence of breach by the purchaser of rules on the use or storage of goods or actions of third persons or force majeure.

Article 493. Terms for detection of defects of transferred goods

1. The purchaser shall have the right to file claims relating to the defects of goods, provided that they are detected within the terms prescribed by this Article, unless otherwise provided for by law or a purchase and sales contract.

2. Where a guarantee period or expiration date is not provided for in respect to goods, the purchaser may file claims relating to defects of goods, provided that the defects of goods sold are detected within a reasonable term upon transfer of the goods to the purchaser, that is not less than within two years, or within a longer term, where such a term is provided for by law or a purchase and sales contract. The term for detection of defects of goods subject to transportation or delivery by mail shall be calculated from the day of delivery of goods to the point of destination.

3. Where a guarantee period is prescribed for the goods, the purchaser shall have the right to file claims relating to the defects of goods, if the defects have been detected within the guarantee period.

4. Where a shorter guarantee period for a component part of goods, than for the principal goods, is provided for by the purchase and sales contract, the purchaser shall have the right to file claims relating to the defects of component parts within the guarantee period of the principal goods.

5. Where a longer guarantee period is provided for by the contract for a component part than for the principal goods, the purchaser shall have the right to file claims relating to defects of the component item, if the defects of the component part have been detected within its guarantee period, irrespective of the expiry of a guarantee period for the principal goods.

6. The purchaser shall have the right to file claims in respect of goods, for which an expiration date is defined, relating to the defects thereof, unless they have been detected before the expiration date of goods.

7. In cases when the guarantee period provided for by the contract is less than two years and the defects have been detected by the purchaser after the end of the guarantee period but within two years after the day of transfer of the goods to the purchaser, the seller shall bear liability, if the purchaser proves that the defects of goods have emerged prior to the moment of transferring the goods to the purchaser or due to reasons having arisen prior to that moment.

Article 494. Completeness of the set of goods

1. The seller shall be obliged to transfer to the purchaser goods conforming to the conditions on the completeness of the set of goods of the purchase and sales contract.

2. Where the completeness of the set of goods is not determined by the purchase and sales contract, the seller shall be obliged to transfer to the purchaser goods, the completeness of the set whereof is determined by customary business practices or other normally set requirements.

Article 495. Set of goods

1. Where the purchase and sales contract provides for a duty of a seller to transfer a certain collection of goods in a set (set of goods), the duty shall be deemed to be performed from the moment of transferring all the goods included in the set.

2. The seller shall be obliged to transfer to the purchaser all the goods included in the set at the same time, unless otherwise provided for by the purchase and sales contract and otherwise follows from the essence of the obligation.

Article 496. Consequences of transferring goods without a set

1. In case of transferring goods without a set (Article 494) the purchaser shall have the right upon own choice to require from the seller:

(1) to proportionately reduce the price of goods;

(2) to complete the set of the goods within reasonable terms.

2. Where the seller has failed to meet the claims of the purchaser on completing the set of the goods within a reasonable term, the purchaser shall have the right upon own choice:

(1) to require replacement of goods without a set with goods having the set;

(2) to refuse execution of the purchase and sales contract and to require refund of the amount paid for goods.

3. The consequences provided for by points 1 and 2 of this Article shall apply also in case of breach of an obligation to transfer to the purchaser a set of goods (Article 495), unless otherwise provided for by the purchase and sales contract and otherwise follows from the essence of the obligation.

Article 497. Container and package

1. Unless otherwise provided for by the purchase and sales contract and otherwise follows from the essence of the obligation, the seller shall be obliged to transfer the goods to the purchaser in a container and/or a package, except for goods not requiring containers and/or packaging by their nature.

2. Where requirements on the container and the package are prescribed by the purchase and sales contract, the goods must be put in containers and/or packaged in the manner normal for those goods, and, in case there is no such

manner — in the manner ensuring the preservation of such types of goods in ordinary conditions.

3. Where mandatory requirements for the container and/or package are envisaged as prescribed by law, the seller carrying out entrepreneurial activity shall be obliged to transfer the goods to the purchaser in a container and/or a package complying with those mandatory requirements.

Article 498. Consequences of transferring goods without a container and/or a package or in an improper container and/or a package

1. In cases where the goods, subject to be put in container and/or packaged, are transferred to the purchaser without a container and/or package or in an improper container and/or package, the purchaser shall have a right to require from the seller to put the goods in container and/or package them or to replace the improper container and/or package, unless otherwise follows from the contract, the essence of obligation or the nature of the goods.

2. In cases provided for by point 1 of this Article the purchaser, instead of raising claims referred to in that point, shall have the right to file claims deriving from the transfer of goods of improper quality (Article 491).

Article 499. Notifying the seller on improper execution of a purchase and sales contract

1. The purchaser shall be obliged to notify the seller on breach of conditions of a purchase and sales contract on the quantity, assortment, quality, completeness of the set, container and/or package of goods within the term provided for by law, other legal acts or a contract, and where such a term is not defined — within a reasonable

term, when the breach of certain condition of a contract must have been detected, based on the nature and the purpose of goods.

2. In case of failure to comply with the rule provided for by point 1 of this Article, the seller shall have the right to refuse fully or partly to satisfy the claims of the purchaser on completing the unsupplied quantity of goods, replacing the goods not complying with the conditions on quality or assortment of the purchase and sales contract, eliminating the defects of the goods, completing the set of goods or replacing the goods with no set with goods in set, putting the goods in container and/or packaging them, or replacing the improper container and/or package of goods, unless the seller proves that the failure to comply with that rule by the purchaser has resulted in the impossibility to satisfy the latter's claims or has caused disproportionate expenses for the seller, as compared to those expenses which the seller would have incurred if the latter have been timely notified of the breach of the contract.

3. Where the seller has known or should have known, that the goods transferred to the purchaser do not comply with the conditions of the purchase and sales contract, the seller shall not have the right to invoke the provisions provided for by points 1 and 2 of this Article.

Article 500. Duty of the purchaser to accept goods

1. The purchaser shall be obliged to accept the goods transferred thereto, except for cases when the latter has the right to require replacement of the goods or to refuse executing the purchase and sales contract.

2. The purchaser shall be obliged to perform such actions which, in accordance with normally set requirements, are necessary for ensuring the transfer and acceptance of relevant goods thereby, unless otherwise provided for by law, other legal acts or the purchase and sales contract.

3. In cases when the purchaser in breach of the law, other legal acts or the purchase and sales contract has not accepted the goods or has refused accepting them, the seller shall have the right to require from the purchaser to accept the goods or to refuse executing the contract.

Article 501. Price of goods

1. The purchaser shall be obliged to pay for goods the price provided for in the purchase and sales contract, and where it is not provided for by the contract or may not be determined based on its conditions — the price determined in conformity with point 3 of Article 440 of this Code, as well as to perform such actions on own account, which in conformity with the law, other legal acts, contract or normal requirements are necessary for making a payment.

2. Where the price has been defined based on the weight of the goods, it shall be determined by the net weight of the goods, unless otherwise provided for by the purchase and sales contract.

3. Where it has been provided for by the purchase and sales contract, that the price of goods is subject to change based on indicators conditioning the price of goods (prime cost, expenses and other), though the method of price revision is not determined, the price shall be determined based on ratio of those indicators at the moment of entering into the contract and the moment of transferring the goods. In case of default by the seller in fulfilment of obligation to transfer the goods, the price shall be determined based on the ratio of those indicators at the moment of entering into the contract and the moment of transferring the goods provided for by the contract and where it is not provided for by the contract — in conformity with Article 352 of this Code.

The rules prescribed by this point shall apply, unless otherwise provided for by this Code, other laws, other legal acts or a contract and unless otherwise follows from the essence of obligation.

Article 502. Payment for the goods

1. The purchaser shall be obliged to pay for the goods immediately prior to or after receiving the goods from the seller, unless otherwise provided for by this Code, other laws, legal acts or the purchase and sales contract and otherwise follows from the essence of obligation.

2. The purchaser shall be obliged to pay the price of transferred goods fully, unless it is provided for by the purchase and sales contract to pay for the goods on a time share basis (in instalments).

3. Where the purchaser has not made a timely payment for the goods transferred in conformity with the purchase and sales contract, the seller shall have the right to require payment for the goods and payment of interests in accordance with Article 411 of this Code.

4. Where the purchaser in breach of the purchase and sales contract refuses to accept the goods and pay for them, the seller shall have the right, upon own choice, to require payment for the goods or to refuse executing the contract.

5. Where the seller in conformity with the purchase and sales contract is obliged to transfer not only the goods, for which the purchaser has not paid, but also other goods, the seller shall have the right not to transfer those goods till the full payment for all the formerly transferred goods, unless otherwise provided for by law, other legal acts or the contract.

Article 503. Payment for goods in advance

1. Where the purchase and sales contract provides for the duty of a purchaser to pay fully or partly for the goods prior to the receipt of goods from the seller (down payment), the purchaser shall be obliged to make the payment within the term provided for by the contract and if such a term is not provided for by the contract — within the term determined in accordance with Article 352 of this Code.

2. In case of non-performance by the purchaser of the obligation to pay for the goods in advance, the rules provided for Article 367 of this Code shall apply.

3. Where the seller, who has received the sum in advance, fails to perform the duty to transfer the goods within the defined term (Article 473), the purchaser shall have the right to require transfer of the goods paid for or refund of the amount paid for the goods in advance.

4. In cases where the seller fails to perform the duty to transfer the goods paid for in advance, and unless otherwise provided for by the purchase and sales contract, relevant interests shall be accrued to the sum paid in advance, in accordance with Article 411 of this Code, starting from the date when the goods should have been transferred under the contract up to the date of transferring the goods to the purchaser or the date of refunding to the latter the sum paid in advance. The duty of the seller, to pay interests from the sum paid in advance as from the date of receiving that sum from the purchaser, may be provided for by the contract.

Article 504. Payment for the goods sold on credit

1. Where the payment for the goods after a certain period of time upon transferring them to the purchaser (sales of goods on credit) is provided for by the purchase and sales contract, the purchaser shall be obliged to pay within the term

provided for by the contract, and where such a term is not provided for by the contract — within a term determined in accordance with Article 352 of this Code.

2. Sales of goods on credit shall be performed at the prices applicable for the day of sales. Further changes of prices of goods sold on credit shall not result in recalculation, unless otherwise provided for by the contract.

3. In case of non-performance of the duty by the seller to transfer the goods, the rules provided for by Article 367 of this Code shall apply.

4. Where the purchaser that has received the goods fails to make a payment for them within the term provided for by the purchase and sales contract, the seller shall have the right to require payment for the transferred goods or return of the goods unpaid.

5. Where the purchaser fails to pay for the transferred goods within the term provided for by the contract, and unless otherwise provided for by this Code or by the purchase and sales contract, interests shall be due on the default amount in accordance with Article 411 of this Code starting from the date when according to the contract a payment should have been made by the purchaser for the goods up to the date of payment for the goods.

A duty of the purchaser may be provided for by the contract to pay interests on the sum complying with the price of the goods starting from the date of transferring the goods by the seller.

6. Goods sold on credit, starting from the moment of transferring them to the purchaser and up to the moment of the payment for them, shall be deemed to be pledged to the seller for securing the obligation of the purchaser to pay for the goods, unless otherwise provided for by the purchase and sales contract.

Article 505. Paying for the goods on a time share basis

1. The right of a purchaser to pay for the goods on a time share basis may be provided for by the contract on sales on credit.

The contract on sales on credit of the goods under condition of payment on a time share basis shall be deemed to be entered into where the price of the goods, the payment procedure, terms and amounts are mentioned together with other essential conditions of the purchase and sales contract.

2. Rules provided for by points of Article 504 of this Code shall apply to the contract on sales of goods on credit under condition of payment on a time share basis.

Article 506. Insurance of goods

1. The duty of a seller or a purchaser to insure the goods may be provided for by the purchase and sales contract.

2. Where the party obliged to insure the goods fails to make the insurance of goods in accordance with the conditions of the contract, the other party shall have the right to insure the goods and require from the obliged party compensation for the insurance expenses or to refuse executing the contract.

Article 507. Retention of the ownership right of a seller

1. The purchaser shall become the owner of goods from the moment of paying for the goods, unless otherwise provided for by the contract.

2. Where it is provided for by the purchase and sales contract that the right of ownership to goods transferred to the purchaser is retained by the seller up to the moment of payment for those goods, the purchaser shall not have the right to

alienate or otherwise dispose the goods prior to the transfer of the ownership right thereto, unless otherwise provided for by the contract or otherwise follows from the purpose and features of goods.

3. Where no payment has been made for the goods transferred within the term provided for by the contract, the seller shall have the right to require from the purchaser to return the goods, unless otherwise provided for by the contract.

§ 2.RETAIL PURCHASE AND SALES

Article 508. Retail purchase and sales contract

1. Under retail purchase and sales contract the seller, carrying out entrepreneurial activity, shall undertake the obligation to transfer to the purchaser goods intended for personal, family, household or other use not related to entrepreneurial activity.

2. A retail purchase and sales contract shall be a public contract (Article 442).

3. Laws on protection of rights of consumers and other legal acts adopted on their basis shall apply to the relations, not regulated by this Code, under the retail purchase and sales contract participated by a purchaser-citizen.

Article 509. Form of a retail purchase and sales contract

A retail purchase and sales contract shall be deemed to be duly entered into from the moment of submitting by the purchaser to the seller a cash register receipt, a goods receipt or any other document certifying the payment for goods, unless otherwise provided for by law or a retail purchase and sales contract as well as by conditions of standard forms to which the purchaser joins (Article 444).

Article 510. Public offer of goods

1. An offer of goods by advertisement, catalogues and descriptions addressed to undefined group of persons shall be deemed to be a public offer (point 2 of Article 453), where it covers all the essential conditions of a retail purchase and sales contract.

2. The exposition of goods at the point of sales (on stalls, shop-windows, etc.), the exposition of their samples or provision of information on the goods for sales (descriptions, catalogues, photos of goods, etc.) at the point of their sales shall be deemed to be a public offer, irrespective of the fact whether the price and other essential conditions of the retail purchase and sales contract are mentioned or not, except for the case when the seller has clearly defined that relevant goods are not intended for sales.

Article 511. Providing information on goods

1. The seller shall be obliged to provide necessary and reliable information on the offered goods to the purchaser, the procedure for providing and the content whereof must comply with the requirements set by law, other legal acts and those normally set in retail purchase and sales practices.

2. Before entering into a retail purchase and sales contract, the purchaser shall have the right to examine the goods, to require checking features of goods at the latter's presence or demonstration of the use of goods, unless it is excluded because of the nature of the goods and contradicts the rules customary in retail purchase and sales practice.

3. Where at the point of sales the purchaser has not been given an opportunity to immediately receive information on the goods prescribed by points 1 and 2 of this Article, the latter shall have the right to request from the seller a compensation for damages caused by the undue evasion from entering into a retail purchase and sales

contract, and where a contract has been concluded — to refuse executing the contract, to require refund of the amount paid for the goods and compensation for the other damages.

4. The seller, who has not provided the purchaser with relevant information on goods, shall bear liability also for the defects of goods emerged after transferring them to the purchaser, if the purchaser proves that they have emerged as a result of lack of such information.

Article 512. Sales of goods under condition of their acceptance by the purchaser within a specified term

1. The retail purchase and sales contract may be concluded under condition of accepting the goods by the purchaser within the term provided for by the contract, during which those goods may not be sold to another purchaser.

2. Failure by the purchaser to appear or non-performance of other required actions for accepting the goods within the term defined by the contract shall be deemed to be a refusal by the purchaser to execute the contract, unless otherwise provided for by the contract.

3. The additional expenses of the seller made for ensuring the transfer of goods to the purchaser within the term defined by the contract shall be included in the price of goods, unless otherwise provided for by law, other legal acts or the contract.

Article 513. Sales of goods by samples

1. The retail purchase and sales contract may be concluded based on introducing (by description, catalogue of goods, etc.) to purchaser the sample of goods offered by the seller.

2. The retail purchase and sales contract of goods by sample shall be deemed to be executed from the moment of delivery of the goods to the place mentioned in the contract, and where the place of delivery of goods is not determined by the contract — from the moment of delivery of the goods to the place of residence of a citizen-purchaser or the registered office of a legal person-purchaser, unless otherwise provided for by law, other legal acts or a contract.

3. The purchaser, prior to the transfer of goods, shall have the right to refuse executing a retail purchase and sales contract by compensating the seller for all the necessary costs that the latter has incurred as a result of actions relating to the execution of the contract.

Article 514. Sales of goods by the use of slot-machines

1. Where the sales of goods is performed by the use of slot-machines, the operator of slot-machines shall be obliged to provide the purchasers with information on seller of goods through placing on slot-machines or by otherwise providing information on the name (trade name), place of location of the seller, as well as on actions which the purchaser shall perform for acquiring the goods.

2. The retail purchase and sales contract by the use of slot-machines shall be deemed to be concluded upon the moment of performance of actions by the purchaser necessary for acquiring the goods.

3. Where the purchaser has not received the goods, for which the latter has paid, the seller shall be obliged, by the claim of the purchaser, to immediately provide the goods or refund the amount paid by the purchaser.

4. Where the slot-machine is used for change of money, acquisition of payment stamps or exchange of currency, the rules on retail purchase and sales shall apply, unless otherwise follows from the essence of obligation.

Article 515. Sales of goods under condition of delivering the goods to the purchaser

1. Where the retail purchase and sales contract has been concluded under condition of delivering the goods to the purchaser, the seller shall be obliged, within the term defined by the contract, to deliver the goods to the place indicated by the purchaser, and where the place for delivery of the goods is not indicated by the purchaser — to the place of residence of the citizen-purchaser or the registered office of the legal person-purchaser.

2. A retail purchase and sales contract shall be deemed to be executed from the moment of transfer of the goods to the purchaser — and in case of the latter's absence — to any person who submits a receipt or any other document certifying the delivery of the goods, unless otherwise provided for by law, other legal acts or a contract or otherwise follows from the essence of the obligation.

3. Where the time for delivery of goods for their transfer to the purchaser is not determined by the contract, the goods must be delivered within a reasonable term upon receipt of demand by the purchaser.

Article 516. Payment for the goods

1. The purchaser shall be obliged to pay for the goods at the price quoted by the seller at the moment of entering into a retail purchase and sales contract, unless otherwise provided for by law, other legal acts or otherwise follows from the essence of the obligation.

2. Where the retail purchase and sales contract has provided for payment for the goods in advance (Article 503), failure to pay for goods within the term provided for by contract shall be deemed to be a refusal by the purchaser to execute the contract, unless otherwise provided for by the agreement of the parties.

3. The rules provided for by Article 504(5) of this Code shall not apply to retail purchase and sales contracts on sales of goods on credit, including those with a condition on payment for the goods by the purchase on a time share basis.

4. The purchaser shall have the right to pay for the goods at any moment of the time period defined in the contract for payment for the goods on a time share basis.

Article 517. Right of a purchaser to replace or return non-foods of proper quality

(Title edited by HO-115-N of 17 June 2016)

1. The purchaser shall have the right — within 14 days upon the date of delivery of non-foods of proper quality thereto, unless the seller has stated a longer term — to return or replace the goods, purchased at the point of purchase or other places stated by the seller, with goods of another size, form, colour or set, making, in case of differences in price, necessary resettlements with the seller.

2. The request of a purchaser to return or replace the goods shall be satisfied where the goods have not been used, where the goods have maintained their consumer properties and there are proofs on obtaining the goods right from that seller.

3. The list of goods which may not be returned or replaced on the grounds prescribed by this Article shall be determined as prescribed by law or by the Government of the Republic of Armenia.

4. Expenses relating to the delivery of non-foods of proper quality to the location of the seller for the purpose of return or replacement shall be covered by the purchaser, unless otherwise agreed by the parties.

(Article 517 edited by HO-115-N of 17 June 2016)

Article 518. Rights of the purchaser in case of sales thereto of the goods of improper quality

1. The purchaser, to whom goods of improper quality have been sold, where the seller has not defined preconditions on the defects thereof, shall have the right upon own choice to require:

(1) to replace goods of poor quality with the goods of proper quality;

(2) to reduce proportionately the price of goods;

(3) to immediately and gratuitously eliminate defects of goods;

(4) to compensate the expenses for elimination of the defects of goods.

The purchaser shall have the right to require replacement of technically sophisticated goods or luxurious goods only in case of essential breaches of requirements for their quality (Article 491(2)).

2. In case of detection of defects of goods, the properties whereof do not enable to eliminate them (food goods, household chemicals, etc.), the purchaser shall, upon own choice, have the right to require replacement of such goods with goods of proper quality or proportionate reduction of the price.

3. Instead of raising the claims provided for by points 1 and 2 of this Article, the purchaser shall have the right to refuse executing a retail purchase and sales contract and to require refund of the amount paid for the goods. Moreover, the purchaser must return, upon the demand of the seller and at the latter's account, the goods of improper quality.

4. While refunding the amount paid for the goods to the purchaser, the seller shall not have the right to deduct therefrom the sum in the amount of which the value of goods has decreased as a result of full or partial use, loss of marketable appearance or other similar circumstances, or any expenses relating to the return of goods of improper quality covered by the seller.

(Article 518 supplemented by HO-115-N of 17 June 2016)

Article 519. Compensation for the difference in price when replacing the goods, reducing the price and returning the goods of improper quality

1. While replacing the goods of poor quality not conforming to the retail purchase and sales contract with the goods of proper quality, the seller shall not have the right to require reimbursement of the price of goods provided for by the contract or the price differences existing at the moment of replacement of goods or at the moment of rendering the court judgment.

2. When replacing goods of improper quality with analogous goods of proper quality of different size, form, type or with other properties, the difference between the prices of replaced goods and the goods transferred instead of the goods of improper quality shall be compensated.

Where the seller fails to satisfy the claim of the purchaser, the price of goods replaced and of those transferred as replacement shall be determined based on the prices applicable on the day of rendering the court judgment on replacement of the goods.

3. In case of a claim on decreasing proportionately the price of goods, the price applicable on the day of raising the claim on decreasing the price, and where the claim has not been voluntarily satisfied — the price applicable on the day of rendering the court judgment on decreasing the price, shall be taken into account.

4. When returning the goods of improper quality to the seller, the purchaser shall have the right to claim the difference between the price of goods provided for by the retail purchase and sales contract and the relevant price applicable on the day of voluntary satisfaction of the claim, and where the purchaser's claim has not been voluntarily satisfied — the price applicable on the day of rendering the court judgment.

Article 520. Responsibility and in kind fulfilment of obligation by the seller

Compensation for damages and payment of default penalty in case of non-fulfilment by the seller of the obligation under the purchase and sales contract shall not release the seller from fulfilment of obligation in kind.

§ 3. SUPPLY OF GOODS

Article 521. Supply contract

1. The supplier-seller carrying out entrepreneurial activity under the supply contract shall be obliged, within the arranged term (terms), to transfer the goods produced or bought thereby to the purchaser for the purposes not related to carrying out entrepreneurial activity or to personal, family, household or other similar use.

2. A supply contract shall be concluded in writing.

Article 522. Settlement of disagreements arising in entering into supply contract

1. Where disagreements have arisen between the parties on separate conditions of the contract in concluding a supply contract, the party having made the offer on entering into the contract and having received from the other party a proposal on agreeing upon these conditions, shall be obliged within thirty days upon receiving it to take measures for agreeing upon relevant conditions of the contract or inform in writing on refusing to enter into the contract, unless another term is defined by law or is agreed by the parties.

2. The party having received proposals on relevant conditions of the contract, who has not undertaken measures for agreeing upon the conditions of the contract and has

not notified the other party, within the term provided for by point 1 of this Article, on refusing to enter into the contract, shall be obliged to compensate the damages caused as a result of evading from agreeing upon conditions of the contract.

Article 523. Stages of supply of goods

1. Where the parties have envisaged supply goods in individual batches for the term of effectiveness of the supply contract and the terms for the supply thereof (supply stages) are not determined in the contract, the goods must be supplied in equal batches based on months, unless otherwise follows from law, other legal acts, essence of the obligation or customary business practices.

2. A schedule (for a ten-day period, daily, hourly, etc.) for supply of goods may be provided for by the contract together with the stages of supply.

3. Goods may be supplied ahead of time upon consent of the purchaser.

Goods, which have been transferred ahead of time and accepted by the purchaser, shall be counted towards the quantity of goods subject to supply in the next stage.

Article 524. Procedure for supply of goods

1. The supply of goods shall be carried out by the supplier through delivery (transfer) of goods to the other party to the contract on supply of goods, that is the purchaser, or to the person acting as a recipient as indicated in the contract.

2. Where the right of the purchaser to give instructions to the supplier on delivery (transfer) of goods to the recipients is provided for by supply contract (shipping order), the supplier shall transfer the goods to recipients indicated in the shipping order.

3. The content of shipping order and the term for sending it by the purchaser to the seller shall be defined by the contract. Where the term for sending the shipping

order is not provided for by the contract it must be sent to the supplier not later than thirty days prior to the beginning of the supply stage.

4. Failure by the purchaser to submit a shipping order to the supplier within the defined term shall give the latter the right to refuse executing the supply contract or to require from the purchaser to pay for the goods. The supplier shall also have the right to require compensation for damages caused by the failure to submit the shipping order.

Article 525. Delivery of goods

1. The supplier shall deliver the goods by the transport provided for by the supply contract and under conditions defined by the contract.

2. In cases when it is not determined in the contract the means of transport or the conditions whereby the goods will be delivered, the right to choose the means of transport or to determine the conditions for delivery of goods shall belong to the supplier, unless otherwise follows from law, other legal acts, essence of obligation or customary business practices.

3. The right of the purchaser (recipient) to receive the goods at the place of location of the supplier (right to choose goods) may be provided for by the supply contract.

Where a term for choosing goods is not provided for by the contract, the purchaser (recipient) shall choose the goods within a reasonable term upon receiving the notice of the supplier on the goods being ready.

Article 526. Completing undersupplied goods

1. A supplier having made undersupply of goods within a separate supply stage shall be obliged to complete the undersupplied quantity of goods in the forthcoming

stage (stages) within the term of effectiveness of the supply contract, unless otherwise provided for by contract.

2. Where the goods are laded by the supplier to several purchasers indicated in the supply contract or shipping order of the purchaser, goods supplied to one of the recipients in excess of the amount provided for by the contract or the shipping order shall not cover those undersupplied to other recipients, unless otherwise provided for by the contract.

3. The purchaser shall have the right, upon notifying the supplier, to refuse accepting the goods supplied in default, unless otherwise provided for by the supply contract. The purchaser shall be obliged to accept and pay for the goods supplied prior to receipt by the supplier of the notice.

Article 527. Assortment of goods when completing the undersupply

1. The assortment of goods, the undersupply whereof is subject to completion, shall be determined by the agreement of parties. Where no such agreement exists, the supplier shall be obliged to complete the undersupplied quantity of goods in such assortment that has been defined for the stage wherein in the undersupply has taken place.

2. The supply of goods under single commodity item in quantity exceeding the amount provided for by the supply contract shall not be counted towards the coverage of undersupply of goods under other commodity items included in the same assortment and shall be subject to completion, except for the case when such a supply has been made upon prior written agreement of the purchaser.

Article 528. Acceptance of goods by the purchaser

1. The purchaser (recipient) shall be obliged to perform all the actions necessary for ensuring the acceptance of goods supplied in accordance with the supply contract.

2. The purchaser (recipient) shall examine the accepted goods within the term provided for by law, other legal acts, the supply contract or customary business practices.

The purchaser (recipient) shall be obliged, within the same term, to verify the quantity and quality of received goods as prescribed by the law, other legal acts, the contract or customary business practices, as well as to immediately inform the supplier in writing on detected discrepancies or defects.

3. In case of receiving the supplied goods from a transport organisation the purchaser (recipient) shall be obliged to verify the compliance of goods with the information indicated in transportation and accompanying documents, as well as to observe the rules provided for by laws and other legal acts regulating the transport operations.

Article 529. Secure storage of goods not accepted by the purchaser

1. Where the purchaser (recipient), in accordance with the law, other legal acts or the supply contract rejects the goods transferred by the supplier, the purchaser (recipient) shall be obliged to ensure the storage of that goods (secure storage) and promptly inform the supplier.

2. The supplier shall be obliged to take back the goods accepted for secure storage by the purchaser (recipient) or to dispose it within a reasonable term.

Where the supplier fails to dispose the goods within this term, the purchaser shall have the right to sell the goods or to return them to the supplier.

3. The supplier shall compensate the necessary expenses incurred by the purchaser in connection with accepting the goods for secure storage, selling or returning goods to the seller.

Moreover, the proceeds from sales of goods shall be provided to the supplier after deduction of the payable to the purchaser.

4. Where the purchaser without grounds defined by law, other legal acts or a contract fails to accept the goods from the supplier or refuses to accept them, the supplier shall have the right to require payment for the goods by the purchaser.

Article 530. Choosing the goods

1. Where the right to choose the goods by the purchaser (recipient) at the place of location of the supplier of goods is provided for by the supply contract (point 3 of Article 525), the purchaser shall be obliged to examine the goods at the place of supply thereof, unless otherwise provided for by law, other legal acts or otherwise follows from the essence of the obligation.

2. Failure by the purchaser (recipient) to choose the goods within the term defined by the supply contract — and where there is no such contract — within a reasonable term upon receipt of a notice by the supplier on the goods being ready, shall give the supplier a right to executing the contract or to require payment for the goods by the purchaser.

Article 531. Settlements for supplied goods

1. The purchaser shall pay for the supplied goods by observing the procedure for and forms of settlements provided for by the supply contract. When the procedure for and form of settlements are not determined by the consent of parties, the settlements shall be made through payment orders.

2. Where it is provided for by the contract that the payment for goods shall be made by the recipient (payer), and the latter refuses without any substantiation to pay or does not pay for the goods within the term provided for by the contract, the supplier shall have the right to require the purchaser to pay for supplied goods.

3. Where the supply of goods included in a set provided for under the supply contract, is carried out in separate parts the purchaser shall make the payment upon lading (choosing) the last part included in the set, unless otherwise provided for by the contract.

Article 532. Container and package

1. The purchaser (recipient) shall be obliged to return to the supplier reusable and returnable container and packaging materials, in which the goods have been received, under the procedure and within the terms prescribed by law, other legal acts, other mandatory rules adopted in accordance therewith or the contract, unless otherwise provided for by the contract.

2. Any other container, as well as the package of goods, shall be returned to the supplier solely in cases provided for by a contract.

Article 533. Consequences of supply of goods of improper quality

1. The purchaser (recipient), whereto goods of improper quality have been supplied, shall have the right to file the claims to the supplier provided for by Article 491 of this Code.

2. The purchaser (recipient) engaged in retail sales of goods supplied thereto shall have the right to require replacement, within a reasonable term, of goods of improper quality returned by the consumer, unless otherwise provided for by the contract.

Article 534. Consequences of supplying goods without a set

1. The purchaser (recipient) whereto goods have been supplied in breach of requirements of the contract, requirements of law, other legal acts or requirements normally set for completeness of the set of goods, shall have the right to submit to the supplier claims provided for by Article 496 of this Code.

2. The purchaser (recipient) engaged in retail sales of goods shall have the right to require, within a reasonable term, replacement of goods without a set returned by the consumer, with goods in set, unless otherwise provided for by the supply contract.

Article 535. Rights of a purchaser in case of undersupply of goods, failure to meet the claims on eliminating the defects thereof or completing the set

1. Where the supplier has failed to supply goods in the quantity provided for by the contract or has failed to satisfy the claims of the purchaser on replacing the goods of poor quality or completing the set of the goods within the term defined, the purchaser shall have the right to acquire the unsupplied goods from other persons, by leaving all the necessary and reasonable expenses made for their acquisition on the account of the supplier.

2. Calculation of expanses of a purchaser for acquisition of goods from other persons, in case of failure by the supplier to supply the goods or to eliminate defects of goods or to satisfy the claims of the purchaser regarding goods without a set, shall be made based on the rules prescribed by point 1 of Article 539 of this Code.

3. The purchaser (recipient) shall have the right to refuse paying for goods of improper quality and without a set, and where payment has been made for the goods, the latter shall have the right to require refund of the paid amount prior to

the elimination of defects and of incompleteness of the set or the replacement of goods.

Article 536. Default penalty for undersupply or delayed supply of goods

The default penalty defined by law or contract for undersupply or delayed supply of goods shall be levied from the supplier prior to the actual fulfilment of the obligation, within the scope of the latter's duty to complete the unsupplied goods at further stages of supply, unless another procedure for levying the default penalty is provided for by law or contract.

Article 537. Satisfaction of obligations of the same type under several supply contracts

1. Where the supplier supplies to the purchaser homonymous goods under several contracts simultaneously, and the quantity of goods supplied is not sufficient for the satisfaction of obligations of the supplier under all of the contracts, the supplied goods shall be counted towards the performance by the supplier of the mentioned contract in the course of the supply or immediately thereafter.

2. Where the purchaser has paid to the supplier for the homonymous goods received under several contracts and the paid sum is not sufficient for the satisfaction of obligations of the purchaser under all of the contracts, the paid sum shall be counted towards performance by the purchaser of the mentioned contract.

3. Where the supplier or the purchaser has not exercised the rights reserved thereto correspondingly by points 1 and 2 of this Article, the fulfilment of obligation shall be counted towards redemption of obligation provided for by such contract the term for the execution whereof has expired earlier. Where the term for the fulfilment of obligation under several contracts has expired simultaneously,

the fulfilment shall be counted proportionately towards fulfilment of obligations provided for by all the contracts.

Article 538. Unilateral change of or unilateral refusal to execute a supply contract

1. Unilateral change of or unilateral refusal to execute (fully or partly) a supply contract shall be permitted if the other party to the contract has essentially violated the contract (point 2 of Article 466).

2. Violation of a contract by a supplier shall be deemed to be essential, where:

(1) supply of goods of improper quality, the defects of which may not be eliminated within a term acceptable for the purchaser;

(2) repeated violations of the terms of the supply of goods.

3. Violation of a contract by a purchaser shall be deemed to be essential, where:

(1) repeated violations of the terms for payment of goods;

(2) repeated failures to choose goods.

4. Other grounds for unilateral change of or unilateral refusal to execute a supply contract may be provided for by the consent of parties.

5. The supply contract shall be deemed to be changed or rescinded upon receipt by one party a notice thereon from the other party, unless another term for changing or rescinding a contract is provided for in the notice or by the consent of parties.

Article 539. Calculation of damages in rescinding the contract

1. Where, within a reasonable term upon rescission of the contract as a consequence of breach of an obligation by the seller, the purchaser has bought from another person goods at higher but reasonable price instead of those provided for by the contract, the purchaser may file a claim to the seller on compensation for damages at the amount of difference between the price set by the contract and the price of the contract concluded instead of it.

2. Where, within a reasonable term upon rescission of the contract as a consequence of breach of an obligation by the purchaser, the seller has bought from another person goods at lower though reasonable price instead of those provided for by the contract, the seller may file a claim to the purchaser on compensation for damages at the amount difference between the price set by the contract and the price of the contract concluded instead of it.

3. In the case when after rescission of the contract on the grounds prescribed by points 1 and 2 of this Article no transaction has been entered into instead of the rescinded contract, and where there is a current price for the goods concerned, the party may file a claim for the compensation for damages in the amount of difference between the price provided for by the contract and the current price at the moment of rescission of the contract.

4. The price shall be considered current, which is usually charged for the homonymous goods in comparable circumstances at the location where the transfer of goods should have been made. Where there is no current price at that location, the current price applicable at another location may be used, which may serve as a good substitute in light of the difference of transportation costs.

5. The satisfaction of requirements provided for by points 1-4 of this Article shall not release the party, having failed to fulfil or having improperly fulfilled the obligation, from compensation for other damages caused to the other party.

§ 4.SUPPLY OF GOODS FOR STATE NEEDS

Article 540. Grounds for supply of goods for state needs

1. The supply of goods for state needs shall be carried out based on a state contract on supply of goods for state needs (hereinafter referred to as "state contract") as well as based on contracts on supply of goods for state needs concluded in conformity therewith. The needs of the Republic of Armenia paid at the account of means of the State Budget and determined as prescribed by law shall be recognized as state needs.

2. The rules on supply contract shall apply to relationships of supply of goods for state needs (Articles 521-538), unless otherwise provided for by the rules of this Paragraph.

The laws on supply of goods for state needs shall apply to relationships of supply of goods for state needs with regard to the part not regulated by this Paragraph.

Article 541. State contract

The supplier (executor) under a state contract shall undertake the obligation to transfer goods to the state customer or upon the latter's instructions to another person, whereas the state customer undertakes the obligation to pay for the supplied goods.

Article 542. Grounds for entering into a state contract

1. A state contract shall be entered into based on the order of a state customer for supply of goods for state needs.

2. The order for supply of goods for state needs shall be awarded through tender, unless otherwise provided for by laws on supply of goods for state needs.

3. Entry into a state contract with the supplier (executor) having won in the tender shall be obligatory for a state customer.

4. Entry into a state contract shall be obligatory for the supplier (executor) only in cases prescribed by law, and provided that the state customer compensates for all the damages caused to supplier (executor) in relation to performance of a state contract.

Article 543. Procedure for entering into a state contract

1. A state contract must be entered into not later than within twenty days from the day of conducting the tender.

2. Where the party, for whom the entry into the state contract is obligatory, evades from entering into it, the other party shall have the right to apply to the court with a claim on compelling that party to enter into the state contract.

Article 544. Entry into a state contract

1. Where it is provided for by the state contract that the supplier (executor) shall supply the goods for state needs to the purchaser determined by the state customer, the state customer shall, not later than within a thirty-day period upon entry into the state contract, notify the supplier (executor) and the purchaser on assigning the latter to the given supplier (executor).

The notice on attaching the purchaser to the supplier (executor) issued by the state customer in compliance with the state contract shall be a ground for entry into the state contract.

2. The supplier (executor) shall be obliged to send the draft state contract to the purchaser indicated in the notice not later than within a thirty-day period upon receipt of notice from the state customer, unless another procedure for the preparation of the draft contract is provided for by the state contract or unless the purchaser has submitted the draft contract.

3. The party having received the draft state contract, shall sign it and return one original copy to the other party within a thirty-day period upon receipt of the draft, and in case of disagreements regarding the conditions of the contract — within the same term shall draw a protocol on disagreements and send it to the other party together with the signed contract.

4. The party having received the signed draft state contract together with protocol on disagreements, shall, within a term of thirty days, be obliged to consider the disagreements, take appropriate measures for agreeing upon the conditions of the contract with the other party and inform the other party of acceptance of the contract as amended by that party or of rejection of the protocol of disagreements. The outstanding disagreements may within a term of thirty days be referred to the court by the interested party.

5. Where the supplier (executor) avoids from entering into a state contract, the purchaser shall have the right to apply to the court with a claim on compelling the supplier (executor) to enter into the contract under the conditions of the draft contract of the purchaser.

Article 545. Refusal by the purchaser to enter into a state contract

1. The purchaser shall have the right to fully or partly reject the goods mentioned in the notice and refuse to enter into the contract on their supply.

In that case the supplier (executor) shall be obliged to immediately notify the state customer and shall have the right to require therefrom a notice on being assigned to another purchaser.

2. The state customer shall, not later than within a term of thirty days upon receipt of the notice of the supplier (executor), notify the supplier (executor) on assigning the latter to another purchaser or shall send thereto a shipping order with the indication of the recipient of goods, or shall inform of own consent on accepting the goods and paying for them.

3. In case of failure by the state customer to perform the duties provided for by point 2 of this Article, the supplier (executor) shall have the right to require acceptance of the goods and payment of their value by the state customer, or to realise the goods upon own discretion by making reasonable expenses at the account of the state customer.

Article 546. Execution of a state contract

1. In cases where in conformity with the conditions of the state contract the goods are supplied directly to the state customer or by the latter's instruction (shipping order) to another person (recipient), the relationships of parties targeted at the execution of the state contract shall be regulated by rules provided for by Articles 521-538 of this Code.

2. In cases where the goods for state needs are supplied to the recipients mentioned in the shipping order, the payment for goods shall be made by the state customer, unless another payment procedure is provided for by the state contract.

Article 547. Payment for the goods under a state contract

1. In case of supply of goods to the purchasers under state contracts the purchaser shall pay for the goods in accordance with the state contract, unless another procedure for determining prices and settlement is provided for by the state contract.

2. When making a payment for the goods under a state contract, the state customer shall be deemed to be a surety under this obligation of the purchaser (Articles 375 - 382).

Article 548. Compensation for damages caused in connection with execution or rescission of a state contract

1. The damages caused to the supplier (executor) in connection with the execution of a state contract shall be compensated by the state customer in conformity with the state contract not later than within a term of thirty days upon transfer of the goods, unless otherwise provided for by laws on supply of goods for state needs or by the state contract.

2. In case when the damages incurred by the supplier (executor) in connection with the execution of a state contract are not compensated in conformity with the state contract, the supplier (executor) shall have the right to refuse executing the state contract or to require compensation for damages caused as a consequence of rescission of the state contract.

3. In case of rescission of the state contract on the grounds prescribed by point 2 of this Article, the supplier shall have the right to refuse executing the state contract.

The damages caused to the purchaser as a result of refusal by the supplier shall be compensated by the state customer.

Article 549. Rejection by the state customer of the goods supplied under the state contract

1. In cases provided for by law the state customer shall have the right to fully or partly reject the goods provided for by a state contract, on condition of compensating for the damages caused to the supplier by that.

2. Where the rejection by the state customer of goods provided for by the state contract, has resulted in rescinding or amending the state contract, the damages caused to the purchaser as a result of this rejection shall be compensated by the state customer.

§ 5.ENERGY SUPPLY

Article 550. Energy supply contract

1. Under the energy supply contract the energy supplying organisation shall be obliged to supply energy to the subscriber (consumer) through connecting network, whereas the subscriber shall be obliged to pay for the energy received, as well as to observe the mode of consumption provided for by the contract, ensure the safety of exploitation of energy networks under the disposal thereof and the working order of devices and equipments used thereby, which relate to the consumption of energy.

2. The laws and other legal acts on energy and energy supply, as well as compulsory rules adopted in accordance therewith shall apply to the relations arising from energy supply contract, which are not regulated by this Code.

Article 551. Form of the energy supply contract

Energy supply contract shall be concluded in writing.

Article 552. Conclusion of an energy supply contract and the extension of validity period thereof

1. Energy supply contract shall be concluded with the subscriber in case of availability of power receiver and other necessary equipments connected to the lines of energy supplying organisation and meeting the established technical requirements, as well as in case of ensuring the metering of the consumed energy.

2. Where the citizen using energy for household consumption acts as a subscriber under the energy supply contract, the contract shall be deemed to be concluded from the moment of the first actual connection of the subscriber, in a prescribed manner, to the connected network.

3. The energy supply contract shall be deemed to be concluded for an indefinite term and may be amended or rescinded on the grounds prescribed by Article 558 of this Code, unless otherwise provided for upon consent of the parties.

4. The energy supply contract concluded for a definite term shall be considered as extended for the same term and on the same conditions, where before the expiry of the validity period thereof one of the parties does not inform of terminating or amending or concluding a new contract.

5. Where before the expiry of the validity period of a contract one of the parties offers to conclude a new contract, the relations of the parties before the conclusion of a new contract shall be regulated by the former contract.

Article 553. Quantity of energy

1. Energy supplying organisation shall be obliged to supply to the subscriber the energy through connected network in a quantity provided for by the energy supply contract and in compliance with the mode of transmission agreed between it and the subscriber. The quantity of the energy supplied by the energy supplying

organisation and of the energy consumed by the subscriber shall be determined in conformity with the data on calculation of actual consumption.

2. The right of a subscriber to change the quantity of energy — received thereby — defined by the contract, may be envisaged in the energy supply contract on the condition of compensating the damages caused to the energy supplying organisation.

3. Where the citizen using energy for household consumption, acts as a subscriber under the energy supply contract, he or she shall have the right to use energy in the amount of reasonable necessity therefor.

(Article 553 supplemented by HO-159 of 20 March 2001)

Article 554. Quality of energy

1. The quality of energy supplied by the energy supplying organisation should conform with the requirements established by public standards and other compulsory rules or provided for by the energy supply contract.

2. In case of breaching the requirements to the quality of energy by the energy supplying organisation, the rules provided for by Article 491 of this Code shall apply.

Article 555. Obligations of the subscriber to maintain and exploit networks, devices and equipments

1. Subscriber shall be obliged to ensure the proper technical condition and safety of exploited energy networks, devices and equipments, to observe the established mode for energy consumption, as well as to immediately inform the energy supplying organisation of accidents, fires, malfunctions of energy meters and other violations occurred during the use of energy.

2. Where the citizen using energy for household purposes acts as a subscriber under the energy supply contract, the obligation of ensuring the proper technical condition and safety of energy networks as well as of energy meters shall lie with the energy supplying organisation, unless otherwise provided for by law or other legal acts.

3. The requirements for technical condition and exploitation of energy networks, devices and equipments, as well as the procedure for exercising control over the maintenance thereof shall be established by law, other legal acts and compulsory rules adopted in conformity therewith.

Article 556. Payment for energy

1. Payment for energy shall be made by the subscriber for the amount of energy actually received, in conformity with the data of energy calculation, unless otherwise provided for by law, other legal acts or upon consent of parties.

2. The procedure for calculation of payment for energy shall be provided for by law, other legal acts or upon the consent of parties.

Article 557. Secondary subscriber

1. Subscriber may transmit the energy received thereby through the connected network of an energy supplying organisation to another person (secondary subscriber) solely upon consent of an energy supplying organisation.

2. The rules of this Paragraph shall apply to the contract on transmission of energy to a secondary subscriber by the subscriber, unless otherwise provided for by law or contract.

3. Subscriber shall bear responsibility before the energy supplying organisation when transferring energy to the secondary subscriber, unless otherwise provided for by law or contract.

Article 558. Amending and rescinding an energy supply contract

1. Where the citizen, using energy for household consumption, acts as a subscriber under the energy supply contract, he or she shall have the right to unilaterally rescind the contract on the condition of priorly informing the energy supplying organisation thereof and paying in full for the energy consumed.

2. The energy supplying organisation shall be entitled to unilaterally refuse from executing the contract on the grounds prescribed by Article 538 of this Code, except for the cases provided for by law or other legal acts.

3. Interruption, limitation or termination of energy supply shall be permitted only upon consent of parties, except for the cases, when poor condition of power installations of a subscriber, which is certified by the state body for energy control, may cause accidents or threatens the life and safety of citizens. The energy supplying organisation shall be obliged to inform the subscriber of interruption, limitation or termination of energy supply.

4. Interruption, limitation or termination of energy supply without agreeing with the subscriber and informing him or her shall be permitted only in case of necessity of taking prompt measures for eliminating or preventing the accidents in the system of energy supplying organisation on the condition of immediately informing the subscriber thereof.

(Article 558 amended by HO-159 of 20 March 2001)

Article 559. Liability under energy supply contract

1. In case of non-performance or improper performance of responsibilities under the energy supply contract, the party having breached the obligation shall be obliged to compensate for the actual damage caused to the other party (point 2 of Article 17).

2. Where as a result of arrangements of the mode for energy consumption, which is applied on the basis of law or other legal acts, an interruption occurred in course of supplying energy to the subscriber, the energy supplying organisation shall, in case of guilt, be subject to liability for non-performance or improper performance of contractual obligations.

Article 560. Applying the rules of energy supply contract to other contracts

1. The rules provided for by Articles 550-559 of this Code shall apply to relations pertaining to thermal energy supply through connected networks, unless otherwise provided for by law or other legal acts.

2. The rules on energy supply contract with regard to relations pertaining to the supply of gas, oil and oil products, water and other goods through the connected networks (Articles 550-559) shall apply, unless otherwise provided for by law, other legal acts or derive from the essence of this obligation.

§ 6.PURCHASE AND SALES OF IMMOVABLE PROPERTY

Article 561. Purchase and sales contract on immovable property

The seller shall, under the purchase and sales contract on immovable property (hereinafter referred to as “the sales contract on immovable property) be obliged to

place under the ownership of the purchaser a land parcel, building, structure, apartment or other immovable property (Article 134).

Article 562. Form of the sales contract on immovable property

1. The sales contract on immovable property shall be concluded in writing by drawing up one document signed by the parties (point 3 of Article 450).

2. The sales contract on immovable property shall be subject to notary certification.

Article 563. State registration of transfer of the ownership right to immovable property

1. Transfer of the ownership right to immovable property to the purchaser under the sales contract on immovable property shall be subject to state registration.

2. Execution of the sales contract on immovable property prior to state registration of the transfer of the ownership right shall not constitute a ground for changing the relations of the parties of the contract with third persons.

Article 564. Transferring of the right of ownership to a land parcel when selling a building, structure or other immovable property located thereon

1. Under the sales contract on a building, structure or other immovable property, the right of ownership to this property shall be transferred to the purchaser together with the right of ownership to the land parcel.

2. In case of selling a part of the building, structure or other immovable property, the right of ownership shall be transferred to the acquirer to the part of the land

parcel, which is priorly separated, and the rights to it are registered as prescribed by the law on state registration of the rights to the property.

3. The sales of immovable property attached to the land parcel not belonging to the seller under the right of ownership shall be allowed without permission of the owner of that land parcel, unless it contradicts the conditions provided for by law or contract for the use of such land.

In case of sales of such immovable property, the purchaser shall acquire the right to the relevant part of the land parcel on the same conditions as those provided for the seller of the immovable property.

4. The provision of point 2 of this Article shall not extend to the multi-apartment buildings or subdivided buildings.

(Article 564 edited by HO-188-N of 4 October 2005, supplemented by HO-238-N of 15 December 2005)

Article 565. Right to immovable property attached to the land parcel when selling the land parcel

(Article repealed by HO-188-N of 4 October 2005)

Article 566. Determining the object of the sales contract on immovable property

The sales contract on immovable property should specify the data enabling to definitely determine the immovable property subject to transfer by contract to the purchaser, including the data determining the position of immovable property in relevant land parcel or within another immovable property.

In case of non-availability of these data in the contract, the condition on an immovable property subject to transfer shall be considered as not agreed upon, and the relevant contract — as not concluded.

Article 567. Price of immovable property in the sales contract thereof

1. The price of immovable property should be specified in the sales contract thereof.

2. In case of non-availability in the sales contract on immovable property of the condition on the price agreed in writing by the parties, the sales contract thereof shall be considered as not concluded. Moreover, the rules for determining the price prescribed by point 3 of Article 440 of this Code shall not apply.

3. The price provided for by the contract in respect of a building, structure or other immovable property attached to the land parcel, shall include the price of the relevant part of land or the rights thereto transferred together with this immovable property, unless otherwise provided for by the sales contract on immovable property.

4. Where the price of immovable property under the sales contract on immovable property is defined by the unit of its surface or other indicators of the size thereof, the common price subject to payment for such immovable property shall be determined on the basis of the actual size of immovable property transferred to the purchaser.

Article 568. Transfer of the immovable property

1. Transfer of immovable property by the seller and the receipt thereof by the purchaser shall be carried out through the act of transfer or another document on transferring the property.

2. Obligation of the seller to transfer the immovable property to the purchaser shall be deemed to be performed upon transferring this property to the purchaser and signing relevant bilateral document on transfer, unless otherwise provided for by law or contract.

3. Avoiding by any party to sign — under the conditions provided for by the contract — a document on the transfer of immovable property, shall be deemed to be a refusal by the seller from fulfilment of the obligation to transfer the property, and by the purchaser — from fulfilment of the obligation to accept the property.

4. Accepting by the purchaser of immovable property not complying with the conditions of the sales contract on immovable property, including in the case where such incompliance is mentioned in the document on the transfer of immovable property, shall not constitute a ground for releasing the seller from the liability for improper execution of the contract.

Article 569. Consequences of transferring the immovable property of improper quality

In case of transferring by the seller to the purchaser an immovable property not complying with the conditions on the quality thereof, under the sales contract for immovable property, the rules of Article 491 of this Code shall apply, except for the provisions on the right of the purchaser to require the replacement of the goods of improper quality with the goods complying with the contract.

Article 570. Features of the sales of residential areas

The name list of the persons whose right to use a residential area is, prior to the conclusion of the sales contract, registered as prescribed by law, shall constitute

an essential condition of the sales contract on the residential house, apartment, part of the residential house or that of the apartment.

Article 570.1. Specific aspects of contracts on the right to purchase immovable property in a building under construction

1. A contract on the right to purchase immovable property in a multi-apartment or subdivided building under construction shall indicate data identifying the territory of the immovable property to be acquired in the future according to the plan taken from the architectural and construction design of the building under construction, and shall describe the state of its interior design at the time when the immovable property will be transferred.

2. A contract on the right to purchase immovable property in a building under construction shall provide for the price of the immovable property to be transferred in the future. A contract on the right to purchase immovable property in a building under construction may provide also for the procedure for indexation of the contract price on the ground of fluctuations in market prices. In case the contract lacks provisions on the price, the contract shall be considered as not concluded. Moreover, the rules for determining the price provided for by part 3 of Article 440 of this Code shall not apply.

3. Where in a contract on the right to purchase immovable property in a building under construction the price of the immovable property to be transferred in the future is provided per surface area unit or other size indicators (height between floors, etc.), the price shall be determined by the act of transfer of the right of ownership based on the size data recorded as a result of the measurement of the immovable property after the completion of the building construction.

4. Under the contract on the right to purchase immovable property in a building under construction, the advance payments by a purchaser shall be made exclusively to

the special account of the constructor, which shall be opened with a bank operating on the territory of the Republic of Armenia, with the treasury or as a sub-account in a deposit account of a notary public operating on the territory of the Republic of Armenia. Interests subject to payment for the balance available in the special construction account shall be transferred to the ordinary bank accounts of the constructor and may be disposed by the constructor.

When, following the completion of the building construction, it is time to decide, in the act of transfer of the right of ownership, on the issue of the price paid, payments certified by receipts, cash machine receipts, attested by witness testimonies, set-offs of counter obligations (including default penalties calculated in favour of the purchaser), as well as payments made to creditors or participants of the seller, shall be disregarded.

5. The purchaser and constructor may agree on the conditions for pledging — in full or in part, to the purchaser or the purchaser's lender, and as a way to secure the fulfilment of the obligation of the constructor to transfer the right of ownership over the immovable property after the completion of the building construction or the obligation of the constructor to return the advance payment in case of rescinding the contract on the right to purchase immovable property in a building under construction — the funds credited to the special account of the constructor by the purchaser. The contract concluded between the constructor and the purchaser and the amendments thereto may provide for termination of the right to pledge with regard to a part of the funds available in the constructor's special account opened with the bank before the completion of the building construction or before concluding the act of transfer of the right of ownership or before receiving the exploitation permit for the building; in case of such termination, the funds released from the pledge shall be transferred to the other accounts of the constructor and may be disposed by the constructor, and the purchaser shall bear the risks of being an unsecured creditor in case of bankruptcy of the constructor.

6. In case of transfer of the rights of the owner of a land parcel to another constructor in full or in part during the construction, the advance payments credited by the purchaser having the right to purchase immovable property in the building under construction transferred to the new constructor shall be transferred from the special bank account of the initial constructor to the special bank account of the new constructor as encumbered with the purchaser's right of pledge; the rights to the funds credited by the purchaser to the special account of the initial constructor opened with the treasury, in a deposit account of a notary public shall also be transferred to the new constructor. The purchaser's payment obligation against the new owner of the land parcel to pay the contract price under the contract on the right to purchase immovable property in a multi-apartment and subdivided building under construction may not be more than the difference between the price stipulated in the contract on the right to purchase immovable property in a building under construction and the advance payments transferred to the special construction account of the new owner.

7. In case of failure to conclude the act of transfer of the right of ownership or in case of early rescission of the contract on the right to purchase immovable property in a building under construction or declaring said contract as invalid, the purchaser shall have the right to — within a period of six months after the registration of the completion of the construction of the multi-apartment or subdivided building under construction — demand back the advance payments credited to the special account of the constructor. Where the purchaser is the one liable for the failure to conclude the act of transfer or for early rescission of the contract or declaring the contract as invalid, the constructor shall have the right to demand that the person operating the special account withhold from the returned amount default penalties prescribed by the contract on the right to purchase immovable property in the building under construction.

8. In case of failure to conclude the act of transfer of the right of ownership over the immovable property, the purchaser may — within a period of six months after the registration of the completion of the construction of the multi-apartment or subdivided building under construction — demand compulsory conclusion of the act of transfer or recognition of the right of ownership over the property as prescribed by law, provided that the contractual obligations of the purchaser have been fully performed.

9. The right to purchase immovable property under the contract on the right to purchase immovable property may, along with the rights of the purchaser to the funds credited to the special account of the constructor, be alienated with or without compensation, pledged, or transferred to another person as a result of universal legal succession, to the current extent of the rights and responsibilities and informing the constructor of it.

10. In case of transfer of the rights and obligations of a constructor through universal legal succession to other persons in cases prescribed by the legislation of the Republic of Armenia (reorganisation of a legal person constructor, death of a natural person constructor), the rights to the funds of the purchaser credited to the special account of the constructor may pass only to the legal successor of the constructor to whom the obligations of the constructor under the contract on purchasing immovable property in a building under construction have passed.

11. After the completion of the building construction and following the conclusion of the act of transfer of the right of ownership between the constructor and the purchaser, the available funds credited by the purchaser to the special account of the constructor shall be transferred to the ordinary bank account of the constructor and shall be disposed by the constructor.

(Article 570.1 supplemented by HO-87-N of 19 June 2015)

CHAPTER 32

RENT

§ 1. GENERAL PROVISIONS ON RENT

Article 571. Rent contract

1. Under the rent contract one party (rent receiver) shall transfer the property to the other party (rent payer) by the right of ownership, and the rent payer shall be obliged to regularly pay to the rent receiver a rent, that is, certain amount, in return for that property.

2. The obligation to pay a rent for an unlimited term (permanent rent) or for the entire period of the rent receiver's life (lifelong rent) shall be permitted to specify under the rent contract.

Article 572. Form of rent contract

1. The rent contract shall be concluded in writing by preparing a single document signed by the parties (point 3 of Article 450).

2. The rent contract providing for alienation of immovable property in return for rent shall be subject to notary certification.

Article 573. State registration of transferring the right of ownership under the rent contract providing for alienation of immovable property

Transfer of the right of ownership under the rent contract providing for alienation of immovable property in return for rent payment shall be subject to state registration.

Article 574. Alienation of property in return for rent payment

1. The property alienated in return for rent payment may, for a charge or free of charge, be transferred, as ownership, by the rent receiver to the rent payer.

2. Where the rent contract provides for the transfer of property for a charge, the rules on purchase and sales contract (Chapter 31) shall apply to the relations of the parties pertaining to the transfer and payment, and in case of transferring such property free of charge — the rules on the gift contract (Chapter 34), unless otherwise provided for by the rules of this Chapter and contradicts the essence of the rent contract.

Article 575. Burdening the immovable property with rent

1. The rent shall burden a land parcel, building, structure or other immovable property transferred in return for the payment thereof. In case of alienation of such property by the rent payer, the obligations thereof shall, under the rent contract, be transferred to the acquirer of the property.

2. The rent payer, having placed the immovable property burdened with rent under the ownership of another person, shall bear subsidiary liability under the claims of the rent receiver, which have arisen as a result of breach of the rent contract, unless joint and several liability for that obligation is provided for by this Code, other laws or the contract.

Article 576. Securing the rent payment

1. In case of transferring a land parcel or other immovable property in return for rent, the rent receiver shall acquire the right of pledge against this property as a security for the fulfilment of the obligation by the rent payer.

2. The condition laying down the obligation of providing insurance to the benefit of the rent receiver in respect of the obligation of rent payer to provide for security for the performance of the obligations thereof (Article 368) or in respect of the risk of liability for non-performance or improper performance of these obligations, shall be deemed to be essential for the contract providing for a transfer of monetary amount or other movable property in return for rent.

3. In case of non-performance by a rent payer of the obligations established by point 2 of this Article as well as loss of security provided thereby or deterioration of the conditions thereof under circumstances for which the rent receiver does not bear liability, the latter shall have the right to rescind the rent contract and require compensation for the damages caused by the rescission of the contract.

Article 577. Form and amount of rent

1. The rent shall be paid in money in the amount prescribed by the contract.

The rent may be also paid through the provision of property, performance of works or rendering of services equivalent to the monetary value thereof.

2. The amount of rent payment shall increase in proportionate to the increase in the size of the minimum salary, unless otherwise provided for by the rent contract.

Article 578. Liability for rent payment default

The rent payer shall pay to the rent receiver the interest referred to in Article 411 of this Code for the rent payment default, unless another amount of interest is provided for by the rent contract.

§ 2.PERMANENT RENT

Article 579. Permanent rent receiver

1. Only citizens, as well as non-commercial organisations may act as permanent rent receivers, where it does not contradict the law and complies with the objectives of the activities thereof.

2. The rights of a rent receiver under a permanent rent contract may be transferred to the persons referred to in point 1 of this Article through surrender of a claim or transmitted by succession, or through legal succession in case of reorganisation of legal persons, unless otherwise provided for by law or contract.

Article 580. Terms for paying permanent rent

Permanent rent shall be paid at the end of each calendar quarter, unless otherwise provided for by permanent rent contract.

Article 581. Right of buyout of permanent rent

1. Permanent rent payer shall have the right to buy out the permanent rent.

2. The obligation of paying rent shall not terminate, until the payment of the overall sum of buyout to the rent receiver, unless another procedure for buyout is provided for by contract.

3. The condition of a permanent rent contract in respect of refusal by the rent payer from the right of buyout shall be deemed as null and void.

4. The contract may provide that the right of buyout of permanent rent may not be exercised during the lifetime of rent receiver or during another term.

Article 582. Buyout of permanent rent upon request of rent receiver

Permanent rent receiver shall have the right to require from the rent payer to buy out the rent, where:

(1) the rent payer has committed a default in rent payment for more than one year, unless otherwise provided for by the permanent rent contract;

(2) the rent payer has violated his or her obligations of ensuring the rent payment (Article 576);

(3) circumstances have occurred, which obviously prove that the rent may not be paid in the amount and within terms provided for by the contract;

(4) the immovable property transferred in return for a rent payment has been placed under common ownership or divided among several persons;

(5) other cases are provided for by the contract.

Article 583. Price of buyout of permanent rent

1. In the cases provided for by Articles 581 and 582 of this Code, the permanent rent shall be bought out at the price provided for by the permanent rent contract.

2. In case of non-availability of the condition relating to the price of buyout under the permanent rent contract by virtue of which the property has been transferred under a payment in return for permanent rent, the property shall be bought out through paying an amount at the price complying with the relevant annual amount of rent.

3. In case of non-availability of the condition relating to the price under the permanent rent contract by virtue of which the property has been transferred, free of charge, in return for the permanent rent payment, the price of the transferred property shall together with the annual sum of payment in return for rent be included

in the price of buyout determined by the rules provided for by point 3 of Article 440 of this Code.

Article 584. Risk of accidental loss or accidental damage of property transferred in return for permanent rent payment

1. The risk of accidental loss or accidental damage of the property transferred free of charge, in return for the permanent rent shall be borne by the rent payer.

2. In case of accidental loss or accidental damage of the property transferred for payment in return for the permanent rent, the rent payer shall have the right to require terminating the obligation of paying the rent or changing the conditions for the payment thereof.

§ 3. LIFELONG RENT

Article 585. Lifelong rent receiver

1. Lifelong rent may be established for the entire period of life of the citizen having transferred the property in return for the payment of rent or for the entire period of life of another person mentioned thereby.

2. Lifelong rent shall be permitted to be established to the benefit of several citizens the shares of which in the right to receive a rent shall be recognised as equal, unless otherwise provided for by the contract on lifelong rent.

3. In case of death of one of the rent receivers, his or her share in the right to receive rent shall pass to the living rent receivers, unless otherwise provided for by the contract on lifelong rent. The obligation of paying rent shall terminate upon death of the last rent receiver.

4. The contract establishing a lifelong rent to the benefit of a citizen who has died at the moment of concluding the contract shall be considered as void.

Article 586. Terms for paying lifelong rent

Lifelong rent shall be paid upon the end of each calendar month, unless otherwise provided for by the contract on lifelong rent.

Article 587. Rescission of a contract on lifelong rent upon request of rent receiver

1. In case of essential violation of the contract on lifelong rent by the rent payer, the rent receiver shall have the right to require from the rent payer to buy out the rent on the conditions established by Article 583 of this Code, or to rescind the contract and to compensate for the damages.

2. Where an apartment, residential house or another property has been alienated free of charge, in return for lifelong rent payment, the rent receiver shall, in case of essential violation of the contract by the rent payer, be entitled to require the return of that property by setting off its value from the price of buyout of rent.

Article 588. Risk of accidental loss of or accidental harm to the property transferred in return for a lifelong rent

Accidental loss of or accidental harm to the property transferred in return for a lifelong rent shall not exempt the rent payer from the obligation of paying the rent on the conditions provided for by the contract on the lifelong rent.

CHAPTER 33

EXCHANGE

Article 589. Exchange contract

1. Under the exchange contract each of the parties shall be obliged to place under the ownership of the other party goods in exchange for other goods.

2. The rules on the purchase and sales (Chapter 31) shall apply respectively to the exchange contract, unless it contradicts the provisions of this Chapter and the essence of exchange. Moreover, each of the parties shall be deemed to be the seller of the goods which he or she is obliged to transfer, as well as the purchaser of the goods which he or she is obliged to accept in exchange.

Article 590. Prices and expenses under the exchange contract

1. The goods subject to exchange shall be considered as equivalent, and the expenses of transferring and accepting them shall in each case be made by the party bearing relevant obligations, unless otherwise provided for by the exchange contract.

2. Where the goods exchanged in conformity with the exchange contract are declared as non-equivalent, the party who is obliged to transfer the goods the price whereof is lower than the price of goods submitted for exchange by the other party shall, before or after performance of his or her obligation be obliged to pay the price differences, unless another procedure for payment is provided for by the contract.

Article 591. Cross fulfilment of the obligation to transfer goods under the exchange contract

Where the terms for transferring the goods exchanged in conformity with the exchange contract do not coincide, the rules on cross fulfilment of obligations (Article 367) shall apply to the fulfilment of obligation of the party who must transfer the goods after the receipt of the goods from the other party.

Article 592. Transfer of the right of ownership to the goods being exchanged

The right of ownership to the goods being exchanged shall be transferred to the parties acting as purchasers under the exchange contract, after fulfilment of the obligation of transferring relevant goods thereby, unless otherwise provided for by law or exchange contract.

Article 593. Liability for seizure of goods acquired under the exchange contract

The party from which the third person has seized the goods acquired under the exchange contract shall, in case of the grounds referred to in Article 477 of this Code, have the right to require from the other party to return the goods acquired as a result of exchange and/or to compensate for the damages.

CHAPTER 34

GIFTING

Article 594. Gift contract

1. Under the gift contract one party (donor) shall place or shall be obliged to place gratuitously under the ownership of the other party (donee) a property or property right (claim) addressed to himself or herself or a third person, or shall exempt or shall be obliged to exempt him or her from the property obligation against himself or herself or a third person.

In case of availability of cross transfer of property or right or cross obligation, the contract shall not be deemed to be a gift. The rules provided for by point 2 of Article 306 of this Code shall apply to such contract.

2. The promise of transferring gratuitously to anyone a property or property right or of releasing anyone from property obligation (gift promise) shall be considered as a gift contract and shall be binding for the promiser, where the promise has been made in a proper manner and contains an explicitly expressed wish on transferring gratuitously in the future a property or a right to a certain person or releasing him or her from a property obligation.

3. The promise in respect of making a gift on one's whole property or the part thereof without mentioning the certain object of gifting in the form of a property, right or exemption from an obligation, shall be considered as null and void.

4. The contract, providing for a transfer of a gift to the donee after death of the donor, shall be considered as null and void.

The rules on succession of this Code shall apply to such type of gifting.

Article 595. Form of gift contract

1. The gift contract shall be concluded in writing.

2. The gift contract on immovable property shall be subject to notary certification.

Article 596. State registration of the transfer of the right of ownership under a gift contract on immovable property

Transfer of the right of ownership under the gift contract on immovable property shall be subject to state registration.

Article 597. Refusal from accepting a gift by the donee

1. A donee shall, prior to the transfer of the gift thereto, have the right to refuse it at any time. In this case the gift contract shall be considered as rescinded.

2. Refusing the gift should be performed as prescribed by the gift contract. Where transfer of the right of ownership under the gift contract is registered, refusal from accepting the gift shall be also subject to state registration.

3. The donor shall have the right to require from the donee to compensate for the actual damage caused thereto as a result of refusal from accepting the gift.

Article 598. Prohibition of gifting

The following shall be prohibited:

(1) the gifting made by the legal representatives on behalf of infants and citizens declared as having no active legal capacity;

(2) the gifting made to the servants of public and local self-government bodies, with respect to their official position or performance of official duties;

(3) the gifting in the relations between commercial organisations.

4) other cases of prohibition of gifting may be established by law.

(Article 598 supplemented by HO-12-N of 9 February 2012)

Article 599. Restrictions on gifting

1. Gifting of property under common joint ownership shall be permitted by the consent of all the participants of joint ownership, observing the rules provided for by Article 198 of this Code.

2. Gifting through fulfilment of obligations — with regard to third persons — of the donee instead of him or her, shall be made in compliance with the rules provided for by point 1 of Article 351 of this Code.

3. Gifting of the right of claim — against third persons — belonging to the donor, shall be made in compliance with the rules provided for by Articles 397-401, 403 and 404 of this Code.

4. Gifting through transferring to the donor the debt of the donee with regard to third persons, shall be made in compliance with the rules provided for by Articles 406 and 407 of this Code.

5. The letter of attorney on gifting issued to the representative, wherein the donee is not mentioned and the object of the gift is not specified, shall be considered as null and void.

Article 600. Refusal from executing the gift contract

1. The donor shall have the right to refuse the execution of a contract containing a promise to transfer to the donee, in the future, a property or right or to exempt the donee from the property obligation, where after concluding the contract,

the property or family status or health condition of the donor has been deteriorated to the extent that the performance of the contract under new conditions shall result in essential fall of the living standards thereof.

2. The donor shall have the right to refuse the execution of a contract containing a promise to transfer to the donee, in the future, a property or right or to exempt the donee from the property obligation, on the grounds enabling him or her to cancel gifting (point 1 of Article 601).

3. Refusal of a donor from the execution of a gift contract on the grounds provided for by points 1 and 2 of this Article shall not enable the donee to require compensation for damages.

Article 601. Cancelation of gifting

1. The donor shall have the right to cancel the gifting, where the donee has encroachment on the life of the donor, one of the family members or close relatives thereof, or has caused intentional bodily injuries to the donor.

2. Where the donee deprives the donor of his or her life, the heirs of the donor shall have the right to claim for cancelation of gifting at court.

3. The donor shall have the right to require the return by judicial procedure of the gifting, where the attitude of the donee to the property gifted thereto, which bears big non-property value for the donor, creates a threat of its irrevocable loss.

4. The court may, on the grounds and under the procedure provided for by the Civil Procedure Code of the Republic of Armenia, cancel the gifting made by an individual entrepreneur or a legal person.

5. The gift contract may provide for the right of a donor to cancel gifting if he or she outlives the donee.

6. In case of cancelation of gifting, the donee shall be obliged to return the property gifted by the donor, unless it has been maintained in kind at the moment of cancelation of gifting.

Article 602. Restrictions on refusal from the execution of a gift contract and cancelation of gifting

The rules on refusal from the execution of a gift contract (Article 600) and cancelation of gifting (Article 601) shall not apply to the gifts of low value.

Article 603. Consequences of the damage caused by defects of gifted property

The damage caused to life, health or property of the donee as a result of defects of the gifted property, shall be compensated by the donor in conformity with the rules established by Chapter 60 of this Code, where it is proved that those defects have occurred before transferring the property to the donee, are not classified as obvious, and the donor though being aware of them, has not notified the donee thereof.

Article 604. Legal succession when promising a gift

1. The rights of the donee, who has been promised a gift under a gift contract, shall not be transferred to the heirs (legal successors) thereof, unless otherwise provided for by the gift contract.

2. The obligations of the donor who has promised a gifting, shall be transferred to the heirs (legal successors) thereof, unless otherwise provided for by the gift contract.

Article 605. Donation

1. Gifting of a property or right for the benefit of the public shall be considered as donation.

Donations may be made to citizens, medical, fostering institutions, social protection and other similar institutions, charity, scientific and educational institutions, foundations, museums and other cultural institutions, public and religious organisations, as well as to the State and communities.

2. In order to accept a donation, one's permission or consent shall not be required.

3. Donation of property by the donator to a citizen should be conditioned and donation to legal persons may be conditioned by the use thereof for a specific purpose. In case of absence of such a condition, the donation made to a citizen shall be deemed to be an ordinary gifting. In other cases, the donated property should be used by the donee in compliance with the specific purpose thereof.

4. The legal person, having accepted the donation for using for a specific purpose, should maintain separate accounting for all the operations of the use of donated property.

5. Where, as a result of change in situation, the use of donated property, in conformity with the objective defined by the donator, becomes impossible, it may be used for other purposes only upon consent of the donator, and in case of death of the donating citizen or liquidation of a legal person — upon court decision.

6. Where the receiver of donation has used the donated property, not compatible with the purpose defined by the donator, or that purpose has changed in violation of the rules provided for by point 5 of this Article, the donator, the heirs or other legal successors thereof shall have the right to require cancelation of donation.

7. Article 604 of this Code shall not apply to donation.

THIRD SUBSECTION

CONTRACTS ON TRANSFER OF PROPERTY FOR LEASE AND FOR GRATUITOUS USE

CHAPTER 35

LEASE

§ 1. GENERAL PROVISIONS ON LEASE

Article 606. Lease contract

The lessor shall, under the lease contract, be obliged to transfer a property to the lessee at a charge for temporary possession and/or use.

Article 607. Fruit, product and income of leased property

Benefits, outputs and income received by the lessee as a result of using the leased property shall fall under the ownership thereof, unless otherwise provided for by the contract.

Article 608. Objects of lease

1. Lands and other isolated natural sites, buildings, structures, equipments, transportation means, other property which, while being used, do not lose the genuine features (inconsumable property) thereof may be transferred for lease.

The law may provide for types of property, which are not permitted or are limited for the transfer for lease.

2. Specific aspects of transferring of lands and other isolated natural sites for lease may be prescribed by law.

3. Data must be mentioned in the lease contract, which enable to definitely define the property which as an object of lease is transferred to the lessee. In case of non-availability of such data in the contract, the condition on the object of lease shall be considered as not agreed, whereas the relevant contract — as not concluded.

Article 609. Lessor

1. The right to lease the property shall be reserved to the owner thereof.

2. Lessors may be also deemed to be the persons authorised by virtue of law or by the owner for transferring the property for lease.

3. A lessor may under the financial lease (leasing) contract be deemed to be a bank or a specialised organisation having been issued a licence as prescribed by law.

(Article 609 supplemented by HO-362-N of 29 May 2002)

Article 610. Form of lease contract

1. The lease contract shall be concluded in writing.

2. The lease contract on immovable property shall be notary certified.

3. The contract on property lease which provides for a transfer in future of the right of ownership over this property to the lessee (Article 627) shall be concluded in the manner prescribed for the purchase and sales contract of such property.

Article 611. State registration of rights deriving from the lease contract on immovable property

The rights deriving from the lease contract on immovable property shall be subject to state registration.

Article 612. Terms for lease contract

1. The lease contract shall be concluded for a term defined by the contract.

2. Where the term for lease is not provided for by the contract, the lease contract shall be deemed to be concluded for an indefinite term. In this case each of the parties shall have the right to renounce at any time the lease contract by notifying the other party thereof one month before, whereas in case of lease of an immovable property — three months before, unless otherwise provided for by law.

Another term for notification may be defined, by law or contract, for the termination of lease contract concluded for an indefinite term.

3. Maximum terms may be prescribed by law for individual types of lease as well as for lease contracts on individual types of property. Where the term for lease is not defined by the contract and none of the parties has renounced the contract before the expiry of the maximum term prescribed by law, the contract shall terminate upon the expiry of the maximum term.

The lease contract concluded for a term exceeding the maximum term prescribed by law shall be deemed to be concluded for a term equal to the maximum term.

(Article 612 edited by HO-188-N of 4 October 2005 and HO-238-N of 15 December 2005)

Article 613. Providing the property to the lessee

1. The lessor shall be obliged to provide to the lessee the property in a condition conforming to the conditions of the lease contract and intended purpose of the property.

2. The property shall be transferred for lease together with all the accessories thereof and documents related thereto (technical specifications, quality certificate, etc.), unless otherwise provided for by the contract.

Where such accessories and documents have not been transferred, and the lessee may not use the property without them in conformity with the intended purpose thereof or is considerably deprived of what he or she could expect when concluding the contract, he or she may request from the lessor to provide the accessories and documents thereto or otherwise rescind the contract and compensate the damages incurred thereby.

3. Where the lessor has not, within the terms mentioned in the lease contract, whereas in the case such term is not provided for by the contract — within reasonable term, provided to the lessee the leased property, the lessee shall, in accordance with Article 414 of this Code, have the right to require therefrom to provide this property and compensate the damages caused to him or her as a result of delay in performance or require to rescind the contract and compensate the damages caused to him or her as a result of failing to perform the contract.

Article 614. Liability of a lessor for the defects of the leased property

1. The lessor shall be held liable for the defects of the leased property, which fully or partially impede the use of the property thereby, even if while concluding the lease contract these defects were not known thereto.

When detecting such defects the lessee shall, upon his or her choice, have the right to:

(1) require from the lessor to gratuitously eliminate the defects of the property or proportionately reduce the lease payment or compensate the expenses made thereby for eliminating the defects of property;

(2) by priorly informing the lessor of deducting from the lease payment the sum of expenses made thereby for eliminating the defects;

(3) require early rescission of the contract.

2. The lessor, notified of the claims of the lessee or the intention thereof with regard to elimination of the defects of property at the expense of the lessor, may immediately replace the property transferred to the lessee by another identical property in a proper condition or gratuitously eliminate the defects of the property.

3. Where the fulfilment of the claims of the lessee or deduction of expenses made thereby for eliminating the defects from the lease payment does not cover the damages caused to the lessee, he or she shall have the right to require compensation for the damages as of the part not covered.

4. The lessor shall not be held liable for the defects of the leased property which he or she has mentioned when concluding the contract or which were priorly known to the lessee or ought to have been detected by the lessee when examining the property or concluding the contract, or checking the working order of the property when transferring it for lease.

Article 615. Rights of third persons over the leased property

1. The transfer of property for lease shall not constitute a ground for terminating or altering the rights of third persons over this property.

2. While concluding the lease contract the lessor shall be obliged to warn the lessee of all the rights of third persons over the leased property (right to pledge, servitude, etc.). Failure to perform this obligation by the lessor shall enable the lessee to require reduction of the lease payment or rescission of the contract and compensation for the damages.

Article 616. Lease payment

1. The lessee shall be obliged to make a payment for the use of the property (lease payment) on time.

The procedure, conditions and terms for making lease payment shall be determined by the lease contract. Where these are not determined by the contract, the usual procedure, conditions and terms existing at the time of leasing an identical property under comparable circumstances shall apply.

2. The lease payment shall be defined for the whole leased property or for each component thereof:

(1) by a certain fixed amount paid regularly or simultaneously;

(2) by a share defined for fruits, products or income received as a result of using the leased property;

(3) by rendering certain services by the lessee;

(4) by transferring the property, provided for by the contract, by the lessee to the ownership or lease of the lessor;

(5) by encumbering the lessee with the expenses for improving the leased property provided for by the contract.

The parties may envisage by the lease contract a combination of mentioned forms of lease payment or other types thereof.

3. The amount of lease payment may be changed by the consent of parties under the terms provided for by the contract, unless otherwise provided for by the contract. Minimum terms for revision of the amount of lease payment for individual types of lease as well as for lease of individual types of property, may be envisaged by law.

4. Unless otherwise provided for by law, the lessee shall have the right to require reduction of the amount of the lease payment, where by virtue of circumstances, for which he or she does not bear responsibility, the conditions for use provided for by the lease contract or the condition of property have substantially deteriorated.

5. In case of essential violation by the lessee of the terms for making a lease payment, the lessor shall have the right to require therefrom an early lease payment, unless otherwise provided for by the lease contract.

Article 617. Use of leased property

1. The lessee shall be obliged to use the leased property in conformity with the conditions of the lease contract, whereas if such conditions are not defined — in accordance with the intended purpose of the property.

2. Where the lessee makes use of property, not complying with the conditions of the lease contract or the intended purpose of property, the lessor shall be entitled to require rescission of the contract and compensation for damages.

Article 618. Obligations of parties for the maintenance of leased property

1. The lessor shall be obliged to make the capital repair of the leased property at his or her own expense, unless otherwise provided for by law, other legal acts or the lease contract.

Capital repair shall be made within the term provided for by the contract, whereas if it is not defined by the contract or has emerged upon urgent necessity — within a reasonable term.

Violation of obligation of making capital repair by the lessor shall enable the lessee at his or her choice:

(1) to make capital repair, provided for by the contract or emerged under urgent necessity, and to require from the lessee the repair costs or offsetting them from the lease payment;

(2) to require reduction of the lease payment in a relevant amount;

(3) to require rescission of the contract and compensation for damages.

2. The lessee shall be obliged to maintain the property in due condition, to make the current repair thereof at his or her expense and bear the property maintenance costs, unless otherwise provided for by law or the lease contract.

Article 619. Retaining the validity of the lease contract in case of change of the parties

1. The transfer of the right of ownership over the leased property to another person shall not constitute a ground for rescission of the contract or amendment thereto, unless otherwise provided for by law.

2. In case of death of a citizen having leased an immovable property, his or her rights and obligations referred to in the lease contract shall be transferred to the heir, unless otherwise provided for by law or the contract.

The lessor shall not have the right to refuse such heir to act as a party to the contract within the remaining term, except for the cases when the conclusion of a contract was conditioned by the personal features of the lessee.

(Article 619 edited by HO-188-N of 4 October 2005)

Article 620. Sublease contract

1. The lessee shall have the right to transfer a leased property for sublease, to transfer his or her rights and obligations under the lease contract to another person, to transfer the leased property for gratuitous use, to pledge the right to lease or to deposit it in the statutory (share) capital of economic partnerships and companies solely by the consent of the lessor, unless otherwise provided for by this Code, other laws or other legal acts. In these cases, except for sublease, the lessee shall, under the contract, bear responsibility before the lessor.

2. The sublease contract may not be concluded for a term exceeding the validity period of the lease contract.

3. The rules on the lease contract shall apply to sublease contract, unless otherwise provided for by law or other legal acts.

Article 621. Termination of sublease contract in case of early termination of the lease contract

1. Together with early termination of the lease contract a sublease contract concluded in conformity therewith shall also terminate, unless otherwise provided for by the lease contract. In this case, the lessor shall have the right to conclude with the sub-lessee a lease contract in respect of the property under the use thereof, in conformity with the sublease contract and within the limits of the remaining term of sublease — under the conditions conforming to the conditions of the terminated lease contract.

2. Where the lease contract is, on the grounds provided for in this Code, considered as null and void, the sublease contract concluded in conformity therewith shall also be considered as null and void.

Article 622. Early rescission of the contract upon the request of lessor

The lease contract may be rescinded early at court upon the request of the lessor, where the lessee:

(1) has used the property with essential and multiple violations in respect of the conditions of the contract or of the intended purpose of the property;

(2) has substantially aggravated the condition of the property;

(3) has not made a lease payment more than twice upon the expiry of the term for payment provided for by the contract;

(4) has not, within the terms defined by the lease contract, whereas in case of non-availability thereof in the contract — within reasonable term, made capital repair in the cases when, in accordance with law, legal acts or the contract, making capital repair is considered as the obligation of the lessee.

In accordance with point 2 of Article 466 of this Code, other grounds for early rescission of the contract upon the request of the lessor may be provided for by the lease contract.

Article 623. Early rescission of the contract upon the request of lessee

The lease contract may be rescinded early at court upon the request of lessee, where:

(1) the lessor has not provided the property for use to the lessee or has created obstacles for using the property in accordance with the conditions of the contract or the intended purpose thereof;

(2) the property transferred to the lessee has defects impeding the use thereof, which have not been mentioned by the lessor while concluding the contract, and which were not known to the lessee beforehand and the latter should not have detected while

concluding the contract, examining the property or checking the working order thereof;

(3) the lessor has not, within the terms provided for by the lease contract, whereas in case of non-availability thereof — within a reasonable term, fulfilled his or her obligation of making capital repair of the property;

(4) by virtue of circumstances, for which the lessee is not responsible, the property has become unfit for use.

In accordance with point 2 of Article 466 of this Code, other grounds for early rescission of the contract upon the request of lessee may be established by the lease contract.

Article 624. Conclusion of a lease contract for a new term

1. While concluding a lease contract for a new term, the conditions thereof may, upon the consent of parties, be changed.

2. Where upon the expiry of the term of the contract the lessee, in case there are no objections from the lessor, continues to avail of the property, the contract shall be considered as resumed under the same conditions for an indefinite term (Article 612).

Article 625. Returning the leased property to the lessor

1. In case of termination of the lease contract, the lessee shall be obliged to return to the lessor the property in the condition he or she has received — by calculation of ordinary depreciation, or in the condition provided for by the contract.

2. Where the lessee has not returned the leased property or has returned it with a violation of terms, the lessor shall have the right to require a lease payment for the entire default period. Where such payment does not fully compensate

the damages caused to the lessor, he or she may require compensating the remaining part thereof.

3. Where a penalty is provided for by the contract for not returning the leased property on time, damages may be compensated in addition to the penalty for the entire cost thereof, unless otherwise provided for by the contract.

Article 626. Improvements of the leased property

1. Divisible improvements of the leased property carried out by the lessee shall fall under the ownership thereof, unless otherwise provided for by the lease contract.

2. Where the lessee has at the expenses thereof and upon the consent of lessor made indivisible improvements of the leased property without causing damages thereto, the lessee shall, upon the termination of the contract, have the right to receive compensation in the amount of the cost of these improvements, unless otherwise provided for by the lease contract.

3. The cost of indivisible improvements of the leased property carried out by the lessee without the consent of the lessor shall not be compensated, unless otherwise provided for by law.

4. Both divisible and indivisible improvements carried out at the expense of amortisation funds of the leased property, shall fall under the ownership of the lessor.

Article 627. Purchase of the leased property

1. The law or the lease contract may provide that the leased property shall, upon the expiry of the term for lease or prior to the expiry thereof, be transferred to the ownership of the lessee under the condition of payment by the lessee of the overall amount agreed under the contract.

2. Where the lease contract does not provide for a condition on the purchase of the leased property, it may be defined by the additional consent of the parties which shall have the right to agree on including in the price the lease payment made in advance.

3. Prohibitions for the purchase of the leased property may be established by law.

Article 628. Specific aspects **of individual types of lease and those of the lease of individual types of property**

The rules of this Paragraph shall apply to individual types of lease contract and to lease contracts of individual types of property (rental, lease of transportation means, lease of buildings and structures, lease of dwelling areas, financial lease (leasing)), unless otherwise provided for by the rules of this Code with regard to these contracts.

§ 2.RENTAL

Article 629. Rental contract

1. Under the rental contract, as a permanent entrepreneurial activity, the lessor transferring the property for lease shall be obliged to transfer a movable property, free of charge, to the temporary possession of and for the use by the lessee.

The property provided under the rental contract shall be used for consumption purposes, unless otherwise provided for by the contract or derives from the essence of an obligation.

2. A rental contract shall be concluded in writing.

3. A rental contract shall be deemed to be a public contract (Article 442).

Article 630. The terms of the rental contract

1. The rental contract shall be concluded for a term of up to one year.

2. The rules for resuming the lease contract for an indefinite term shall not apply to the rental contract.

3. The lessee shall have the right to renounce at any time the rental contract.

Article 631. Providing the property to the lessee

The lessor concluding a rental contract shall be obliged to check the working order of the rental property in the presence of the lessee as well as to familiarise the lessee with the rules of use of property or provide him or her with written instructions on the use of the property.

Article 632. Eliminating the defects of the rental property

1. When detecting defects completely or partially preventing the lessee from availing of the rental property, the lessor shall, within a term of ten days following the date of applying by the lessee in respect of the defects, unless a shorter term is provided for by the rental contract, be obliged to gratuitously eliminate the defects of property on the spot or replace that property with another similar property in a proper condition.

2. Where the defects of the leased property have emerged as a result of violation of the rules of use and maintenance of the property by the lessee, the lessee shall pay to lessor the cost for repair and tran

sportation of the property.

Article 633. A rental payment under the rental contract

1. The rental payment under the rental contract shall be defined in the form of a certain fixed amount paid regularly or as a lump sum.

2. In case of an early return of the property by the lessee, the lessor shall return to him or her the relevant part of the rental payment received, by calculating it from the date following the day of actual return of the property.

Article 634. Use of leased property

1. The lessor shall, under the rental contract, be obliged to make the capital and current repair of the property transferred for rental.

2. Sublease of the property transferred to the lessee, transfer of his or her rights and obligations to another person, provision of that property for gratuitous use, pledge of the lease rights and the payment thereof as a property deposit in the statutory capital of economic partnership and companies shall be prohibited under the rental contract.

§ 3. LEASE OF TRANSPORTATION MEANS

1.LEASE OF TRANSPORTATION MEANS BY RENDERING SERVICES FOR THE MANAGEMENT AND TECHNICAL EXPLOITATION THEREOF

Article 635. Contract on lease of transportation means with crew

1. Under the contract on lease of transportation means with the crew (time charter) the lessor shall transfer, at a charge, the transportation means to the temporary

possession of and for use by the lessee and shall render services himself or herself for the management and technical exploitation thereof.

2. The rules for resuming the lease contract for an indefinite term shall not apply to the contract on lease of transportation means with crew.

Article 636. Form of the contract on lease of transportation means with crew

The contract on lease of transportation means with crew shall be concluded in writing.

Article 637. Obligation of the lessor to maintain the transportation means

During the entire term of the contract on lease of transportation means with crew, the lessor shall be obliged to ensure the proper condition of the transportation means transferred for lease. This obligation shall include the current and capital repair of the transportation means as well as the provision of necessary accessories.

Article 638. Obligations of the lessor in the field of management and technical exploitation of transportation means

1. The services of management and technical exploitation of transportation means rendered to the lessee by the lessor must ensure the regular and safe exploitation thereof in compliance with the aims of the lease indicated in the contract. A broader framework of services rendered to the lessee may be provided for by the contract on lease of transportation means with crew.

2. The crew of transportation means and the qualification thereof must comply with the requirements of the rules compulsory for parties as well as the conditions of the contract, whereas in case such requirements have not been established by

the rules compulsory for the parties — in accordance with the ordinary requirements for the use of the given type of transportation means and the conditions of the contract.

3. Members of the crew shall be deemed to be employees of the lessor. They shall observe the instructions of the lessor in respect of the management and technical exploitation as well as the instructions of the lessee — in respect of the commercial exploitation of the transportation means.

4. The lessor shall pay for the services of the members of the crew, unless otherwise provided for by the lease contract.

Article 639. Obligation of the lessee to cover the expenses relating to commercial exploitation of transportation means

The lessee shall cover the expenses incurred in respect of the commercial exploitation of transportation means, including the expenses incurred in respect of fuel and other materials used during exploitation, as well as the duties, unless otherwise provided for by the contract on lease of transportation means with crew.

Article 640. Insurance of transportation means

The obligation of insuring a transportation means and/or the liability for the damage caused as a result of the exploitation thereof shall be imposed on the lessor in the cases where such insurance is compulsory by virtue of law or contract, unless otherwise provided for by the contract on lease of transportation means with crew.

Article 641. Contracts with third persons with regard to the use of transportation means

1. The lessee shall not, without the consent of the lessor, have the right to sublease the transportation means, unless otherwise provided for by the contract on lease of transportation means with crew.

2. The lessee shall, within the framework of commercial exploitation of leased transportation means, have the right to conclude without the consent of the lessor — on his or her behalf — a contract of carriage and other contracts with third persons, unless they contradict the objectives of the use of transportation means, indicated in the lease contract, whereas in case such objectives are not defined — the intended purpose of transportation means.

Article 642. Liability for the damage caused to transportation means

In case of loss or damage of leased transportation means, the lessee shall be obliged to compensate the damage caused to the lessor, where the latter proves that the loss or damage of transportation means was incurred under the circumstances for which the lessee is liable in compliance with law or the lease contract.

Article 643. Liability for the damage caused through transportation means

The lessor shall, in compliance with the rules referred to in Chapter 60 of this Code, be held liable for the damages caused to third persons through the leased transportation means, the mechanisms and equipment thereof. He or she shall have the right to file a counter-claim to the lessee in respect of compensating the amount paid to third persons, if he or she proves that the damage was caused by the guilt of the lessee.

Article 644. Specific aspects of lease of individual types of transportation means

Specific aspects of lease of individual types of transportation means with the provision of management and technical exploitation services, except for those prescribed in this Paragraph, may be defined by law.

2. LEASE OF TRANSPORTATION MEANS WITHOUT THE PROVISION OF SERVICES FOR THE MANAGEMENT AND TECHNICAL EXPLOITATION THEREOF

Article 645. Contract on lease of transportation means without crew

1. Under the contract on lease of transportation means without crew the lessor shall, at a charge, transfer the transportation means for the temporary possession of and for use by the lessee without rendering management and technical exploitation services thereto.

2. The rules for resuming the lease contract for an indefinite term shall not apply to the contract on lease of transportation means without crew.

Article 646. Form of the contract on lease of transportation means without crew

The contract on lease of transportation means without crew shall be concluded in writing.

Article 647. Obligation of the lessee to maintain the transportation means

During the entire term of the contract on lease of transportation means without crew, the lessee shall be obliged to ensure the proper condition of the leased transportation means. This obligation shall include the current and capital repair thereof, unless otherwise provided for by the contract.

Article 648. Obligations of the lessee with regard to management, commercial and technical exploitation of transportation means

The lessee shall carry out, by himself or herself, the management of leased transportation means as well as the commercial and technical exploitation thereof.

Article 649. Obligation of the lessee to cover the expanses with regard to maintenance of transportation means

The lessee shall bear the expenses incurred in respect of maintenance of the leased transportation means and the insurance thereof, including the insurance of his or her liability, as well as the expenses in respect of exploitation thereof, unless otherwise provided for by the contract on lease of transportation means without crew.

Article 650. Contracts with third persons with regard to the use of transportation means

1. The lessee shall not have the right to transfer the transportation means for sublease without the consent of the lessor, unless otherwise provided for by the contract on lease of transportation means without crew.

2. The lessee shall, without the consent of the lessor, have the right to conclude — on his or her behalf — a contract of carriage and other contracts with third persons, where they do not contradict the objectives of the use of transportation means, indicated in the lease contract, whereas in case such objectives are not defined — the intended purpose of transportation means.

Article 651. Liability for the damage caused through transportation means

The lessee shall, in compliance with the rules of Chapter 60 of this Code, be held liable for the damages caused to third persons through the leased transportation means, the mechanisms and equipment thereof.

Article 652. Specific aspects of lease of individual types of transportation means

The specific aspects of individual types of transportation means without rendering management and technical exploitation services, except for those provided for by this Paragraph, may be defined by law.

§ 4. LEASE OF BUILDINGS AND STRUCTURES

Article 653. Contract on lease of a building or structure

The lessor shall, under the contract on lease of a building or structure, be obliged to transfer, at a charge, a building or structure to the temporary possession of and/or for use by the lessee.

Article 654. Form of the contract on lease of a building or structure

1. The contract on lease of a building or premise shall be concluded in writing by drawing up a single document signed by the parties (point 3 of Article 450).

2. The lease contract of a building or structure shall be notary certified.

Article 655. State registration of rights deriving from the lease contract of a building or structure

The rights deriving from the lease contract of a building or premise shall be subject to state registration.

Article 656. Right to a land in case of lease of a building or structure located thereon

1. Under the contract on lease of a building or structure, the rights over the possession and use thereof shall be transferred to the lessee together with the right to the part of the land which is occupied with this building or structure and is necessary for the use thereof.

2. Where the lessor is the owner of the land whereon the leased building or structure is located, a lease right or another right provided for by the contract on lease of a building or structure shall be granted to the lessee over the relevant part of the land.

Where the right to the land, transferred to the lessee, is not provided for by the contract, the right to use the part of the land which is occupied with a building or structure and is necessary for the use thereof shall be transferred thereto for the term of lease of a building or structure.

3. The lease of a building or structure located on the land not belonging to the lessor by the right of ownership, shall be permitted without the consent of the owner of this land, unless it contradicts the conditions — established by law or the contract concluded with the owner of the land — on the use of such land.

Article 657. Retaining the right to use the land by the lessee of the building or structure when selling the land

In the case where the land whereon the leased building or premise is located is sold to another person, the lessee of this building or premise shall retain the right to use the part of the land which is occupied with the building or premise and is necessary for using it prior to the sales of the land under existing conditions.

Article 658. Amount of lease payment

1. The contract on lease of a building or premise must provide for an amount of lease payment. In case of absence of a condition on the amount of lease payment, the contract on lease of a building or premise shall be considered as not concluded. In this case, the rules— referred to in point 3 of Article 440 of this Code — on determining the price, shall not apply.

2. The lease payment for the use of a building or premise, provided for by the contract on lease of a building or premise, shall include the payment for the use of the land whereon it is located or the relevant part of land transferred together with it, unless otherwise provided for by law or the contract.

3. In case when the lease payment of the building or premise is provided for in the contract under the units of the area of building (premise) or other indicators on the amount thereof, the lease payment shall be determined based on the actual sizes of the building or premise transferred to the lessee.

Article 659. Transferring a building or structure for lease

1. The transfer by the lessor of a building or structure and the acceptance thereof by the lessee shall be carried out through the act on transfer or another document on the transfer, signed by the parties.

The obligation of a lessor of transferring the building or structure shall be deemed to be fulfilled after transferring it to the possession of and for the use by the lessee and signing by the parties of the relevant document on the transfer, unless otherwise provided for by law or the contract on lease of a building or structure.

Evasion by one of the parties from signing a document on the transfer of a building or structure under the conditions provided for by the contract shall be deemed to be a refusal from fulfilment of the obligation of transferring the property by the lessor or that of accepting it by the lessee.

2. In case of termination of the contract on lease of a building or structure, the leased building or structure must be returned to the lessor in observance of the rules provided for in point 1 of this Article.

§ 5. LEASE OF RESIDENTIAL PREMISES

Article 660. Residential premises lease contract

Under a residential premises lease contract, one party — the owner of the residential premises or the person authorised by him or her (the lessor) — shall be obliged to transfer the residential premises to the possession and disposal of the other party (the lessee) for payment.

Article 661. Object of the residential premises lease contract

1. The residential premises suitable for permanent residence (an apartment, a dwelling house, a part of apartment or dwelling house) may be the object of the residential premises lease contract.

2. The lessee of the residential premises in apartment houses shall, along with the use of the residential premises, have the right to use the property indicated in Article 224 of this Code.

Article 662. Form of the residential premises lease contract

1. The residential premises lease contract shall be concluded in writing by drawing up a single document signed by the parties (point 3 of Article 450).

2. The residential premises lease contract shall be subject to notary certification.

Article 663. State registration of rights arising from the residential premises lease contract

Rights arising from the residential premises lease contract shall be subject to state registration.

Article 664. Maintenance of the residential premises lease contract when transferring the right of ownership over the residential premises

The transfer of the right of ownership over the occupied residential premises under the residential premises lease contract shall not be a ground for rescission or alteration of the residential premises lease contract, unless otherwise provided for by

law. In such a case, the new owner shall become the lessor under the conditions of the previously concluded lease contract.

(Article 664 edited by HO-188-N of 4 October 2005)

Article 665. Duties of the lessor of the residential premises

1. The lessor shall be obliged to provide the lessee with vacant residential premises in the condition suitable for residence.

2. The lessor shall be obliged to properly use the residential premises where the residential premises transferred for lease are located, to render necessary utility services for payment or ensure rendering thereof, to repair general property of an apartment house and equipment supplying utility services thereof.

Article 666. Lessee of the residential premises

Citizens, legal entities, the Republic of Armenia and communities may be the lessee under the residential premises lease contract.

Article 667. Duties of the lessee of the residential premises

1. The lessee shall be obliged to ensure maintenance of the residential premises and keep it in proper condition.

2. The lessee shall not have the right to reconstruct or remodel the residential premises without the consent of the lessor.

3. The lessee shall be obliged to make lease payments for the residential premises on time. The lessee shall be obliged to make utility payments, unless otherwise provided for by the contract.

Article 668. Allowing other citizens to reside permanently

1. Upon the consent of the lessee, other citizens may be allowed to permanently reside in the residential premises.

2. The lessee shall bear liability against the lessor for actions of citizens permanently residing with him or her that breach the conditions of the residential premises lease contract.

Article 669. Temporary residents

1. The lessee and citizens permanently residing with him or her shall, upon the common consent, have the right to allow temporary residents to gratuitously reside in the residential premises.

The lessee shall bear liability against the lessor for actions of temporary residents.

2. Temporary residents shall be obliged to vacate the residential premises after the expiry of the term of residence agreed with them, and where such a term is not agreed – within seven days after the day of submission of relevant request by the lessee or by any citizen permanently residing with him or her.

Article 670. Repair of the residential premises transferred for lease

1. The maintenance repair of the residential premises transferred for lease shall be the duty of the lessee, unless otherwise provided for by the residential premises lease contract.

2. Major repair of residential premises transferred for lease shall be the duty of the lessor, unless otherwise provided for by the residential premises lease contract.

3. Remodelling of the dwelling house where the leased residential premises are located shall not be allowed without the consent of the lessee, if such remodelling significantly changes the conditions of use of the residential premises.

Article 671. Lease payment for the residential premises

1. The amount of the lease payment for the residential premises shall be defined by the consent of the parties.

2. Unilateral change in the amount of the lease payment for the residential premises shall not be allowed, except for the cases provided for by law or the contract.

3. The lessee shall make the lease payment for the residential premises each month, unless otherwise provided for by the residential premises lease contract.

Article 672. Term of the residential premises lease contract

1. The residential premises lease contract shall be concluded for a term determined by the contract.

2. Where the term of lease of residential premises is not determined by the contract, the contract shall be considered as concluded for an indefinite term.

Article 673. Sublease of residential premises

1. Under a residential premises sublease contract, the lessee, upon the consent of the lessor, shall transfer for a term the whole premises or a part thereof leased by him or her to the sublessee. The sublessee shall not acquire the separate right of use over the residential premises. The lessee shall bear liability against the lessor for actions of the sublessee.

2. The residential premises sublease contract shall be a non-gratuitous contract.

3. The term of the residential premises sublease contract may not exceed the term of the residential premises lease contract.

4. In case of early termination of the residential premises lease contract, the residential premises sublease contract shall terminate simultaneously.

Article 674. Substitution of the lessee in the residential premises lease contract

1. Upon the consent of the lessor, the lessee may be substituted in the residential premises lease contract by one of the adult citizens permanently residing with the lessee.

2. In case of death of the lessee, the contract shall remain in force under the same conditions, and one of the citizens permanently residing with the previous lessee shall become the lessee upon the common written consent of the others. Where such an agreement has not been reached, all citizens permanently residing in the residential premises become co-lessees.

Article 675. Rescission of the residential premises lease contract

1. The lessee of the residential premises and other citizens permanently residing with him or her shall, upon common consent, have the right to terminate the lease contract by giving the lessor a three months' notice in advance.

2. The residential premises lease contract may, upon the request of the lessor, be rescinded through judicial procedure where:

(1) the lessee fails to make lease payments for the residential premises more than twice after the expiry of the payment term provided for by the contract;

(2) the lessee or the citizens for whose actions he or she bears liability have destroyed or damaged the residential premises.

3. Where the lessee of the residential premises or other citizens for whose actions he or she bears liability do not use the residential premises in conformity with its purpose or systematically violate the rights and interests of neighbours, the lessor shall have the right to warn the lessee about the necessity to eliminate the violations, as well as to rescind the residential premises lease contract through judicial procedure.

4. The residential premises lease contract may be rescinded through judicial procedure upon the request of each of the parties:

(1) where the residential premises cease to be suitable for residence and also in case of its emergency state;

(2) in other cases provided for by law or the contract.

(Article 675 edited by HO-188-N of 4 October 2005, amended by HO-238-N of 15 December 2005)

Article 676. Consequences of rescission of the residential premises lease contract

In case of rescission of the residential premises lease contract, the lessee and other citizens residing in the residential premises at the time of rescission of the contract shall be subject to eviction from the residential premises on the basis of judgment of the court.

§ 6. FINANCIAL LEASE (LEASING)

Article 677. Financial lease contract

1. Under a financial lease contract, the lessor shall be obliged to obtain the property indicated by the lessee by the right of ownership from the seller determined by the latter and transfer it to the temporary possession of the lessee against payment. In this case, the lessor shall not bear liability for selection of the lease object and the seller.

2. The financial lease contract may envisage that the selection of the seller and property being obtained shall be made by the lessor.

3. The financial lease contract may envisage that the leased property shall be transferred to the ownership of the lessee upon the expiry of the lease term or prior to expiry thereof, provided that the payment of the price prescribed by the contract shall be made by the lessee.

4. The specific aspects of certain types of financial lease contracts shall be prescribed by law on financial lease (leasing).

(Article 677 amended by HO-362-N of 29 May 2002)

Article 678. Form of the financial lease contract

1. The financial lease contract shall be concluded in writing by drawing up a single document signed by the parties (point 3 of Article 450).

2. The immovable property financial lease contract shall be subject to notary certification.

Article 679. State registration of rights arising from the immovable property financial lease contract

The rights arising from the immovable property financial lease contract shall be subject to state registration.

Article 680. Object of the financial lease contract

Any non-consumable property may be the object of the financial lease contract.

(Article 680 amended by HO-362-N of 29 May 2002)

Article 681. Notification of the seller of transfer of the property for lease

Upon obtaining the property for the lessee, the lessor shall notify the seller of the fact that the property is intended for transfer to a certain person for lease.

Article 682. Transfer of the object of the financial lease contract to the lessee

1. The object of the financial lease contract shall be transferred by the seller directly to the lessee at the place of the latter's location, unless otherwise provided for by the financial lease contract.

2. Where the object of the financial lease contract has not been transferred to the lessee within the term indicated in the contract or, where such a term is not indicated in the contract - within a reasonable term, the lessee shall have the right, if the default has occurred under circumstances for which the lessor bears liability, to request rescission of the contract and compensation for damages.

Article 683. Passing of the risk of accidental loss of or accidental damage to the property to the lessee

The risk of accidental loss of or accidental damage to the leased property shall pass to the lessee upon transfer of the leased property to him or her, unless otherwise provided for by the financial lease contract.

Article 684. Liability of the seller and the lessor

(Title supplemented by HO-351-N of 20 May 2002)

1. The lessee shall have the right to directly bring to the seller claims arising from the purchase and sales contract concluded between the seller and the lessor in cases of breach of requirements on quality and completeness of the property, the terms of supply thereof and of improper performance of the contract by the seller. Moreover, the lessee shall acquire rights and duties of the buyer provided for by this Code, except for the right to rescind the purchase and sales contract with the seller without the consent of the lessor and the duty to pay for the property obtained.

In relations with the seller, the lessee and the lessor shall act as joint and several creditors (Article 365).

2. Unless otherwise provided for by the financial lease contract, the lessor shall not bear liability against the lessee for non-performance of requirements arising from the purchase and sales contract by the seller, except for the case when the lessor bears liability for selecting the seller. In the latter case, the lessee shall have the right, at his or her choice, to bring claims deriving from the purchase and sales contract either directly to the seller of property or to the lessor who shall bear joint and several liability.

3. The lessor shall not bear liability for defects of leased property after the transfer thereof to the lessee, unless otherwise provided for by the financial lease contract.

(Article 684 supplemented by HO-351-N of 20 May 2002)

CHAPTER 36

GRATUITOUS USE OF PROPERTY

Article 685. Contract on gratuitous use of property

1. Under a contract on gratuitous use of property (the contract of loan for use) one party (the lender) shall be obliged to transfer or transfers the property for gratuitous temporary use to the other party (the borrower) and the latter shall be obliged to return the property in the same condition, taking into account normal wear, or in the condition determined by the contract.

2. The rules prescribed by Article 608, point 1 and paragraph one of point 2 of Article 612, Article 617, point 2 of Article 624, point 1 and point 3 of Article 626 of this Code shall respectively apply to the contract on gratuitous use of property.

Article 686. Form of the contract on gratuitous use of property

1. The contract on gratuitous use of property shall be concluded in writing by drawing up a single document signed by the parties (point 3 of Article 450).

2. The contract on gratuitous use of immovable property shall be subject to notary certification.

Article 687. State registration of rights arising from the contract on gratuitous use of immovable property

Rights arising from a contract on gratuitous use of immovable property shall be subject to state registration.

Article 688. Lender

1. The right to transfer property for gratuitous use shall belong to its owner and to other persons authorised thereto by law or by the owner.

2. A commercial organisation shall not have the right to transfer the property for gratuitous use to its founder, participant, head, or a member of its management or supervision bodies.

Article 689. Transfer of the property for gratuitous use

1. The lender shall be obliged to transfer the property in the condition conforming to the conditions of the contract on gratuitous use and its purpose.

2. The property shall be transferred for gratuitous use with all its accessories and related documents (instruction for use, technical certificate, etc.), unless otherwise provided for by the contract.

Where such accessories and documents have not been transferred, and, without those, the property cannot be used for its purpose or the use thereof significantly loses its value for the borrower, the latter shall have the right to request to provide with such accessories and documents or to rescind the contract and to compensate for the actual damage inflicted on him or her.

Article 690. Consequences of failure to transfer the property for gratuitous use

If the lender does not transfer the property to the borrower, the latter shall have the right to request to terminate the contract on gratuitous use of property and to compensate for the actual damage inflicted on him or her.

Article 691. Liability for defects of the property transferred for gratuitous use

1. The lender shall bear liability for the defects of property which he or she intentionally has not indicated when concluding the contract on gratuitous use of property.

Upon detecting such defects, the borrower shall have the right, at his or her choice, to require of the lender to eliminate the defects of the property gratuitously or to compensate for his or her expenses for elimination of the defects of the property or to terminate the contract early and to compensate for the damage inflicted on him or her.

2. The lender who has been notified of the requests of the borrower or his or her intent to eliminate the defects of the property at the expense of the lender may without delay replace the property with other analogous property in proper condition.

3. The lender shall not bear liability for defects of the property indicated by him or her upon the conclusion of the contract or of which the borrower has previously known or which should have been detected by the borrower upon the conclusion of the contract or inspection of property while transferring it or checking to see if it is in good condition.

Article 692. Rights of third persons over the property transferred for gratuitous use

1. Upon concluding the contract on gratuitous use, the lender shall be obliged to warn the borrower about all rights of third persons over the given property (right of pledge, servitude, etc.). Failure to perform this duty shall confer the borrower the right to request to rescind the contract and to compensate for the actual damage inflicted on him or her.

2. The transfer of property for gratuitous use shall not be a ground for altering or terminating the rights of third persons over that property.

Article 693. Duties of the borrower to maintain the property

1. The borrower shall be obliged to maintain the property received for gratuitous use in good condition. These duties shall include maintenance and major repairs, as well as covering of all maintenance expenses, unless otherwise provided for by the contract on gratuitous use of property.

2. The borrower shall have the right to transfer the property received for gratuitous use for the use of a third person only with the consent of the lender — by remaining liable against the lender.

Article 694. Risk of accidental loss of or accidental damage to property

The borrower shall bear the risk of accidental loss of or accidental damage to the property received for gratuitous use where the property has been destructed or damaged as a result of such use thereof not in conformity with the contract or the purpose of the property, or where he or she transfers it to a third person without the consent of the lender.

Article 695. Liability for damage inflicted on a third person as a result of use of the property

The lender shall bear liability for damage inflicted on a third person as a result of use of the property, unless he or she proves that the damage has been inflicted with intent by the borrower or the person who has disposed the property with the consent of the lender.

Article 696. Early rescission of the contract on gratuitous use of property

1. The lender shall have the right to request to rescind the contract on gratuitous use early where the borrower:

(1) has used the property not in conformity with the contract or the purpose of the property;

(2) has not performed his or her duties for maintaining the property;

(3) has substantially aggravated the condition of the property;

(4) has transferred the property to a third person without the consent of the lender.

2. The borrower shall have the right to request to rescind the contract on gratuitous use of property early:

(1) upon detecting defects which make the normal use of property impossible, of which the borrower has not known and could not have known while concluding the contract;

(2) where the property has become unsuitable for use by virtue of circumstances for which the borrower does not bear liability;

(3) the lender has not warned the borrower about the rights of third persons over the property transferred while concluding the contract;

(4) in case of failure by the lender to perform the duty to transfer the property or its accessories and the documents pertaining to it.

Article 697. Renouncing the contract on gratuitous use of property

Each of the parties shall have the right to renounce, at any time, the contract on gratuitous use of property upon giving the other party one month's advance notice, unless a different term of notice is provided for by the contract.

Article 698. Change of parties in the contract on gratuitous use of property

1. The lender shall have the right to alienate the property to a third person. Moreover, the rights under the previously concluded contract on gratuitous use of property shall pass to the new owner and the property shall remain encumbered with rights of the borrower.

2. In case of death of a citizen-lender or reorganisation of a legal entity-lender, the rights and duties of the lender under the contract on gratuitous use of property shall pass to the heir (legal successor) thereof.

3. In case of reorganisation of a legal entity –borrower, the rights and duties thereof under the contract on gratuitous use of property shall pass to the legal entity that is its legal successor, unless otherwise provided for by the contract.

Article 699. Termination of the contract on gratuitous use of property

1. The contract on gratuitous use of property shall terminate in case of death of a citizen-borrower or liquidation of a legal entity-borrower, unless otherwise provided for by the contract.

2. The contract on gratuitous use of property shall terminate in cases prescribed by Article 272 of this Code.

(Article 699 edited by HO-188-N of 4 October 2005)

FOURTH SUBSECTION

WORKS PERFORMANCE CONTRACTS

CHAPTER 37

CONTRACTING

§ 1. GENERAL PROVISIONS ON CONTRACTING

Article 700. Contractor agreement

1. Under a contractor agreement, one party (the contractor) shall be obliged to perform certain work as assigned by the other party (the customer) and transfer the result thereof to the customer within the prescribed term, and the customer shall be obliged to accept the result of the work and pay therefor.

2. A contractor agreement shall be concluded in writing.

3. The provisions of this Paragraph shall apply to certain types of contractor agreement (consumer contracting, construction contracting, design and research contracting, contracting for state needs), unless otherwise prescribed by the rules of this Code on relevant types of the contractor agreement.

Article 701. Works being performed under the contractor agreement

1. The contractor agreement shall be concluded for making or processing (or reprocessing) the property or for performance of other works by transfer of the results thereof to the customer.

2. Under the contractor agreement concluded for making property, the contractor shall transfer the rights over it to the customer.

3. The contractor shall determine independently the methods of performing the assignment of the customer, unless otherwise provided for by the contractor agreement.

Article 702. Performance of work with the resources of the contractor

1. The work shall be performed with the capacities, materials and resources of the contractor, unless otherwise provided for by the contract.

2. The contractor shall bear liability for the quality of materials and equipment provided, as well as for provision of materials and equipment over which third persons have rights.

Article 703. Distribution of risks between the parties

1. Unless otherwise provided for by this Code, other laws or the contractor agreement:

(1) the risk of accidental loss of or damage to the materials, equipment, property transferred for processing (or reprocessing) or other property used for performance of the contract shall be borne by the party providing those;

(2) the risk of accidental loss of or damage to the result of the work performed before its acceptance by the customer shall be borne by the contractor.

2. In case of default to transfer or accept the result of work, the risks provided for in point 1 of this Article shall be borne by the defaulting party.

Article 704. General contractor and subcontractor

1. Where the duty of the contractor to personally perform the work indicated in the contract derives from law or the contractor agreement, the contractor shall have the right to involve other persons (subcontractors) in the performance of his or her obligations. In this case, the contractor shall act as a general contractor.

2. The contractor who has involved the subcontractor in the performance of the contractor agreement in breach of point 1 of this Article or of the contract shall bear liability against the customer for the damage inflicted as a result of participation of the subcontractor in the performance of the contract.

3. The general contractor shall, under the rules of Article 351(1) and Article 419 of this Code, bear liability against the customer for non-performance or improper performance of obligations by the subcontractor, and shall bear liability against the subcontractor for non-fulfilment or improper fulfilment of obligations by the customer under the contractor agreement.

The customer and the subcontractor shall not have the right to bring a claim against each other in relation to the breach of contract concluded by each of them with the general contractor, unless otherwise provided for by law or the contract.

4. With the consent of the general contractor, the customer shall have the right to conclude contracts for the performance of certain works with other persons. In this case, these persons shall bear liability for non-performance or improper performance of the work immediately against the customer.

Article 705. Performance of work with participation of several persons

1. Where two or more persons simultaneously act as a contractor, then in case of indivisibility of the object of the obligation, they shall respectively be joint and several debtors and joint and several creditors against the customer.

2. In case of divisibility of the object of the obligation and also in cases provided for by law, other legal acts or the contracts, each of the persons indicated in point 1 of this Article shall acquire rights and bear duties against the customer within the limits of his or her share.

Article 706. Terms for performing the work

1. The initial and final terms for performance of the work shall be indicated in the contractor agreement. Upon the consent of the parties, the contract may also provide for the terms for passing certain stages of work (intermediate terms).

The contractor shall bear liability for breach of initial and final terms for performance of works and of intermediate terms thereof, unless otherwise provided for by law, other legal acts, or the contract.

2. The initial, intermediate and final terms for performance of work indicated in the contractor agreement may be altered in cases and in the manner provided for by the contract.

3. The consequences of default of performance indicated in Article 421(2) of this Code shall ensue in case of breach of the final term for performance of the work.

Article 707. The price of the work

1. The price of the work to be performed or the methods of determining the price shall be indicated in the contractor agreement. In case of absence of such instructions

in the contract, the price shall be determined in conformity with Article 440(3) of this Code.

2. The price of the work may be determined by drawing up a cost estimate.

In case when the work is performed in conformity with the estimate drawn up by the contractor, the estimate shall take effect and become a part of the contract from the moment of being approved by the customer.

3. The price of the work (the estimate) may be approximate or fixed. In case of absence of other instructions in the contractor agreement, the price of the work shall be deemed to be fixed.

4. Where a necessity for performance of additional work has arisen as a result of which the approximate price of work has increased substantially, the contractor shall be obliged to give notice thereabout to the customer on time. The customer that disagrees with the increase in the price of work indicated in the contractor agreement shall have the right to renounce the contract. In this case, the contractor may require of the customer to pay the price for the part of work performed.

A contractor who has failed to give a notice to the customer on time about the necessity to increase the price of the work indicated in the contract shall be obliged to perform the contract by retaining the right to receive remuneration for the work in the amount determined in the contract.

5. The contractor shall not have the right to request an increase in the fixed price, nor the customer shall have the right to request a reduction thereof, also where at the time of concluding the contractor agreement it is impossible to foresee the full volume of work to be performed or of costs required therefor, unless otherwise provided for by the contract.

6. In case of significant increase in the cost of materials and equipment provided by the contractor, as well as of services rendered to him or her by third persons, which

could not be foreseen at the time of concluding the contract, the contractor shall have the right to request an increase in the established price, and in case of refusal by the customer to meet this requirement – to rescind the contract in conformity with Article 467 of this Code.

Article 708. Savings of the contractor

1. In cases when the actual expenses of the contractor are lower than those taken into account at the time of determining the price of the work, the contractor shall retain the right to remuneration for the work at the price provided for by the contractor agreement, unless the customer proves that the savings made by the contractor have affected the quality of the performed work.

2. The contractor agreement may provide for the allocation of the savings attained by the contractor between the parties.

Article 709. Manner of remuneration for work

1. The customer shall be obliged to pay the contractor the agreed price after the final transfer of the results of the work provided that the work is performed properly and within the agreed term or, upon the consent of the customer, before the deadline, unless a preliminary remuneration for the work performed or for particular stages thereof is provided for by the contractor agreement.

2. The contractor shall have the right to request an advance payment or pre-payment only in the cases and in the amount indicated in law or the contractor agreement.

Article 710. Right of the contractor to retain the property

In case of non-performance by the customer of the duty to pay the defined price or other sum due to the contractor in connection with the performance of the contractor agreement, the contractor shall have the right, in conformity with Article 373 and Article 374 of this Code, to retain the result of the work, as well as equipment belonging to the customer, the remainder of unused materials transferred to the contractor for processing (or reprocessing) of property and other property of the customer at his or her disposal, until the customer pays the respective sum.

Article 711. Performance of the work with use of materials of the customer

1. The contractor shall be obliged to use the materials provided by the customer economically, provide the customer with a report on the use of the material, as well as to return the remainder or, with the consent of the customer, reduce the price of the work by taking into account the value of the unused material left with the contractor.

2. Where the result of the work was not obtained or the obtained result had defects that make it unsuitable for use provided for by the contractor agreement, or, in case of absence of such a condition in the contract, is unsuitable for common use as a result of defects in the materials provided by the customer, the contractor shall have the right to request remuneration for the work performed.

3. The contractor may exercise the right specified in point 2 of this Article where he or she proves that the defects in the materials could not have been detected by the contractor upon proper acceptance of those materials.

Article 712. Liability of the contractor for maintenance of property provided by the customer

The contractor shall bear liability for maintenance of the materials, equipment provided by the customer, and the property transferred for processing (or reprocessing) for the purpose of performing the contractor agreement.

Article 713. Rights of the customer while performing the work by the contractor

1. The customer shall have the right to check the process and quality of work being performed by the contractor at any time without interfering in the activity of the latter.

2. Where the contractor does not commence performance of the contractor agreement on time or performs the work so slowly that completing it on time becomes obviously impossible, the customer shall have a right to repudiate the contract and to request compensation for the damages.

3. Where during the performance of the work it becomes obvious that it will not be performed properly, the customer shall have the right to designate a reasonable term for the elimination of the defects by the contractor and, in case of failure by the side of the contractor to eliminate the defects within this term, renounce the contractor agreement or assign the elimination of defects of the work to other persons at the contractor's expense, as well as to request to compensate for damages.

Article 714. Circumstances about which the contractor shall be obliged to warn the customer

1. The contractor shall be obliged to immediately warn the customer and, before the receipt of instructions from him or her, to terminate the works, in case of detection of.

(1) the unsuitability or improper quality of materials, equipment, design documents or of property transferred for processing (or reprocessing) provided by the customer;

(2) potentially unfavourable consequences for the customer during the implementation of instructions thereof about the methods for performing the work;

(3) other circumstances beyond the control of the contractor which threaten the fitness or soundness of the result of the work performed or make it impossible to complete them on time.

2. The contractor who has not warned the customer about the circumstances specified in point 1 of this Article or who has continued the work without waiting for the expiry of the term indicated in the contract for giving a response to warning, or — in case of absence thereof — the expiry of the reasonable term, or has continued the work despite the timely instruction from the customer to terminate the work, shall not have the right to refer to the mentioned circumstances while bringing the claims against the contractor or against the customer by the contractor.

3. Where the customer, despite the timely and well-grounded warning by the contractor about the circumstances indicated in part 1 of this Article, has not replaced, within a reasonable term, unsuitable material, equipment, design documents or property transferred for processing (or reprocessing) or those of improper quality, or has not changed instructions on the method for performing the work, or has not undertaken other necessary measures for the elimination of circumstances threatening the suitability of the work, the contractor shall have the right to renounce the contractor agreement and to request to compensate for damages inflicted on him or her as a result of termination thereof.

Article 715. Renouncing the contractor agreement by the customer

Unless otherwise provided for by the contractor agreement, the customer shall have the right at any time before the receipt of the result of the work, to repudiate the contract by paying the contractor the price proportionate to the volume of the work performed by the time of receipt of the notice of renouncing the contract by the customer. The customer shall also be obliged to compensate for damages inflicted on the contractor as a result of termination of the contractor agreement in the amount of a difference between the price defined for the whole work and the part paid for the work performed.

Article 716. Customer's support

1. The customer shall be obliged to support the contractor to perform the work in the cases, within the scope and in the manner prescribed in the contractor agreement.

In case of failure to perform the mentioned duty by the customer, the contractor shall have the right to request to compensate for damages inflicted, including additional expenses incurred as a result of postponement or extension of deadlines for performing the work or increasing the price for the work indicated in the contract.

2. In cases when performance of the work under the contractor agreement has become impossible as a result of the actions or inaccuracy of the customer, the contractor shall retain the right to receive part of the amount specified in the contract for work performed.

Article 717. Non-performance by the customer of cross obligations under the contractor agreement

1. The contractor shall have the right not to commence the work and to terminate the commenced work in cases when breach of the customer's obligations under

the contractor agreement by him or her, in particular failure to provide materials, equipment, design documents, or property subject to processing (or reprocessing), hinders performance of the contract by the contractor, as well as in case of presence of circumstances clearly indicating that the mentioned obligations may not be performed in the prescribed terms (Article 367).

2. Unless otherwise provided for by the contractor agreement, the contractor, in case of presence of the circumstances specified in part 1 of this Article, shall have the right to repudiate the contract and to request to compensate for damages.

Article 718. Acceptance by the customer of the work performed by the contractor

1. The customer is obliged, within the terms and in the manner provided for by the contractor agreement and with participation of the contractor, to examine and accept the work performed (or results thereof), and in case of detection of deviations aggravating the result of work or of other defects in the work, immediately inform the contractor thereof.

2. The customer who has detected defects while accepting the work shall have the right to invoke those in cases when the possibility of bringing claims for elimination thereof has been provided for in the acceptance confirming act or other document.

3. The customer who has accepted work without checking shall be deprived of the right to invoke defects of the work that could have been revealed through the usual method of acceptance (obvious defects), unless otherwise provided for by the contractor agreement.

4. The customer who has revealed deviations from the contract or defects after acceptance of the work that could not have been revealed through a common method

of acceptance (hidden defects), including those that were intentionally hidden by the contractor, shall be obliged to inform the contractor thereof within a reasonable term following their disclosure.

5. Where a dispute arises between the customer and the contractor in relation to defects in the work or causes thereto, an expert examination shall be called for upon the request of either one of the parties. The costs for expert examination shall be borne by the contractor, except for cases when expert examination confirms that there is no connection between breaches of contractor agreement made by the contractor or actions thereof and the defects disclosed. In these cases, the costs of examination shall be borne by the party having requested the expert examination, and where the latter was called for upon the consent of both parties, the costs shall be equally borne by both parties.

6. In case of avoidance by the customer to accept the work performed, the contractor shall have the right, following the lapse of two months from the day when, according to the contract, the result of the work should have been transferred to the customer, to sell the result of the work and to deposit the sum received, less the costs incurred by the contractor, on the account of the customer in the manner provided for by Article 366 of this Code, unless otherwise provided for by the contractor agreement.

7. If avoidance by the customer to accept the work performed has entailed a default in the submission of the work, the risk of accidental loss of made, processed (reprocessed) property shall be deemed to be passed to the customer at the time when the transfer of property should have taken place.

Article 719. Quality of work

1. The quality of the work performed by the contractor must conform to the conditions of a contractor agreement, and in case of absence or incompleteness

of such conditions in the contract – the requirements usually set for relevant type of work. The result of the work performed shall, at the time of its transfer to the customer, have the characteristics indicated in the contract or determined by the requirements usually set and within reasonable terms be suitable for use as prescribed by the contract, and where such use has not been provided for by the contract - for common use of the result of work of similar type, unless otherwise provided for by law, other legal acts, or the contract.

2. Where mandatory requirements for the work to be performed under the contractor agreement have been provided for by law or other legal acts, the contractor acting as an entrepreneur, shall be obliged to perform the work by observing such mandatory requirements.

The contractor may — under the contract — undertake the duty to perform work meeting higher requirements as compared to the mandatory requirements prescribed by the contract for parties.

Article 720. Guarantee for work quality

1. Where a guarantee term is provided for the result of the work by law, other legal acts, the contractor agreement, or customary business practices, the result of the work shall conform to the quality conditions of the contract within the guarantee term (point 1 of Article 719).

2. The quality guarantee of the result of work shall cover the whole result, unless otherwise provided for by the contractor agreement.

Article 721. Liability of the contractor for improper work quality

1. In cases when the contractor has performed work by violating conditions of the contractor agreement that has aggravated the result of the work or with other

defects which have rendered it unsuitable for use as provided for in the contract, or, in case of absence of relevant conditions on unsuitability in the contract, the customer shall, at his or her own choice, have the right — unless otherwise provided for by law or the contract — to request from the contractor to:

(1) gratuitously eliminate defects within a reasonable term;

(2) proportionally reduce the price defined for work;

(3) compensate for the costs incurred by him or her for elimination of defects where the right of claim of the customer to eliminate them is provided for in the contractor agreement (Article 413).

2. The contractor shall have the right, instead of eliminating the defects for which it is liable, to perform the work again gratuitously and to compensate the customer for damages inflicted as a result of default. In this case, the customer shall be obliged to return the result of the work transferred to him or her earlier by the contractor where such return is possible according to the nature of the work.

3. Where deviations from the condition of the contractor agreement or other defects of the result of the work have not been eliminated within a reasonable term defined by the customer or are substantial and irremediable, the customer shall have the right to repudiate the contract and to request compensation for damages inflicted.

4. The condition of the contractor agreement on releasing the contractor from liability for certain defects shall not release the contractor from liability where it has been proven that such defects have occurred as a result of actus reus or omission of the contractor.

5. The contractor who has provided material for performance of the work shall bear liability for the quality thereof under the rules on liability of the seller for the sales of goods of improper quality (Article 491).

Article 722. Terms for revealing improper quality of the result of the work

1. The customer shall have the right to bring a claim in relation to improper quality of the result of the work provided that the improper quality has been revealed within the terms prescribed in this Article, unless otherwise prescribed by law or the contractor agreement.

2. In case when no guarantee term is prescribed for the result of the work, the customer may bring claims in relation to defects of the results of the work provided that they have been detected within a reasonable term, but not later than two years following submission of the work result, unless a different term is prescribed by law, contract or customary business practices.

3. The customer shall have the right to bring claims in relation to the defects in the work where these have been detected within the guarantee term.

4. In case when the guarantee term provided for by the contract is less than two years and the customer detects the defects of the result of the work after the expiry of the guarantee term, but within two years from the moment prescribed by point 5 of this Article, the contractor shall bear liability where the customer proves that the defects have occurred before the transfer of the result of the work to the customer or due to other reasons having arisen before that moment.

5. The guarantee term (point 1 of Article 720) shall commence on the day when the result of the work performed has been accepted or should have been accepted by the customer, unless otherwise provided for by the contractor agreement.

6. Rules of point 2 and point 4 of Article 487 of this Code shall respectively apply to calculation of the guarantee term under the contractor agreement, unless otherwise provided for by law, other legal acts, the consent of the parties, or derives from the specific aspects of the contractor agreement.

Article 723. Terms for limitation of actions with respect to improper work quality

1. Term for limitation of actions for bringing claims for improper quality of work performed under the contractor agreement shall be one year, and in case of buildings and premises - three years.

2. Where, according to the contractor agreement, the customer accepts the result of the work in parts, the term for limitation of actions starts to run from the day of acceptance of the whole result of the work.

3. Where the guarantee term has been prescribed by law, other legal acts or the contractor agreement and an application on defects of the result of work has been filed within the guarantee term, the term for limitation of actions shall start to run from the day of filing the application.

Article 724. The duty of the contractor to communicate information to the customer

The contractor shall be obliged to communicate information on exploitation or other use of object of contractor agreement to the customer together with the result of the work where it is provided for by the contract, or where the nature of the information is such that the use of the work result without it for the purposes referred to in the contract is impossible.

Article 725. Confidentiality of information received by the parties

Where a party, under a contract, as a result of performing his or her obligation has received information from other party on novel solutions and technical knowledge, including information not protected by law, as well as information that can be

considered as a commercial secret (Article 141), the party receiving such information shall not have the right, without the consent of the other party, to communicate those to third persons.

The manner and conditions of use of such information shall be prescribed upon the consent of the parties.

Article 726. Return by the contractor of the property transferred by the customer

In cases when the customer rescinds the contractor agreement on the basis of point 2 of Article 713 or point 3 of Article 721 of this Code, the contractor shall be obliged to return the materials, equipment, property transferred for processing (reprocessing) provided by the customer, or transfer those to the person indicated by the customer, and where it is impossible – to compensate the cost of materials, equipment and other property.

Article 727. Consequences of termination of contractor agreement before acceptance of the result of work

Prior to acceptance by customer of the result of work performed by the contractor, the customer shall, in case of termination of the contractor agreement on the grounds provided for by law or the contract (point 1 of Article 718), have the right to request to transfer to him or her the result of unfinished work by compensating for expenses incurred by the contractor.

§ 2.CONSUMER CONTRACTING

Article 728. Consumer contractor agreement

1. Under a consumer contractor agreement, a contractor engaged in entrepreneurial activity shall be obliged to perform — upon the order of a citizen (the customer) — certain work envisaged for meeting consumer or other personal needs of the customer, and the customer shall be obliged to accept and pay for the work.

2. The consumer contractor agreement shall be a public contract (Article 442).

3. Laws on consumer rights protection and other legal acts adopted in conformity with those legal acts shall apply to relations of consumer contracting not regulated by this Code.

Article 729. Guarantees for customer's rights

1. The contractor shall not have the right to force the customer to include additional works and services in the consumer contractor agreement. The customer shall have the right to refuse to compensate for work or service not provided for by the contract.

2. The customer shall have the right, prior to transfer of the performed work to him or her, to repudiate a consumer contractor agreement by paying to the contractor a part of contract price proportionate to the work performed and compensate the contractor for costs incurred before that moment for performance of the contract, unless such costs are included in the mentioned part of the contract price. The condition of contract depriving the customer of that right shall be null and void.

Article 730. Providing the customer with information on proposed work

1. The contractor shall be obliged, prior to conclusion of consumer contractor agreement, to provide necessary and accurate information to the customer about proposed work, types and specific aspects, price and manner of payment thereof, as well as, upon the request of the customer, to communicate other information relating to contract and given work. Where it matters by the nature of the work, the contractor must indicate the specific person performing the work.

2. A customer shall have the right to request to rescind the concluded consumer contractor agreement without paying for work performed, as well as without compensating for damages where, as a result of incomplete or inaccurate information received from the contractor, he or she has concluded such a work performance contract that does not have characteristics meant by the customer.

Article 731. Performance of the work with the material of the contractor

1. While concluding the contract, the customer shall pay for the materials of the contractor fully or partially as indicated in the contract, and make a final settlement of the price thereof at the time of receiving the work performed by the contractor, where the work under a consumer contractor agreement is performed with the material of the contractor.

A contractor may provide the material on credit, including under the condition of payment by the customer for the material on a time share basis.

2. After conclusion of the consumer contractor agreement, a change in the price for material provided by the contractor shall not result in recalculation, unless otherwise provided for by the contract.

Article 732. Performance of the work with the material of the customer

Where the work under the consumer contractor agreement is performed with the material of the customer, while concluding the contract, the customer shall indicate the name of the material, the description of the material and the price thereof determined upon the consent of the parties in the receipt or other document issued to the contractor.

Article 733. The price of and remuneration for the work

In the consumer contractor agreement, the price of the work shall be determined upon the consent of the parties. The customer shall remunerate for the work after its final transfer by the contractor. The customer may remunerate for the work fully or through pre-payment during conclusion of the contract.

Article 734. Warning the customer about conditions of use of the result of the work performed

While transferring the result of the work to the customer, the contractor shall be obliged to warn him or her about the requirements that shall be observed for efficient and safe use of the result of the work, as well as about possible consequences of failure to observe them.

Article 735. Consequences of detecting defects in the work performed

1. While detecting defects during acceptance of the result of the work or use thereof, the customer may, within general terms as provided for by Article 723 of this Code, and in case of presence of guarantee terms – within those, exercise, at his or her discretion, one of the rights provided for in Article 721 of this Code or request to

perform the work again gratuitously or compensate for expenses incurred by him or her or third persons for eliminating the defects.

2. The claim on gratuitous elimination of those defects of the result of the work performed under the consumer contractor agreement that threaten the life or health of the customer or other persons may be brought by the customer or legal successor thereof within ten years following the day of acceptance of the result of the work, unless a longer term (term of service) is provided for as prescribed by law. Such a claim may be brought, irrespective of the term for detecting defects, including in case of detection thereof after the expiry of the guarantee term.

3. In case of non-performance by the contractor of the claim indicated in point 2 of this Article, the customer shall have the right to request a refund of the part of the price paid for the work or to compensate for expenses incurred by him or her or third persons for eliminating the defects.

Article 736. Consequences of failure by the customer to appear to receive the result of the work

In case of failure by the customer to appear for receiving or avoidance to accept the result of the work, the contractor shall have the right to warn the customer in writing and, after two months from the day of warning, to sell the result of the work for a reasonable price, and after retaining the amount of payments due to him or her, to deposit as provided for by Article 366 of this Code.

Article 737. Rights of the customer in case of failure to perform or improper performance of the work under consumer contractor agreement

In case of failure to perform or improper performance of the work under consumer contractor agreement, the customer shall enjoy, in conformity with Articles 518-520, the rights reserved to the buyer.

§ 3.CONSTRUCTION CONTRACTING

Article 738. Construction contractor agreement

1. Under a construction contractor agreement, the contractor shall be obliged to build a certain object or to perform other construction work upon the assignment of the customer within the term defined in the contract, and the customer shall be obliged to provide the contractor with conditions necessary for performing the work, accept the result thereof and pay the price agreed.

2. The construction contractor agreement shall be concluded for construction of a building (including residential house), premise or other construction facility, as well as for performing mounting, operation, adjustment and other works directly connected to the facility under construction. The rules of the construction contractor agreement shall apply also to major repair works of buildings and premises, unless otherwise provided for by the contract.

In cases provided for by the contract, the contractor shall be obliged to ensure exploitation of the object within terms indicated in the contract following acceptance thereof by the customer.

3. In cases when the works under a construction contractor agreement are performed for meeting consumer or other personal needs of a citizen (customer), the rules of Paragraph 2 of this Chapter on rights of the customer under the consumer contractor agreement shall respectively apply to such contract.

Article 739. Distribution of risks between the parties

1. The risk of accidental loss of or accidental damage to the construction facility that is the subject matter of the construction contractor agreement shall be borne by the contractor before acceptance thereof by the customer.

2. Where the construction facility, before acceptance thereof by the customer, collapses or becomes damaged due to low-quality materials (details, designs) or equipment provided by the customer or due to wrong instructions given by the customer, the contractor shall have the right to request the payment of full price of the work as calculated under the cost estimate, provided that he or she has performed the duties provided for in point 1 of Article 714 of this Code.

Article 740. Insurance of the construction facility

1. The construction contractor agreement may provide for the duty to insure the risk of accidental loss of or accidental damage to the construction facility, materials, equipment and other property used during construction or to insure the relevant risks against causing harm to other persons while performing construction works.

The party that is obliged to cover the insurance, shall provide the other party with evidences on conclusion of an insurance contract under the conditions provided for in the construction contractor agreement, including data on the insurer, insurance amount and risks insured.

2. Insurance shall not exempt the relevant party from the duty to undertake necessary measures to prevent the insured event.

Article 741. Design documents and cost estimate

1. The contractor shall be obliged to perform construction and work connected with it in conformity with design documents defining the volume, content of the work and other requirements of work and in conformity with the cost estimate determining the price of the work.

In the absence of other indications in the construction contractor agreement, it is assumed that the contractor shall be obliged to perform all works indicated in the design documents and cost estimate.

2. The construction contractor agreement shall provide for the composition and content of design documents and must also envisage which party must present the relevant documents and the term within which they must be presented.

3. Upon discovering works not covered by design documents and, in connection with this, the necessity of performing additional works and of increasing the construction budget in the course of construction, the contractor shall inform the customer thereof.

In case of failure to receive a reply from the customer within a term of ten days, the contractor shall be obliged to terminate the given works by calculating the damage inflicted as a result of idleness at the expense of the customer, unless the construction contractor agreement provides for another term thereon. The customer shall be released from duty to compensate for damages where he or she proves that there is no necessity of performance of additional work.

4. The contractor who has failed to perform the duties prescribed in point 3 of this Article shall be deprived of the right to require of the customer payment for additional work performed and compensation for damages resulting therefrom, unless he or she proves that the necessity of immediate actions arose from interests of the customer, and were particularly conditioned by the fact that the termination of work could have led to damage or collapse of the construction facility.

5. In case of consent of the customer on the performance of additional work and payment therefor, the contractor shall have the right to refuse performance thereof only in the cases where those are not included in the field of professional activity of the contractor, or the latter cannot perform them due to reasons beyond his or her control.

Article 742. Making amendments to design documents

1. The customer shall have the right to make amendments to design documents provided that the additional works arising therefrom do not exceed ten percent of the overall cost of construction indicated in the cost estimate and do not change the nature of the work provided for in the construction contractor agreement.

2. Amendments to design documents in excess of the volume indicated in point 1 of this Article shall be made on the basis of a supplementary cost estimate drawn up upon the consent of the parties.

3. The contractor shall have the right to request, in conformity with Article 466 of this Code, a review of the cost estimate, where due to circumstances beyond his or her control, the cost of the work has exceeded that prescribed by the cost estimate by more than ten percent.

4. The contractor shall have the right to request to compensate for reasonable expenses incurred in connection with identification and review of defects of design documents.

Article 743. Providing construction with materials and equipment

1. The duty to provide the construction with materials, including with structure and equipment, shall lie with the contractor, unless the construction contractor agreement envisages that the construction shall in full or in certain part be ensured by the customer.

2. The party that undertakes the duty to ensure the construction shall bear liability for the impossibility of use, without aggravation of the quality of the work to be performed, of materials or equipment provided by him or her, unless he or she proves that the impossibility of use thereof has arisen due to circumstances for which the other party bears liability.

3. In case of impossibility to use, without aggravation of the quality of work to be performed, materials or equipment supplied by the customer, and of the refusal by the customer to replace them, the contractor shall have the right to renounce the construction contractor agreement and to require of the customer to pay the price of the contract proportionate to the part of the work performed.

Article 744. Payment for work

1. A customer shall pay for the work performed by the contractor in the amount prescribed by the cost estimate within the terms and in the manner prescribed by the construction contractor agreement. In case of absence of respective indications in the contract, the payment for the work shall be made in conformity with Article 709 of this Code.

2. The construction contractor agreement may provide for single and full payment for work upon acceptance of the object by the customer.

Article 745. Additional duties of the customer under the construction contractor agreement

1. The customer shall be obliged to allocate on time a land parcel for the construction, unless otherwise provided for by the contract. The area and the condition of the allocated land parcel must conform to the conditions referred to in the construction contractor agreement and, in case of absence of such conditions, ensure commencement of the work on time, normal process thereof and completion thereof on time.

2. The customer shall be obliged to, in cases and in the manner provided for by the construction contractor agreement, transfer to the contractor for use buildings and structures necessary for performance of the work, to ensure carriage of cargo to his or her address, temporary supply of energy and water, as well as render other services.

3. Payment for services rendered by the customer as indicated in point 2 of this Article shall be made in cases and under the conditions provided for by the construction contractor agreement.

Article 746. Control over works being performed under the construction contractor agreement

1. The customer shall have the right to carry out control over the process and the quality of performed works, adherence to terms (schedule) of performance thereof, quality of materials provided by a contractor, accurate use by the contractor of the customer's materials, as well as performance of requirements under design documents without interfering in the immediate economic activity of the contractor.

2. While controlling the performance of the work the customer, where he or she has revealed breaches of conditions of the construction contractor agreement that could aggravate the work quality or other defects, shall be obliged to immediately inform the contractor thereof in writing. The customer who has failed to perform this duty shall be deprived of the right to refer to the breaches revealed by him or her in the future.

3. The contractor shall be obliged to execute instructions given by the customer in the process of construction where they do not contradict the conditions of the construction contractor agreement.

4. The contractor who has performed works improperly shall not have the right to advert that the customer has failed to control them, except for cases where the duty to exercise such control lies with the customer by law or the contract.

Article 747. Participation of engineer (engineering undertaking) in the exercise of rights and performance of duties of the customer

The customer, for the purpose of overseeing the construction and making a decision on its behalf in the relations with the contractor, may independently, without the consent of the contractor, conclude the contract with a relevant engineer (engineering undertaking) for rendering such services. In such a case, the construction contractor agreement shall provide for powers of such engineer (engineering undertaking) in relation to consequences of actions performed by him or her for the contractor.

Article 748. Cooperation of parties under construction contractor agreement

1. Where — while carrying out construction and works related thereto — circumstances impeding proper performance of construction contractor agreement are discovered, each party shall be obliged to undertake all reasonable means under the control thereof to eliminate them. The party that has failed to perform such a duty shall be deprived of the right to compensate for the damage inflicted due to non-elimination of relevant defects.

2. Expenses of a party connected with performance of duties indicated in point 1 of this Article shall be borne by the other party where so provided for in a construction contractor agreement.

Article 749. Duties of the contractor to ensure environmental protection and construction work safety

1. While carrying out construction and related works, the contractor shall be obliged to fulfil the requirements of law and other legal acts concerning environmental protection and safety of construction works.

The contractor shall be liable for failure to perform the mentioned requirements.

2. The contractor shall not have the right to use materials and equipment provided by the customer or to carry out instructions thereof where those might result in breach of requirements of environmental protection and safety of construction works binding for parties.

Article 750. Consequences of termination and temporary closing down of construction facility

Where works under a construction contractor agreement are terminated due to reasons beyond the control of the parties and the construction facility is temporarily closed down, the customer shall be obliged to fully compensate the contractor for the expenses necessary for termination of works and the closing down of the construction.

Article 751. Transfer and acceptance of works

1. Upon receiving the notification from the contractor on readiness to transfer the result of the work or the stage of the work performed under the construction contractor agreement, the customer shall be obliged to immediately start accepting it, unless otherwise provided for by the contract.

2. The customer shall administer and carry out the acceptance of the result of the work at own expense, unless otherwise provided for by the contract.

In cases provided for by law or other legal acts, representatives of state and/or local self-government bodies must participate in the acceptance of the result of work.

3. A customer who has accepted the result of a separate stage of work earlier shall bear the risk of expense or damage to the result of work inflicted not by the contractor.

4. The transfer of the result of the work by the contractor and acceptance thereof by the customer shall be recorded with an act signed by both parties. Where one party refuses to sign the act, a relevant notation shall be made therein, which shall be signed by the other party.

The court may declare the unilateral transfer and acceptance act invalid where motives of refusal to sign the act have been declared as grounded.

5. In cases provided for by law or the construction contractor agreement or, where so derives from the nature of the works performed under the contract, an initial testing shall precede the acceptance of the work result. In such a case, acceptance may be carried out only on the basis of the positive result of initial testing.

6. The customer has the right to refuse the acceptance of the work result where defects making the use thereof impossible for purposes provided for by the construction contractor agreement and where the customer and the contractor are unable to eliminate those.

Article 752. Liability of the contractor for the quality of works

1. The contractor shall bear liability against the customer for deviation from requirements provided for by design documents and construction regulations that are binding for the parties, as well as for failure to meet the standards for the construction facility as provided for in the design documents.

In case of reconstruction (repair, restoration) of a building or a premise, the contractor shall bear liability for loss or aggravation of soundness, stability and safety of a building, a premise or a part thereof.

2. The contractor shall not bear liability for making non-substantial deviations from requirements of design documents without the consent of the customer, where he or she proves that they did not affect the quality of the construction facility.

Article 753. Quality guarantee under the construction contractor agreement

1. The contractor shall guarantee achieving the indicators as mentioned in design documents and the possibility to exploit the facility in conformity with the construction contractor agreement within the guarantee term, unless otherwise provided for by the construction contractor agreement. The duration of the guarantee term prescribed by law may be extended upon the consent of the parties.

2. The contractor shall bear liability for defects detected within the guarantee term, unless he or she proves that they have occurred as a result of normal deterioration of the facility or components thereof, incorrect exploitation thereof, inaccuracy of instructions for use drawn up by the customer or third persons involved by him or her or improper repair of the facility by the customer or third persons involved by him or her.

3. The guarantee term shall be suspended for the term during which it is impossible to exploit the facility due to defects the liability for which shall be borne by the contractor.

4. In case of detecting defects specified in Article 752(1) of this Code, during the guarantee term, the customer shall be obliged to, within a reasonable term, notify the contractor thereof.

Article 754. Terms for discovering improper quality of construction works

The rules provided for by points 1-5 of Article 722 of this Code shall apply to bringing of claims with regard to improper quality of the work result.

Moreover, the final term for detecting such defects shall, in conformity with points 2 and 4 of Article 722, be five years.

Article 755. Elimination of defects at the expense of customer

1. The construction contractor agreement may provide for the duty of elimination of such defects by the contractor upon the request and at the expense of the customer, for which the contractor bears no liability.

2. The contractor shall have the right to refuse performance of the duty indicated in point 1 of this Article in cases when elimination of defects is not immediately connected with the subject matter of the contract or when the contractor is unable to perform it due to reasons beyond the control thereof.

§ 4.DESIGN AND EXPLORATION WORK CONTRACTINGG

Article 756. Design and exploration works contractor agreement

Under a design and exploration works contractor agreement, the contractor (designer, explorer) shall be obliged to draw up design documents and/or perform exploration works, and the customer shall be obliged to accept them and pay for the result thereof.

Article 757. Baseline data for performance of design and exploration works

1. Under the design and exploration works contractor agreement, the customer shall be obliged to transfer to the contractor the design statement and also other baseline data necessary for the preparation of design documents. The design statement may, upon assignment of the customer, be prepared by the contractor. In this case, the design statement becomes compulsory for the parties from the moment of approval by the customer.

2. The contractor shall be obliged to observe the requirements contained in the statement of design and exploration works and other baseline data.

Article 758. Duties of the customer

Unless otherwise provided for by the design and exploration works contractor agreement, the customer shall be obliged to:

(1) fully pay the contractor the defined price after the completion of works, or in parts – after the completion of separate stages of works;

(2) use design documents received from the contractor only for purposes provided for by the contract, not transfer them to third persons and not disclose information contained therein without the consent of the contractor;

(3) support the contractor under conditions and to the extent provided for by the contractor agreement;

(4) participate, together with the contractor, in reaching agreement on the prepared design documents with relevant state and/or local self-government bodies;

(5) compensate for additional expenses inflicted as a result of changes in baseline data for performance of design and exploration works due to circumstances independent from the contractor;

(6) involve the contractor in the examination of the action filed against the customer by a third person with regard to defects in prepared design documents or performed exploration works.

Article 759. Duties of the contractor

1. Under the design and exploration works contractor agreement, the contractor shall be obliged to:

(1) perform works in conformity with the design assignment, other baseline data and contract;

(2) agree on the prepared design documents with the customer and together with the latter, where necessary, with the competent state and/or local self-government bodies;

(3) transfer the prepared design documents and the result of the exploration works to the customer;

(4) not transfer the design documents to third persons without the consent of the customer.

2. Under the design and exploration works contractor agreement, the contractor shall guarantee the customer that third persons involved have no entitlements hindering the performance of works based on design documents prepared by the contractor or limiting performance thereof.

Article 760. Liability of the contractor for improper performance of design and exploration works

1. Under the design and exploration works contractor agreement, the contractor shall bear liability for improper preparation of design documents and improper

performance of exploration works, including for defects discovered during construction of the facility created based on data of design documents and exploration works, as well as during exploitation thereof.

2. In case of detecting defects in design documents and exploration works, the contractor shall, upon the request of the customer, gratuitously make changes in design documents and, respectively, perform additional exploration works, as well as compensate for the expenses incurred by the customer, unless otherwise provided for by law or design and exploration works contractor agreement.

§ 5.CONTRACTING WORKS FOR STATE NEEDS

Article 761. State contract on performance of contracting works for state needs

1. Construction contracting works (Article 738), design and exploration works (Article 756) intended for meeting the needs of the Republic of Armenia and financed from State Budget funds shall be carried out on the basis of state contract on performance of contracting work for state needs.

2. Under a state contract on performance of contracting work for state needs (hereinafter referred to as "the state contract"), the contractor shall be obliged to perform construction, design and other works and transfer them to the customer, and the state customer shall be obliged to accept the work performed and pay for it.

Article 762. Parties to state contract

Under a state contract, an authorised state body shall be the customer and the contractor shall be a legal person or a citizen.

Article 763. Grounds and procedure for concluding the state contract

The grounds and procedure for concluding the state contract shall be determined in conformity with the provisions of Articles 542 and 543 of this Code.

Article 764. Content of the state contract

1. The conditions of the state contract shall be determined in conformity with the conditions of the announced tender and the bid for tender of the contractor recognised as the winner of tender.

2. The state contract shall include conditions on the volume and price of the work, the terms for commencement and completion thereof, the funding of works and the amount of and procedure for payment, as well as the methods for ensuring the fulfilment of obligations of the parties.

Article 765. Amendment to the state contract

1. In case of cutting down State Budget funds allocated for funding of the contracting works in a prescribed manner, the parties must agree upon new terms, and where necessary, upon other conditions for performing the works.

2. The contractor shall have the right to request from the customer compensation for expenses incurred on him or her as a result of alteration in terms of performing the works.

3. Amendment to a state contract unrelated to circumstances mentioned in point 1 of this Article shall be made upon the consent of the parties, unless otherwise provided for by law.

Article 766. Legal regulation of the state contract

Law on contract for state needs shall apply to the part of relations under state contracts not regulated by this Code.

CHAPTER 38

PERFORMANCE OF SCIENTIFIC AND RESEARCH, DEVELOPMENT AND ENGINEERING WORKS

Article 767. Contracts for performance of scientific and research, development and engineering works

1. Under a scientific and research work contract, the executor shall be obliged to carry out scientific research agreed upon under the design statement of the customer, and prepare a new product sample, engineering design documents thereof or a new technology under a contract on performance of development and engineering works, and the customer shall be obliged to accept the work and pay for it.

2. A contract with the executor may cover both the whole process of research, development and preparation of samples and separate stages (components) thereof.

3. The risk of accidental impossibility of performing scientific and research, as well as development and engineering works shall be borne by the customer, unless otherwise provided for by law or the contract.

4. Conditions for scientific research, development and engineering work performance contracts must conform to the norms of this Code, laws and other legal acts on prerogatives (intellectual property).

5. The contracts on performance of scientific research, development and engineering works shall be concluded in writing.

Article 768. Performance of works

1. The executor shall carry out the scientific research in person. He or she shall have the right to involve third persons in the performance of the works only upon the consent of the customer.

2. The person who carries out experimental, development or engineering works shall have the right to involve third persons in the works, unless otherwise provided for by the contract. Rules on the contractor and the subcontractor (Article 704) shall apply to relations of the executor and third persons.

Article 769. Confidentiality of information constituting the subject matter of the contract

1. The parties shall be obliged to ensure the confidentiality of information relating to the subject matter of the contract, the process of the performance thereof and the results obtained, unless otherwise provided for by the contracts for performing scientific research, development and engineering works. The volume of information declared confidential shall be determined in the contract.

2. Each of the parties shall be obliged to disclose information declared confidential and received in the course of performing works only upon the consent of the other party.

Article 770. Rights of parties over the work results

1. Under scientific research, development and engineering works performance contracts, the parties shall have the right to use the results of works, including those

subject to legal protection within the scope and conditions provided for by the contracts.

2. The customer shall have the right to use the results of the work transferred to him or her by the executor, including those subject to legal protection, and the executor shall have the right to use the results of the work for own needs, unless otherwise provided for by the contract.

Article 771. Duties of the customer

1. Under scientific research, development and engineering works performance contracts, the customer shall be obliged to:

(1) provide the executor with necessary information for the performance of the works;

(2) accept the results of completed works and pay for them.

2. The contract may also provide for the duty of the customer to provide the executor with terms of reference and agree with him or her upon the work plan (including technical, economic parameters) or topics of the works.

Article 772. Duties of the executor

Under the scientific research, development and engineering works performance contracts, the executor shall be obliged to:

(1) perform the works in conformity with terms of reference agreed upon with the customer and to transfer to him or her the results thereof within the term provided for by the contract;

(2) agree with the customer upon the necessity to use protected intellectual creations and acquisition of rights of use thereof;

(3) on his or her own and at his or her expense, eliminate defects occurred by own fault in the process of works performance, that may result in deviations from technical and economic parameters provided for in terms of reference or the contract;

(4) immediately inform the customer of discovering impossibility of achieving expected results of works or inexpediency of continuing them;

(5) guarantee the transfer of the results received under the contract that do not violate prerogatives of other persons.

Article 773. Consequences of impossibility of achieving results of scientific research works

Where discovered, in the course of performance of scientific research works, that it is impossible to acquire the results due to circumstances independent from the executor, the customer shall be obliged to pay for works performed before the discovery of impossibility of achieving results provided for by the scientific research works performance contract, which shall not exceed the price for respective part of the work indicated in the contract.

Article 774. Consequences of impossibility to continue development and engineering works

Where discovered, in the course of performing development and engineering works, that it is impossible or inexpedient to continue works due to circumstances beyond the control of the executor, the customer shall be obliged to pay for the costs incurred by the executor.

Article 775. Liability of the executor for breaching the contract

1. The executor shall bear liability against the customer for breaching scientific research, development and engineering works performance contracts, unless he or she proves that such breach has occurred due to circumstances beyond his or her control (point 1 of Article 417).

2. The executor shall be obliged to compensate the expenses incurred by the customer within the limits of the value of the works wherein defects have occurred, unless the contract provides for compensation therefor in the full value of the works. The lost benefit shall be subject to compensation in cases provided for by the contract.

Article 776. Legal regulation of scientific research, development and engineering works performance contracts

Rules of Articles 706, 707 and 736 of this Code shall apply to terms and price of performing works, as well as to consequences of the failure of being present during the acceptance of results of the customer.

Rules of Articles 761-766 of this Code shall apply to state contracts on performance of scientific research, development and engineering works for state needs.

FIFTH SUBSECTION

SERVICE PROVISION CONTRACTS

CHAPTER 39

PROVISION OF PAID SERVICES

Article 777. Paid service provision contract

1. Under a paid service provision contract, the executor shall be obliged to provide services (perform certain actions or carry out certain activity) upon the assignment of the customer, and the latter shall be obliged to pay for such services.

2. Paid service provision contract shall be concluded in writing.

3. The rules of this Chapter shall apply to communication, medical, veterinary, auditing, consultancy, information, instruction, tourism and other service provision contracts.

Article 778. Performance of paid service provision contract

The executor shall be obliged to provide the services in person, unless otherwise provided for in the paid service provision contract.

Article 779. Paying for services

1. The customer shall be obliged to pay for services provided to him or her within terms and in the manner indicated in the paid service provision contract.

2. In case of impossibility of provision of services due to the customer, the services shall be paid for in full, unless otherwise provided for by law or the paid service provision contract.

3. In cases when impossibility of performance has arisen due to circumstances for which none of the parties bears liability, the customer shall pay for actual expenses incurred by the executor, unless otherwise provided for by law or the paid service provision contract.

Article 780. Unilateral renunciation of a paid service provision contract

1. The customer shall have the right to renounce the paid service provision contract under the condition of paying for actual expenses incurred by the executor.

2. The executor shall have the right to renounce the paid service provision contract under the condition of full compensation for losses incurred by the customer.

Article 780.1. Specific aspects of services of provision of an electronic trading platform

1. An electronic trading platform operator shall not be obliged to monitor the lawfulness of the content submitted by the users of the platform and its conformity with the legislation of the Republic of Armenia, except for the cases when the electronic trading platform operator knew or should have known that the content submitted by the users was manifestly unlawful, manifestly unreliable or manifestly contradicting the legislation of the Republic of Armenia.

2. An electronic trading platform operator shall be obliged to show the mandatory information on sellers (performers of works, service providers) as prescribed by law and save it throughout the entire time the seller (performer of works, service provider) is registered on the platform and at least one year after the end of said registration, unless a longer term is provided for by law or the contract concluded with the electronic trading platform operator.

(Article 780.1 supplemented by HO-115-N of 17 June 2016)

Article 781. Legal regulation of paid service provision contract

General provisions on contracting (Articles 700-727) and consumer contracting (Articles 728-737) shall apply to the paid service provision contract, unless they contradict Articles 777-780, as well as specific aspects of the paid service provision contract.

CHAPTER 40

DELEGATION

Article 782. Delegation contract

1. Under a delegation contract, one party (the delegatee) shall be obliged to perform certain legal actions on behalf and at the expense of the other party (the delegator). Rights and duties under the transaction made by the delegatee shall immediately arise for the delegator.

2. The delegation contract shall be concluded with or without indication of the term within which the delegatee shall have the right to act on behalf of the delegator.

3. The delegation contract shall be concluded in writing.

Article 783. Remuneration of the delegatee

1. The delegator shall be obliged to remunerate the delegatee where so provided for by law, other legal acts or the delegation contract.

In cases when the delegation contract is connected with entrepreneurial activity of both or one of the parties, the delegator shall be obliged to remunerate the delegatee, unless otherwise provided for by the contract.

2. In case of absence of the condition on the amount or manner of remuneration under the paid delegation contract, the delegatee shall be remunerated, in the amount prescribed in point 3 of Article 440 of this Code, upon performance of the contract.

3. The delegatee acting as a commercial agent (point 1 of Article 320), in conformity with Article 373 of this Code, shall — for securing his or her claims under a delegation contract — have the right to maintain at his or her disposal the property subject to transferring to the delegator.

Article 784. Performance of delegation in conformity with instructions of the delegator

1. The delegatee shall be obliged to perform the delegation assigned to him or her in conformity with the instructions of the delegator. The instructions of the delegator shall be lawful, feasible and precise.

2. The delegatee shall have the right to deviate from the instructions of the delegator, where necessary for the benefit of the delegator due to circumstances

of the case, and where the delegatee could not make an inquiry to the delegator earlier or did not receive a reply to the inquiry within a reasonable term. The delegatee shall be obliged to notify the delegator of the deviations, where such notification is possible.

3. The delegator may confer the delegatee (point 1 of Article 320) acting as a commercial agent to deviate from instructions without a prior inquiry. In such a case, the commercial representative shall be obliged to notify the delegator of the deviations within a reasonable term, unless otherwise provided for by the delegation contract.

Article 785. Duties of the delegatee

The delegatee shall be obliged to:

(1) perform the delegation made to him or her in person, except for cases indicated in Article 787 of this Code;

(2) upon the request of the delegator, communicate all information on the process of the performance of the delegation;

(3) for performance of the delegation - immediately transfer the proceeds of the transactions to the delegator;

(4) upon performing the delegation or upon termination of the delegation contract prior to its performance, return without delay to the delegator the letter of attorney the term of effectiveness of which has not expired and present a report with an attachment of documents, if this is required under the conditions of the contract or by the nature of the delegated task.

Article 786. Duties of the delegator

1. The delegator shall be obliged to issue a letter of attorney (letters of attorney) to the delegatee for performing legal actions provided for by the delegation contract, except for the cases provided for by second paragraph of point 1 of Article 318 of this Code.

2. Unless otherwise provided for by the contract, the delegator shall be obliged to:

(1) provide the delegatee with means necessary for performing the delegation;

(2) compensate for expenses incurred by the delegatee.

3. The delegator shall be obliged to immediately accept the full output achieved in conformity with the contract.

4. The delegator shall be obliged to remunerate the delegatee, where the delegation contract envisages payment in conformity with Article 783 of this Code.

Article 787. Re-delegation

1. The delegatee shall have the right, in cases and under conditions provided for by Article 323 of this Code, delegate the performance of the delegated task to another person (re-delegatee).

2. The delegator shall have the right to release the re-delegatee chosen by the delegatee.

3. Where the name of the potential re-delegatee of the delegatee is mentioned in the contract, the delegatee shall bear no liability for his or her choice and for running of business by the re-delegatee.

Where the contract does not provide for the right of the delegatee to transfer the performance of delegation to other person or it provides for such a right but the name of the re-delegatee is not indicated, the delegatee shall bear liability for the selection thereof.

Article 788. Termination of the delegation contract

1. Except for general grounds for termination of obligations, the delegation contract shall terminate as a result of:

(1) cancellation of the delegation by the delegator;

(2) renunciation by the delegatee;

(3) death of the delegator or the delegatee; declaration thereof of having no or limited legal capacity or missing.

2. The delegator shall have the right to cancel the delegation at any time, and the delegatee – refuse to perform it. An agreement on renunciation of such a right shall be null and void.

3. The renouncing party to a delegation contract providing for sales representative activities for a delegatee shall notify the other party about the termination of the contract no later than thirty days in advance, unless a longer term is provided for by the contract.

In case of reorganisation of a legal person that is a commercial agent, the delegator shall have the right to cancel the delegated task without prior notice thereon.

Article 789. Consequences of termination of the delegation contract

1. Where a delegation contract has terminated prior to full performance of the delegation by the delegatee, the delegator shall be obliged to reimburse the delegatee for costs incurred by him or her in the course of performance of the delegation, and where a remuneration is provided for the delegatee – to remunerate him or her proportionate to his or her work performed. This rule shall not apply where the delegatee performs the delegation at a time when he or she knew or should have known about the termination of delegation.

2. Cancellation of the delegation by the delegator shall not serve as a ground for compensation of expenses incurred by the delegatee by abolition of the delegation contract, except for cases of termination of the contract which provides for activities of the delegatee as a sales representative.

3. Refusal by the delegatee to perform the delegation shall not serve as a ground for compensation of expenses incurred by the delegator under termination of delegation contract, except for cases when the delegatee has refused under conditions where the delegator has been deprived of the possibility to otherwise ensure his or her interests, as well as when the delegatee has renounced the contract providing for activities of sales representative for him or her.

Article 790. Duties of successors of delegatee-citizen and liquidator of delegatee-legal person

In case of death of the delegatee, his or her successors shall be obliged to notify the delegator about the termination of the delegation contract and undertake measures necessary for maintenance of the property of the delegator, in particular, maintain his or her property and documents and transfer them to the delegator.

The liquidator of the delegatee that is a legal person shall also bear such an obligation.

CHAPTER 41

COMMISSION

Article 791. Commission agency contract

1. Under a commission agency contract one party (the commission agent) shall be obliged to enter into one or more transactions on the assignment of and for payment by the other party (the commission principal) - on his or her behalf but at the principal's expense.

Under the transaction entered into by the commission agent with a third person rights and duties shall be acquired by the commission agent even where the commission principal was invoked in the transaction or involved in immediate relations aimed at performing the transaction.

2. The commission agency contract shall be concluded in writing.

3. The commission contract may be entered into for a definite term or without any term of its validity, with an indication of territory of its performance or without that, for the benefit of the commission principal and with an obligation thereof not to confer rights to third persons for concluding transactions which are assigned to the commission agent or without such obligation — with conditions regarding variety of property constituting the object of commission or without such conditions.

4. Specific aspects of certain types of commission agency contract may be provided for by law or other legal acts.

Article 792. Commission payment

1. The commission principal shall be obliged to pay the commission agent — and where the latter guarantees the performance of transaction by a third person shall be obliged to provide also an additional pay (commission del credere) — in the amount and manner stipulated by the commission agency contract.

Where the amount and the manner of remuneration is not provided for by the contract and the amount of the remuneration may not be determined based on the conditions of the contract, the commission agent shall be remunerated following the performance of the commission agency contract in the amount prescribed in point 3 of Article 440 of this Code.

2. Where the commission agency contract has not been performed due to reasons under the control of the commission principal, the commission agent shall maintain the right to receive the commission payment and reimbursement for costs incurred.

Article 793. Performance of the commission assignment

1. The commission agent that undertakes an obligation shall be obliged to perform it on conditions most favourable for the commission principal and in conformity with instructions of the latter, and in case of no such instructions in the commission agency contract — in accordance with customary business practices or other requirements usually set.

2. In case the commission agent has concluded a transaction under more profitable conditions than those specified by the commission principal, the additional profit shall be equally distributed between the commission principal and commission agent, unless otherwise provided for by the consent of the parties.

Article 794. Liability for non-performance by a third person of transaction concluded for commission principal

1. The commission agent shall not bear liability against the commission principal for non-performance by a third person of the transaction concluded at the expense of the commission principal, except for cases where the commission agent fails to show necessary shrewdness in selection of the third person or guarantees the performance of the transaction (del credere).

2. In case of non-performance by a third person of the transaction the commission agent shall be obliged to immediately inform the commission principal, collect necessary evidence, as well as transfer rights arising from such transaction to the commission principal upon his or her request by observing the rules on surrender of claim (Articles 397-404).

3. Surrender of rights of the commission principal by a transaction based on point 2 of this Article shall be allowed irrespective of the agreement between the commission principal and a third person prohibiting or restricting such surrender. This does not release the commission principal from liability with regard to surrender of a right pertaining to violation of a negative covenant as against a third person.

Article 795. Sub-commission agency

1. The commission agent shall have the right to conclude, for the sub-commission agent's activities, a sub-commission agency contract with another person for the purpose of performance of the contract by remaining liable against the commission principal, unless otherwise provided for by the commission agency contract.

Under the sub-commission agency contract the commission agent shall acquire rights and obligations of a commission principal against the sub-commission agent.

2. Prior to termination of the commission agency contract the commission principal shall have not have the right to enter into immediate relations with the sub-commission agent without the consent of the commission agent, unless otherwise provided for by the commission agency contract.

Article 796. Deviation from instructions of the commission principal

1. The commission agent shall have the right to deviate from instructions of the commission principal where it is necessary for the benefit of the latter under the circumstances of the case and the commission agent could not make an earlier inquiry to the commission principal and receive a reasonable answer within a reasonable term. The commission agent shall be obliged to notify the commission principal of the deviations made as soon as it is possible to make such a notification.

2. The commission principal may confer the commission agent that acts as an entrepreneur the right to deviate from his or her instructions without prior inquiry. In this case the commission agent shall be obliged to notify the commission principal of the deviations made within reasonable terms unless otherwise provided for by the commission agency contract.

3. The commission agent which has sold the property at a price lower than the one agreed with the commission principal, shall compensate the price difference to the latter unless he or she proves, that he or she was deprived of the possibility to sell the property at the agreed price and that selling it for a lower price has prevented even larger expenses by the commission principal. Where the commission agent was obliged to make a prior inquiry to the commission principal, he or she shall prove that he or she did not have an opportunity to receive a prior consent therefrom on deviation from instructions.

4. Where the commission agent has bought the property at higher price than that agreed with the commission principal, the commission principal not wishing to accept such property shall be obliged to inform thereabout the commission agent within reasonable term following the receipt of the notification on conclusion of the transaction. In the opposite case the purchased property shall be considered as accepted by the commission principal.

5. Where the commission agent states that he or she will undertake to cover the price difference the commission principal shall not have the right to withdraw from the transaction concluded for him or her.

Article 797. Rights over property constituting the subject of the commission agency

1. Property transferred to the commission principal by the commission agent or acquired by the latter at the expense of the commission principal shall be the ownership of the commission principal.

2. The commission agent shall have the right to, in accordance with Article 373, maintain the property subject to transfer to the commission principal or the person indicated by him or her for securing his or her claims under the commission agency contract.

In case of declaring the commission principal bankrupt the mentioned right of the commission agent shall terminate and his or her claims against the commission principal within the limits of the value of the maintained property shall be satisfied in conformity with Article 374 of this Code as equal to claims secured by pledge.

Article 798. Satisfaction of claims of the commission agent from funds due to commission principal

In conformity with Article 426 of this Code the commission agent shall have the right to maintain funds due to him or her from funds deposited with him or her on the account of the commission principal.

Article 799. Liability of the commission agent for loss, shortage of or damage to property of the commission principal

1. The commission agent shall bear liability against the commission principal for loss, shortage of or damage to property under his or her disposal that belongs to the commission principal.

2. Where, upon receipt of the property sent by the commission principal or admitted for the latter at the commission agent, there are visual damages to or shortage in the property, as well as in case of damages caused by any person to the property of the commission principal at the disposal of the commission agent, the commission agent shall be obliged to undertake measures to protect the rights of the commission principal, collect necessary evidences and inform the commission principal thereabout without delay.

3. The commission agent which has not insured the property of the commission principal, shall bear liability only in cases where the commission principal has assigned the latter to insure the property at the expense of the commission principal or where the duty of property insurance by the commission agent is provided for in the commission agency contract or by customary business practices.

Article 800. Report by the commission agent

Following the performance of the assignment, the commission agent shall be obliged to submit a report to the commission principal and transfer the output of the commission agency contract to the latter. A commission principal that has objections related to the report shall, following the receipt thereof, be obliged to inform the commission agent thereof within a term of 30 days, unless a different term is prescribed in the commission agency contract. In the opposite case the report shall be considered as accepted unless otherwise provided for in the commission agency contract.

Article 801. Acceptance of the output of the commission agency contract by the commission principal

The commission agent shall be obliged to:

(1) accept from the commission agent the output of the commission agency contract;

(2) examine the property acquired for him or her by the commission agent and notify the latter of defects detected in the property;

(3) release the commission agent from obligations undertaken against third persons for the performance of the commission agency contract.

Article 802. Compensation for expenses incurred for the performance of a commission agency contract

1. The commission principal shall be obliged to, apart from commission agency payment, and in relevant cases also from commission del credere, reimburse the commission agent for all costs incurred by him or her for performance of the commission agency contract.

2. The commission agent shall have no right to compensation for expenses of bailment of property of the commission principal at his or her disposal, unless otherwise provided for by law or the commission agency contract.

Article 803. Cancellation of the commission assignment by the commission principal

1. The commission principal shall have the right to renounce at any time the commission agency contract by cancelling the assignment given to the commission agent. The commission agent shall have the right to request compensation for expenses incurred by him or her as a result of a cancellation of the commission assignment.

2. Where the commission agency contract has been concluded without specifying its term, the commission principal must give the commission agent at least a 30-day prior notice about the termination of the contract, unless a longer notice term is provided for by the contract.

In such a case the commission principal shall be obliged to remunerate the commission agent for transactions concluded as well as for expenses incurred prior to the termination of the contract.

3. In case of cancellation of the assignment the commission principal shall be obliged to dispose of the property held by the commission agent within the term prescribed in the commission agency contract, and, where such term is not prescribed, dispose of it immediately. In the opposite case the commission agent shall have the right to bail such property at the expense of the commission principal or sell it for the price most favourable for the commission principal.

Article 804. Renunciation of the commission agency contract by the commission agent

1. The commission agent shall not have the right, unless otherwise provided for by the commission agency contract, to renounce the contract, except for cases where the commission agency contract is concluded without specifying its term. In such a case the commission agent shall give at least a 30-day prior notice to the commission principal about termination of the commission agency contract, unless a longer term of notice is provided for therein.

The commission agent shall be obliged to undertake necessary measures for maintenance of the property of the commission principal.

2. Following the receipt of the notice from the commission agent about the renunciation of performing the delegation the commission principal must dispose of his or her property held by the commission agent within the term of 15 days, unless a different term is prescribed by the commission agency contract. In the opposite case the commission agent shall have the right to bail such property at the expense of the commission principal or to sell it for the price most favourable for the commission principal.

3. The commission agent that has refused to perform the assignment shall have the right to a commission fee for transactions concluded before the termination of the contract, as well as to reimbursement for costs incurred before that moment, unless otherwise provided for by the commission agency contract.

Article 805. Termination of the commission agency contract

Except for general grounds for termination of obligations, the commission agency contract shall terminate as a result of:

(1) renunciation of the contract by the commission principal;

(2) renunciation of the contract by the commission agent in cases provided for by law or the contract;

(3) death of the commission agent, or declaration thereof as having no or limited legal capacity or missing;

(4) declaring the commission agent bankrupt.

In case of declaring the commission agent bankrupt, for performance of instructions of the commission principal, the rights and duties of the commission agent under contracts concluded by him or her shall pass to the commission principal.

CHAPTER 42

AGENCY

Article 806. Agency contract

1. Under the agency contract, one party (the agent) shall be obliged to, for remuneration and upon assignment of the other party (the principal), perform legal or other actions on his or her behalf but at the expense of the principal or on behalf and at the expense of the principal.

The agent shall, under the transaction concluded with a third person on his or her behalf and at the expense of the principal, acquire rights and duties thereto, even where the principal has been invoked in the transaction and was involved in immediate relations with such third person in performing the transaction.

Under a transaction concluded with a third person on behalf of the principal and at his or her expense the rights and duties shall be acquired directly by the principal.

2. The agency contract shall be concluded in writing.

3. Where general powers of the agent to conclude transactions on behalf of the principal are provided for in agency contract, the principal shall not have the right to invoke absence of appropriate powers of the agent in relations with third person, unless he or she proves that the third person knew or should have known about the limitation of the agent's powers.

4. An agency contract may be concluded for a definite term or without one.

5. Specific aspects of certain types of agency contracts may be provided for by law.

Article 807. Agency remuneration

1. The principal shall be obliged to remunerate the agent in the amount and in the manner prescribed in the agency contract.

Where the agency contract does not provide for the agency remuneration amount and it cannot be determined by the conditions of the contract, the remuneration shall be paid in the amount prescribed in point 3 of Article 440 of this Code.

2. Where the contract does not provide for the manner of agency remuneration, the principal shall be obliged to pay the remuneration within a week following the submission of the previous term report by the agent, unless a different manner of payment derives from the nature of the contract or customary business practices.

Article 808. Restriction of rights of the principal and the agent under agency contract

1. The agency contract may provide for an obligation of the principal not to conclude analogous contracts with agents operating within a certain territory provided

for by the contract or refrain from independently carrying out analogous activity that is the subject matter of the agency contract.

2. The agency contract may provide for an obligation of the agent not to conclude analogous agency contracts with other principals within the territory fully or partially coinciding with the territory indicated in the contract.

3. Conditions of the agency contract, by virtue of which the agent has the right to sell products to, perform works for or provide services exceptionally to certain category of buyers (customers) or to those having a place of business or a place of residence within a territory provided for by the contract, shall be null and void.

Article 809. Reports of the agent

1. While performing the agency contract the agent shall be obliged to submit reports to the principal within terms and in the manner provided for by the contract. Where the contract does not provide for relevant conditions thereof, the agent shall submit reports simultaneously with the performance of the contract or after expiry of the effectiveness of the contract.

2. Sufficient evidence of costs incurred by the agent at the expense of the principal shall be attached to the reports of the agent, unless otherwise provided for by the agency contract.

3. Where the principal has objections to the agent's report, he or she shall, within thirty days following the reception of the report, notify the agent thereabout, unless a different term is provided for by the agency contract. In the opposite case the report shall be considered as accepted, unless otherwise provided for by agency contract.

Article 810. Sub-agency contract

1. For performing the contract an agent may conclude a sub-agency contract with a third person by remaining liable against the principal for the actions of the latter, unless otherwise provided for by the agency contract. The agency contract may provide for the duty of the agent to conclude a sub-agency contract by indicating conditions of the contract or without that.

2. The sub-agent shall have no right to conclude transactions with third person on behalf of a person considered a principal under the agency contract, except where the sub-agent may act based on reauthorisation in accordance with point 1 of Article 323 of this Code. The manner and consequences of such reauthorisation shall be defined by the rules prescribed by Article 787 of this Code.

Article 811. Termination of agency contract

Except for general grounds for termination of obligations, an agency contract shall terminate as a result of:

(1) renouncing of the contract by one of the parties, where the contract was concluded without determining the expiry term;

(2) death of an agent, or declaration thereof as having no or limited capacity or missing;

(3) declaring the agent bankrupt.

Article 812. Application of the rules on commission agency and delegation contract to agency relations

The rules provided for by Chapter 40 or Chapter 41 of this Code shall respectively apply to the relations deriving from the agency contract depending upon whether

the agent acts under the terms of the contract in the name of the principal or in its own name, unless these rules contradict the provisions of this Chapter or the nature of the agency contract.

CHAPTER 43

BAILMENT

§ 1. GENERAL PROVISIONS ON BAILMENT

Article 813. Bailment contract

1. Under a bailment contract one party (the bailee) shall be obliged to withhold the property transferred to him or her by the other party (the bailor) and return it in safe condition.

2. The bailment contract, where the bailee is a commercial or a non-commercial organisation exercising bailment as one of the purposes of its professional activity (a professional bailee), may provide for the duty of the bailee to receive the property of the bailor as a bailment for the term provided for by the contract.

Article 814. Form of the bailment contract

1. The bailment contract must be concluded in writing.

2. The simple written form of the bailment contract shall be considered as observed where the acceptance of the property by the bailee as a bailment is confirmed by providing the bailor with:

(1) a bailment receipt, a bill, certificate or other document signed by the bailee;

(2) a metal token (number) confirming the acceptance of the property as a bailment, where such form of confirming the acceptance of property as bailment is provided for by law or other legal act or is a common practice under the given type of bailment.

Article 815. Performance of the duty to accept the property as bailment

1. The bailee that has assumed the duty to accept the property as bailment under the bailment contract (point 2 of Article 813) shall not have the right to request the transfer of the property to him or her as bailment.

However, the bailor that fails to transfer the property to the bailee as bailment within the term provided by the contract shall bear liability for the expenses incurred as a result of failure to transfer the property as bailment, unless otherwise provided for by law or the bailment contract. The bailor shall be released from this liability where he or she informs the bailee of cancelling his services within the reasonable term.

2. The bailee shall be released of the duty to accept the property as bailment where the property was not transferred thereto within the term prescribed by the contract, unless otherwise provided for by the bailment contract.

Article 816. The term of bailment

1. The bailee shall be obliged to hold the property for the term prescribed by the bailment contract.

2. The bailee shall be obliged to hold the property until the bailor requests it where the term of the bailment is not provided for by the contract and cannot be determined based on the conditions thereof.

3. Where the term of a bailment is determined by the poste restante right of the bailor, the bailee shall, under the given circumstances, have the right to request the bailor to take the property back upon the expiry of the common term of bailment by providing thereto a reasonable term for that. Failure to perform this duty by the bailor shall result in consequences provided for by Article 826 of this Code.

Article 817. Conversion of bailment

In cases expressly provided for by the bailment contract, the property of one bailor accepted as bailment may be intermingled with the property of the same type and quality accepted as bailment from other bailors (conversion of bailment). In such case property of same type and quality of equivalent quantity or of that agreed by the parties shall be returned to the bailor.

Article 818. Duty of the bailee to ensure safekeeping of the property

1. For ensuring the safekeeping of the property accepted as bailment the bailee shall be obliged to undertake all measures therefor provided for by the bailment contract.

In case of absence in the contract of conditions on such measures or incompleteness thereof, the bailee must, for ensuring the safekeeping of the property, undertake measures conforming to customary business practices and nature of the obligation, including the features of property transferred as bailment, unless undertaking of such measures is excluded by the contract.

2. The bailee in any case must, for safekeeping of the property transferred to him or her, undertake measures which are mandatory under law, other legal acts or procedure laid down by those (fire safety, sanitation, security, etc.).

3. Where bailment is executed gratuitously, the bailee shall be obliged to take no less care of the property accepted as bailment, than of that belonging thereto.

Article 819. Use of property transferred as bailment

The bailee shall not have a right, without the consent of the bailor, to use property transferred as bailment, or to provide the possibility for its use to third persons, except for cases where the use of the bailed property is necessary for its safeguarding and does not contradict the bailment contract.

Article 820. Altering the bailment conditions

1. In case of necessity to alter conditions of bailment provided for by the contract the bailee shall be obliged to notify the bailor thereon and await the reply of the latter.

Where altering the bailment conditions is necessary for elimination of the risk of loss, shortage of or damage to the property, the bailee shall have the right to alter the type and place and other conditions of bailment without awaiting the bailor's reply.

2. Where the real risk of damage to property occurs during the bailment, or the property has been damaged, or circumstances excluding the possibility of safekeeping thereof occur and it is impossible for the bailor to undertake necessary measures, the bailee shall have the right to sell the property or a part thereof for the price existing at the place of bailment. Where such circumstances have occurred as a result of consequences for which the bailee bears no liability, the latter shall have the right to retain the incurred expenses related to the sales from the amount of the price at which

the property was sold.

Article 821. Bailment of goods with dangerous features

1. Where the bailor does not warn the bailee about the nature of flammable, explosive or other dangerous goods being transferred for bailment, the bailee may at any time render harmless or destruct such property without compensating the damage to the bailor. The bailor shall bear liability for the loss inflicted on the bailee and third persons as a result of bailment of such property.

When transferring goods with dangerous features for bailment to the professional bailee, the rules provided for by the first paragraph of this point shall apply only where such property has been transferred for bailment under a different name, and where upon acceptance thereof the bailee could not be convinced of their dangerous nature through visual inspection.

In cases provided for by this point and where the bailment is executed for payment the fee paid for bailed property shall not be returned, and where such payment was not made, it may be charged in full by the bailee.

2. Where the property indicated in the first paragraph of point 1 of this Article accepted as bailment with the knowledge and consent of the bailee, despite the observance of the conditions of bailment thereof, is rendered dangerous for the environment, property of the bailee or third persons, and where the circumstances do not allow the bailee to request from the bailor to immediately retract such property, or where the bailor fails to perform such a request of the bailee, the latter may render the property harmless or destruct it without compensating the bailor for the expenses. In such a case the bailor shall not bear liability for the expenses incurred by the bailee or third persons as a result of bailment of such property.

Article 822. Transfer of the property to a third person for bailment

The bailee shall not have the right to transfer the property to a third person for bailment without the consent of the bailor, except where the bailee is forced to do so by virtue of circumstances — for the benefit of the bailor — and is deprived of the possibility to receive the latter's consent, unless otherwise provided for by the bailment contract.

The bailee shall be obliged to immediately notify the bailor about transfer of the property to a third person for bailment.

In case of transfer of the property to a third person for bailment the conditions of the contract between the bailor and the original bailee shall remain in force, and the latter shall bear liability for the actions of the third person to whom the property has been transferred for bailment as for his own actions.

Article 823. Payment for bailment

1. The bailee shall be paid for the bailment upon its expiry, and where the payment for bailment is envisaged to be made in instalments, the bailee shall be paid upon the expiry of each stage of bailment in proportionate amounts.

2. In case of delaying the remuneration for bailment past the half the time of the envisaged term for payment, the bailee shall have the right to renounce the contract and to require of the bailor to immediately retract the bailed property.

3. Upon early termination of bailment by virtue of circumstances for which the bailee bears no liability, the bailee shall have the right to receive a proportionate part of the remuneration, and in case provided for by point 1 of Article 821 of this Code — the full amount of remuneration.

Where the term of bailment expires early by virtue of circumstances for which the bailee bears liability, the bailee shall not have the right to request remuneration and shall be obliged to return sums received earlier to the bailor.

4. Where the bailor fails to retract the bailed property after the expiry of the bailment term, the latter shall be obliged to pay relevant remuneration to the bailee for further bailment. This rule shall apply also where the bailor is obliged to retract the property before the expiry of the bailment term.

5. The rules of this Article shall apply unless otherwise provided for by the bailment contract.

Article 824. Compensation for bailment expenses

1. Expenses of the bailee relating to the bailment of property shall be included in the remuneration for bailment, unless otherwise provided for by the bailment contract.

2. In case of gratuitous bailment the bailor shall be obliged to compensate the bailee for necessary expenses incurred thereby for bailment, unless otherwise provided for by law or the bailment contract.

Article 825. Extraordinary bailment expenses

1. Expenses exceeding ordinary expenses of property bailment, which the parties could not foresee at the moment of conclusion of the bailment contract (extraordinary expenses) shall be reimbursed to the bailee where the bailor has agreed to bear those or gave a later consent thereto, as well as in other cases provided for by law, other legal acts or the contract.

2. In case of necessity of making extraordinary expenses the bailee shall be obliged to receive the consent of the bailor for making such expenses. Where the bailor has not given consent within the term indicated by the bailee or a reasonable term necessary for giving a reply, the bailor shall be considered to have given consent to compensate for the extraordinary expenses.

3. Where the bailee has made extraordinary expenses without a prior consent of the bailor, yet which could have been received under the given circumstances, and where the bailor did not consent to those afterwards, the bailee may request compensation for extraordinary expenses only in the amount of damage that could have been caused to the property as a result of not making such expenses.

4. Extraordinary expenses shall be compensated in addition to the compensation for bailment, unless otherwise provided for by bailment contract.

Article 826. Duty of the bailor to retract the property

1. Upon expiry of the term provided for by the bailment contract or of the term specified by the bailee under point 3 of Article 816 of this Code for retracting the property, the bailor shall be obliged to immediately retract the bailed property.

2. Where the bailor fails to perform the duty of retracting the bailed property, including avoidance to receive the property, the bailee shall have the right to, following a written notice to the bailor, independently sell the property at a price existing at the place of the bailment, and where the value of the property exceeds the minimal wage amount by hundred times the bailee shall have the right to sell it through auction in the manner prescribed by the law on public bidding, unless otherwise provided for by the bailment contract.

The bailee shall transfer the sum received through sales to the bailor by retaining the amount due to him, including expenses incurred thereby in relation to the sales of the property.

Article 827. Duty of the bailee to return the property

1. The bailee shall be obliged to return to the bailor or a person indicated by the latter the exact property that has been bailed with him or her, unless a conversion of bailment is provided for by the bailment contract (Article 817).

2. The bailee shall return the property in the condition it was accepted for bailment, taking account of ordinary tear and wear thereof, reduction, or other changes of the property due to natural features of the property.

3. Simultaneously with returning the property the bailee shall be obliged to transfer the products and proceeds received from the property in the process of bailment thereof, unless otherwise provided for by the bailment contract.

Article 828. Grounds for liability of the bailee

1. The bailee shall bear liability for loss, shortage of or damage to the property accepted as bailment under the grounds provided for by Article 417 of this Code.

A professional bailee shall bear liability for loss, shortage of or damage to the property in case of failure to prove that the loss, shortage of or damage to the property has occurred as a result of force majeure or the features of the property of which the bailee was unaware and could not have been aware at the moment of accepting the property as bailment, or where it occurred as a result of intent or gross negligence of the bailor.

2. Upon arising of a duty to retract the property by the bailor (point 1 of Article 826) the bailee shall bear liability for loss, shortage of or damage to the bailed property only in case of intent or gross negligence.

Article 829. Extent of liability of the bailee

1. The expense incurred by the bailor as a result of loss, shortage of or damage to the property shall be compensated by the bailee in accordance with Article 409 of this Code, unless otherwise provided for by law or the bailment contract.

2. In case of gratuitous bailment the losses inflicted as a result of loss, shortage of or damage to the property shall be compensated:

(1) in the amount of value of lost or missing property in case of loss or shortage of property;

(2) in the amount less the original value of property in case of damage thereto.

3. Where due to a damage, the liability of which lies with the bailee, the quality of the property has been altered to the extent which renders it unsuitable for use in conformity with its original purpose, the bailor shall have the right to renounce the property and request the value of the property from the bailee, as well as compensation for other damages, unless otherwise provided for by law or the bailment contract.

Article 830. Compensation for damages inflicted on the bailee

The bailor shall be obliged to compensate the bailee for damages inflicted due to features of the bailed property where, at the time of accepting the property as bailment, the bailee was unaware and was not obliged to be aware of such features.

Article 831. Termination of bailment upon request of the bailor

The bailee shall be obliged to return the property accepted as a bailment upon the first request of the bailor even where the term provided for by the bailment contract has not expired.

In such a case the bailor shall be obliged to compensate the bailee for damages inflicted as a result of early termination of the obligation, unless otherwise provided for by the contract.

Article 832. Application of general clauses on bailment to separate types thereof

The general provisions on bailment (Articles 813-831) shall apply to separate types thereof, unless otherwise prescribed by the rules of Articles 834-853 of this Code on separate types of bailment and other laws.

Article 833. Bailment by virtue of law

The rules of this Chapter shall apply to obligations under bailment arising by virtue of law, unless otherwise provided for by law.

§ 2. BAILMENT AT WAREHOUSE

Article 834. Warehouse bailment contract

1. Under a warehouse bailment contract the warehouse (the bailee) shall be obliged to keep the goods transferred to him or her by the owner (the bailor) for payment and return those in safe condition.

The warehouse shall mean an organisation carrying out entrepreneurial activity of bailment of goods and providing services relating to bailment.

2. The written form of the warehouse bailment contract shall be deemed to be observed where sealing thereof and acceptance of the goods for storage at the warehouse is confirmed by the warehouse document (Article 839).

Article 835. Bailment of goods at the common warehouse

1. The warehouse shall be deemed a general one where it derives from law, other legal acts or the permission (licence) issued to the commercial undertaking that it shall accept as bailment goods of any owner of goods.

2. The warehouse bailment contract concluded by the common warehouse shall be a public contract (Article 442).

Article 836. Inspection of goods upon acceptance and bailment thereof at the warehouse

1. The warehouse operator shall, at his or her expense, inspect goods upon acceptance thereof as bailment and determine their quantity (number or size, weight and volume of units or pallets of goods) and condition, unless otherwise provided for by the warehouse bailment contract.

2. The warehouse operator shall be obliged to give the owner of goods the opportunity to examine the goods or samples thereof, and, in case of conversion of bailment, take reference samples and undertake necessary measures for ensuring the safekeeping of goods.

Article 837. Alteration of bailment conditions and the condition of goods

1. Where it is necessary to alter conditions of bailment of goods to ensure their safekeeping, the warehouse operator shall have the right to independently undertake necessary measures. Nevertheless, where there is a need to substantially alter the conditions of bailment of goods provided for by the warehouse bailment contract, the warehouse operator shall be obliged to notify the owner of goods about such measures.

2. Upon discovering the damage in excess of that agreed upon by warehouse bailment contract or of ordinary tear and wear (standards), the warehouse operator shall be obliged to immediately draw up the statement thereon and notify the owner of goods on the same day.

Article 838. Checking the quantity and condition of goods upon returning them to the owner of goods

1. Upon returning the goods, the owner of goods and the warehouse operator shall have the right to request to examine the goods and check the quantity thereof. Such costs shall be borne by the party requesting the examination of the goods and the checking of the quantity thereof.

2. Where upon returning the goods the latter was not jointly examined or checked by the warehouse operator and owner of goods, a written application on damaged or missing goods as a result of improper bailment shall immediately be submitted upon reception of goods, and where such shortage could not have been detected under common procedure of acceptance — within a three-day term thereafter.

In case of failure to submit an application prescribed in first paragraph of this point it shall be deemed that the goods have been returned from the warehouse in conformity with conditions of the warehouse bailment contract, unless otherwise evidenced.

Article 839. Warehouse documents

1. As a confirmation of acceptance of goods, the warehouse operator shall issue one of the following documents:

(1) a dual warehouse certificate (Article160);

(2) a simple warehouse certificate (Article 161);

(3) a warehouse receipt.

2. Goods accepted as bailment by the dual or simple warehouse certificate may, in the process of bailment, become the subject of pledge through the pledge of the relevant certificate.

Article 840. Content of the dual warehouse certificate

1. Each part of the dual warehouse certificate shall bear an identical indication of:

(1) the name of warehouse that has accepted the goods as bailment and the registered office thereof;

(2) record number of the warehouse certificate as indicated in the registry of the warehouse;

(3) the name of the legal person or citizen, who has accepted the goods for bailment, as well as the registered office (place of residence) of the ownership;

(4) the name and the quantity of bailed goods – the number of units and/or pullets of goods and/or size (weight, volume) of goods;

(5) the term of bailment where applicable, or the indication that the goods have been accepted for bailment upon request;

(6) the amount of fee for bailment or rates by which it is calculated, as well as the manner of payment of the bailment fee;

(7) year, month and date of issuing of the warehouse certificate.

Both parts of the dual warehouse certificate shall bear identical signatures of the authorised person.

2. Documents that do not conform to the conditions of this Article are not warehouse certificates.

(Article 840 supplemented by HO-121-N of 13 April 2011, amended by HO-49-N of 19 March 2012)

Article 841. Rights of the holder of the warehouse certificate and pledge certificate

1. The holder of the warehouse certificate and a pledge certificate shall have the right to dispose in full volume the goods being kept at the warehouse.

2. The holder of the warehouse certificate separated from the pledge certificate shall have the right to dispose the goods but may not retract those from the warehouse prior to repaying the loan under a pledge certificate.

3. The holder of the pledge certificate who is not concurrently the holder of warehouse certificate shall have the right of pledge against the goods in the amount of the loan and the interest thereof as specified by the pledge certificate. In case the goods bailed in warehouse are pledged, an indication thereon shall be made in the warehouse certificate.

Article 842. Transfer of warehouse and pledge certificates

Warehouse and pledge certificates may be transferred together or separately via endorsements.

Article 843. Transfer of goods under dual warehouse certificate

1. The warehouse operator shall transfer goods to the holder of warehouse and pledge certificates (dual warehouse certificate) by exchanging the goods for the two certificates.

2. Goods from warehouse shall be transferred to the holder of warehouse certificate that does not have a pledge certificate but has paid the debt incidental to the latter by exchanging goods for the warehouse certificate conditional upon full repayment of debt relating to the pledge certificate.

3. The warehouse having transferred the goods to the holder of the warehouse certificate that does not possess a pledge certificate and has not paid the debt amount relating to the latter in contradiction to the requirements of this Article shall bear liability against the holder of the pledge certificate for paying the whole amount secured by the pledge certificate.

4. The holder of warehouse and pledge certificates shall have the right to request a transfer of the goods thereto in portions. Moreover, instead of original certificates, the holder of warehouse and pledge certificates shall be issued new certificates for the part of goods remaining in the warehouse.

Article 844. Content of the simple warehouse certificate

1. A simple warehouse certificate shall contain information provided for by sub-points 1, 2, 4-7 of point 1 and last paragraph of Article 840, as well as a note that it is a bearer certificate.

2. The document that does not conform to the conditions of this Article shall not be a simple warehouse certificate.

Article 845. Bailment of goods with the right of disposal

Where it derives from law, other legal acts or the contract that the warehouse operator may dispose of the goods bailed with it, rules on loan under Chapter 46 of this Code shall apply to the relations of the parties: moreover, the term and place of returning the goods shall be determined under the rules of this Chapter.

§ 3.SPECIAL TYPES OF BAILMENT

Article 846. Bailment at pawnshop

1. The bailment contract of property belonging to citizens at a pawnshop shall be a public contract (Article 442).

2. The pawnbroker shall certify the conclusion of bailment contract by handing a nominal pawn receipt to the pawnor.

3. The property transferred to pawnshop as bailment shall be appraised at the time and place of acceptance in accordance with market price for purchasing property of the same type and quality prevailing in trade.

4. Pawnbroker shall be obliged to, at his or her expense, insure the property accepted as bailment to the advantage of the pawnor — in the amount of value appraised in accordance with point 3 of this Article.

Article 847. Property not requested from the pawnshop

1. Where the pawnor fails to claim the property transferred for bailment at a pawnshop within the term agreed upon with the pawnbroker, the latter shall be obliged to hold it for one month by charging an amount provided for by the bailment

contract. Upon the expiry of this term the unclaimed property shall be sold via auction in the manner prescribed by the law on public bidding.

2. The pawnbroker shall recover the debt from the amount received through sales of unclaimed property and pay the surplus over to the pawnor.

Article 848. Bailment of valuables at the bank

1. The bank may accept securities, precious metals and stones, other valuable property and valuables, including documents as bailment.

2. The conclusion of bailment contract of valuables shall be certified by transfer of the nominal pawn receipt to the pawnor by the bank, the production of which shall serve as a ground for returning the bailed valuables to the pawnor.

Article 849. Bailment of valuables at the safe deposit box

1. Under the bailment contract of valuables at the safe deposit box the bank (bailee) shall provide the customer (the bailor) with a safe deposit box for depositing and safekeeping of the valuables.

2. Under the bailment contract of valuables at the safe deposit box the customer shall have the right to personally deposit the valuables and withdraw such from the box without the control of any person, including the bank. For this purpose the customer shall be provided with necessary means to independently use the deposit box.

The contract may provide for the right of the customer to work with the valuables deposited in the deposit box.

3. In case of damage to the deposit box the bank shall be released of the liability where it proves that it is impossible for anyone to approach the safe deposit box of

the customer without the latter's knowledge, or that it has occurred as a result of force majeure.

4. Rules on contract of lease of this Code shall apply to relations deriving from the bailment contract of valuables at a safe deposit box.

Article 850. Bailment at checkrooms of transport organisations

1. Checkrooms under the disposal of common use transport organisations shall, irrespective of the possession of travel documentation by passengers or other citizens, be obliged to accept their property for bailment.

2. The contract of bailment at checkrooms of transport organisations shall be a public contract (Article 442).

3. As a confirmation of acceptance of property for bailment at a checkroom (with the exception of automated deposit boxes) a receipt or a numbered token shall be handed to the bailor. In case of loss of the receipt or the numbered token, the bailed property shall be returned to the bailor upon submitting a proof that the property belongs thereto.

4. The term for which the checkroom shall be obliged to hold the property shall be determined by special rules or the consent of the parties. The checkroom shall be obliged to hold the property unclaimed within the specified term for an additional thirty days. Upon the expiry of this term the unclaimed property may be sold in the manner prescribed by point 2 of Article 826 of this Code.

5. The bailee shall compensate for the damages incurred by the bailor as a result of loss, shortage of or damage to the property transferred for bailment at a checkroom within twenty-four hours following the submission of the relevant request — within the limits of the value of the property assessed by the bailor at the time of acceptance of property for bailment.

Article 851. Bailment at cloakrooms of organisations

1. Bailment at cloakrooms of organisations shall be gratuitous unless a fee is defined therefor or it is otherwise explicitly agreed upon at the time of bailment of the property.

2. The bailee of property transferred at the cloakroom shall be obliged to undertake all measures prescribed by points 1 and 2 of Article 818 of this Code for bailment of the property, irrespective whether the bailment is non-gratuitous or gratuitous.

3. The rules of this Article shall apply to bailment of overcoats, hats and other similar property left, but not bailed by citizens at places allocated for bailment at organisations and means of transportation.

Article 852. Bailment at hotel

1. The hotel, as a bailee, shall bear liability for loss, shortage of or damage to the property (except for money), other currency valuables, securities and other valuable property of guests. An agreement between the hotel and the guest on excluding such liability shall be null and void.

Property entrusted to hotel employees or placed at a hotel suite or a place intended therefor shall be deemed checked at the hotel.

2. The hotel shall bear liability for a loss of money, other currency valuables, securities and other valuable property of a guest where these have been accepted by the hotel as bailment or have been placed by the guest at a safe deposit box provided to him or her by the hotel — irrespective of the place of the deposit box (be it in the guest's suite or another place within the hotel). The hotel shall be released from the liability in the event of damage to the contents of such a safe deposit box where it

proves that no one could approach the safe deposit box without the knowledge of the guest or the damage occurred as a result of force majeure.

3. A guest that has discovered a loss, shortage of or damage to his or her property shall immediately inform the directorate of the hotel. In the opposite case the hotel shall not bear liability for safekeeping of the property.

4. A declaration by the hotel on not bearing liability for safekeeping of the guest's property does not release the hotel from liability.

5. The rules of this Article shall respectively apply to bailment of property of citizens at motels, rest houses, boarding houses, sanatoriums, bathhouses and other similar organisations.

Article 853. Bailment of property which is a subject of dispute (sequestration)

1. Under a sequestration contract two or more persons between which a dispute on the right to a property has arisen shall deposit the latter with a third person, who undertakes the duty to, following the outcome of the dispute, return the property to the person to whom it will be allocated by a court judgment or by a collective consent of all parties to the dispute (conventional sequestration).

2. A property which is a subject of dispute between two or more parties may be deposited as sequestration by a court judgment (judicial sequestration).

A bailee upon a judicial sequestration may be a person appointed by court or determined by mutual consent of the parties to the dispute. Both cases require the consent of the bailee, unless otherwise prescribed by law.

3. Both movable and immovable property may be deposited under sequestration.

4. The bailee executing the bailment of sequestered property shall have the right to receive remuneration at the expense of the contending parties, unless otherwise provided for by the contract or court judgment enacting the sequestration.

CHAPTER 44

CARRIAGE

Article 854. General provisions on carriage

1. Carriage of cargo, passengers and luggage shall be executed on the basis of carriage contract.

2. The carriage contract shall be concluded in writing.

3. General conditions of carriage shall be determined by transport codes, other laws and rules published in conformity with those.

4. Conditions of carriage of cargo, passengers and luggage via certain types of transport, as well as liability of parties for such carriage shall be determined by their consent, unless otherwise prescribed by this Code, transport codes, other laws and rules published in conformity with those.

Article 855. Cargo carriage contract

1. Under a cargo carriage contract, the carrier shall be obliged to carry the cargo entrusted thereto by the consignor to the point of destination and deliver it to the person authorised to receive the cargo (the consignee), and the consignor shall be obliged to pay the fee defined for the cargo carriage.

2. Conclusion of a cargo carriage contract shall be verified by delivery of the consignment note (bill of lading or other freight documentation) to the consignor.

Article 856. Passenger carriage contract

1. Under a passenger carriage contract the carrier shall be obliged to carry the passenger to the point of destination, and where the passenger checks in a luggage — also to carry the latter to the point of destination and deliver it to the person authorised to receive it, whereas the passenger shall be obliged to pay the fee set for carriage, and in case of checked luggage — the fee for carriage thereof.

2. The conclusion of a passenger carriage contract shall be certified by a ticket, and the check in of luggage — by a luggage receipt.

3. The passenger shall, in the manner prescribed by law and other legal acts, have the right to:

(1) carry with him children free of charge or under preferential conditions;

(2) carry hand luggage within free allowance;

(3) check in the luggage for carriage by paying the relevant tariff.

Article 857. Affreightment (charter) contract

Under an affreightment (charter) contract one party (the freighter) shall be obliged to, against a payment, provide the other party (the charterer) with the space of the means of transportation in full or in part for the carriage of cargo, passengers and luggage for one or several trips.

The manner of conclusion of an affreightment (charter) contract shall be prescribed by law or other legal act.

Article 858. Direct multimodal transport

Relations of transport organisations in the course of carriage of cargo, passengers and luggage via different modes of transport under a single multimodal transport document (direct multimodal transport), as well as the manner of organising such carriage shall be determined by agreements concluded between relevant types of transport organisations in conformity with law.

Article 859. Carriage by common carrier

1. A carriage arranged by a commercial organisation shall be deemed to be carried out by a common carrier where the organisation is, where it derives from law, other legal acts or the permit (licence) issued to the organisation, obliged to carry cargo, passengers and luggage upon a relevant request of any citizen or legal person.

The list of organisations arranging carriage by common carriers shall be published in the manner prescribed by law.

2. A carriage contract by a common carrier shall be a public contract (Article 442).

Article 860. Carriage fee

1. A carriage fee agreed upon by the parties shall be charged for cargo, passengers and luggage carriage, unless otherwise provided for by law or other legal acts.

2. The carriage fees for carrying cargo, passengers and luggage via common carriers shall be determined based on the tariffs approved as prescribed by law.

3. Operations and services that are not covered by the tariffs prescribed by the carrier and are requested by the cargo owner shall be reimbursed by the consent of the parties.

4. The carrier shall have the right to retain the cargo and luggage delivered for carriage as a security for a carriage fee or other payments (Article 373 and Article 374), unless otherwise prescribed by law, other legal acts, the carriage contract or otherwise derives from the essence of the obligation.

Article 861. Provision, loading and unloading of transportation means

1. The carrier shall be obliged to, within a term stipulated by a carriage contract or a carriage arrangement contract and upon application (order) of the consignor, for the purpose of loading, provide the latter with transportation means that are suitable and in good repair for carriage of the relevant cargo.

The consignor shall have the right to refuse accepting the transportation means that are unsuitable for cargo carriage.

2. The loading (unloading) of cargo shall be carried out by a transport organisation or a consignor (consignee) in the manner provided for by the contract — by observing the requirements of law and rules adopted in conformity therewith.

3. Loading (unloading) with the capacity of consignor (consignee) shall be carried out within terms provided for by a contract, unless such terms are prescribed by law and rules published in conformity therewith.

Article 862. Terms of carrying cargo, passenger and luggage to the place of destination

The carrier shall be obliged to carry the cargo, passenger and luggage to the point of destination within terms provided for by contract, and in case of absence of such terms – within a reasonable term.

Article 863. Liability for breaching carriage obligations

1. In case of failure to perform carriage obligations or improper performance thereof the parties shall bear liability as prescribed by this Code, other laws, as well as by mutual agreement.

2. Agreements between the transport organisations and passengers and cargo owners on limiting or cancelling the liability of a carrier as prescribed by law shall be invalid, except for cases prescribed by law.

Article 864. Liability of a carrier for not providing transportation means and a liability of a consignor for not using the provided transportation means

1. The carrier shall bear liability prescribed by law or by the consent of the parties for not providing transportation means for cargo carriage in conformity with accepted application (order) or a contract, and the consignor – for not providing the cargo or not using the provided transportation means for any reason.

2. The cargo carrier and the consignor shall be released from the liability for not providing the transportation means or not using such where it occurs:

(1) as a result of force majeure, as well as other disastrous phenomena (fire, flood etc.) or military operations;

(2) as a result of interruption or limitation of cargo carriage in certain directions and in the manner prescribed by law;

(3) in other cases prescribed by law.

Article 865. Liability of the carrier for delaying the departure of passengers

1. The carrier shall pay the passenger a fine in the amount prescribed by law for delaying the departure of a passenger transport or arrival thereof to the point of destination (except for urban and suburban trips), unless it proves that the delay has occurred as a result of force majeure, elimination of disrepairs of transportation means threatening the life and health of passenger or other circumstances beyond its control.

2. Where the passenger cancels his or her trip due to delayed departure of a mode of transport the carrier shall be obliged to return the transportation fee to the passenger.

Article 866. Liability of the carrier for loss, shortage of and damage to the cargo or luggage

1. The carrier shall bear liability for loss, shortage of and damage to the cargo or luggage which, following their acceptance for carriage, occurs prior to transferring thereof to the consignee, his or her authorised person or a person authorised to receive the cargo, unless it proves that the loss, shortage of or damage to the cargo or luggage has occurred under circumstances that the carrier could not prevent, and the elimination of which was beyond its control..

2. The carrier shall compensate for the damage to the cargo or luggage inflicted in the course of carriage:

(1) in the amount of value of lost or missing cargo or luggage in case of loss or shortage of cargo or luggage;

(2) in case of damage to cargo or luggage — in the amount equal to the decrease of its value of such as a result of damage, and in case of impossibility of repair of cargo or luggage — in the full amount thereof;

(3) in the amount of declared value of cargo or luggage in case of provision thereof by declaration of its value.

The value of cargo or luggage shall be determined by the price indicated in the accounts of the seller or provided for in the contract, and in case of absence of a condition on the price in the account or the contract – by the price which is charged for similar goods under comparable circumstances.

3. Together with compensation of damage inflicted as a result of loss, shortage of and damage to the cargo or luggage the carrier shall reimburse the consignor (consignee) for the transportation fee that has been charged for carriage of lost, missing or damaged cargo or luggage where it is not included in the value of the cargo.

4. Unilateral documents drawn up by the carrier on reasons of damage of the cargo and luggage (commercial act, simple act, etc.) shall, in case of dispute, be subject to examination by the court together with other documents evidencing such circumstances that can serve as a ground for liability of the carrier, consignor or consignee of cargo or luggage.

Article 867. Term of statute of limitations of cargo carriage

The term of statute of limitations for claims pertaining from carriage of cargo shall be one year.

Article 868. Liability of the carrier for harm caused to life or health of the passenger

The liability of the carrier for impairment of life and health of the passenger shall be determined in conformity with the rules of Chapter 60 of this Code, unless more enhanced liability for carrier is provided for by law or the carriage contract.

Article 869. Carriage arrangement contracts

1. The carrier and owner of cargo may conclude long-term carriage arrangement contracts where regular carriage is required.

2. Under a cargo carriage arrangement contract the carrier shall be obliged to accept, and the owner of cargo — to provide for carriage the cargo of agreed volume within prescribed terms. Contract of cargo carriage arrangement shall lay down the volumes of carried cargo and terms of the latter's delivery for carriage, terms and conditions for provision of transportation means, as well as other conditions, manner of calculations thereof, as well as other conditions of arranging carriage.

Article 870. Contracts between transport organisations

Contracts on organisation of work, such as centralised import and export of cargo etc., with regard to ensuring carriage of cargo may be concluded between various types of transport organisations.

The manner of conclusion of such contracts shall be prescribed by law and other legal acts.

CHAPTER 45

FREIGHT FORWARDING

Article 871. Freight forwarding contract

1. Under a freight forwarding contract, one party (the freight forwarder) shall be obliged to, for remuneration and at the expense of the other party (the client – consignor or consignee), render or arrange certain services related to forwarding of the cargo determined in the freight forwarding contract.

Freight forwarding contract may lay down other duties of the freight forwarder related to the arrangement of cargo carriage via the route and transportation means chosen by the freight forwarder or the client, conclusion of cargo carriage contract(s) on behalf of the client or on own behalf, dispatching the cargo and arranging its delivery, as well as other obligations related to carriage of cargo.

2. A freight forwarding contract may, as supplementary services, provide for performance of basic transactions for delivering the cargo, such as the obtaining of documents required for export or import, customs clearance and processing other documents, examining of the quantity and condition of cargo, its loading and unloading, payment of duties and other expenses borne by the client, maintenance of cargo, its receipt in the point of destination, as well as other transactions and rendering other services provided for by the contract.

3. Rules of this Chapter shall apply also where the carrier performs the duties of the freight forwarder in conformity with the contract.

4. The conditions of performing the freight forwarding contract shall be determined by the consent of the parties, unless otherwise prescribed by the law on freight forwarding, other laws and legal acts.

Article 872. Form of freight forwarding contract

1. Freight forwarding contract shall be concluded in writing.

2. The client shall issue a letter of attorney to the freight forwarder where it is necessary for the performance of the latter's duties.

Article 873. Liability of the freight forwarder under a freight forwarding contract

1. In case of failure to perform or improper performance of his or her duties the freight forwarder shall, under a freight forwarding contract, bear liability on grounds and extent provided for by the rules of Chapter 26 of this Code.

2. Where the freight forwarder proves that the obligation has been violated as a result of improper performance of the freight forwarding contracts, the liability of the consignor as against the client shall be determined in conformity with the same rules as in the case of liability of the carrier against the freight forwarder.

Article 874. Documentation and other information submitted to the freight forwarder

1. The client shall submit to the freight forwarder documents and information on the nature of the cargo and conditions of carriage thereof, as well as other information required for performance of duties of the freight forwarder under the freight forwarding contract.

2. The freight forwarder shall be obliged to inform the client of the errors in the information submitted and in case of incompleteness of the information — to request additional data from the client.

3. Where such necessary information is not provided by the client the freight forwarder shall be entitled to not perform the relevant duties until such information is submitted thereto.

4. The client shall bear liability for damage inflicted on the freight forwarder as a result of breaching his duty of submitting information referred to in point 1 of this Article.

Article 875. Performance of duties of the freight forwarder by a third person

1. Where it does not derive from a freight forwarding contract that the freight forwarder shall perform his or her duties in person, he or she shall have the right to involve other persons for performing those.

2. Delegation of the performance of his or her duties to a third person shall not release the freight forwarder from the liability of non-performance or improper performance of the contract against the client.

Article 876. Unilateral renunciation of freight forwarding contract

1. Each party shall have the right to renounce the freight forwarding contract upon giving a reasonable prior notice to the other party.

2. In case of unilateral renunciation of the contract, the renouncing party shall compensate the other party for damages inflicted as a result of rescission of the contract.

CHAPTER 46

LOAN

Article 877. Loan contract

1. Under a loan contract one party (the lender) shall pass to the ownership of the other party (the borrower) money or other property determined by generic characteristics, and the borrower shall be obliged to return to the lender the same amount of money (the amount of the loan) or the property of equal quantity and of same type and quality as received from the lender.

The loan contract shall be concluded from the moment of transferring the money or other property.

2. Foreign currency and currency valuables may be a subject of the loan contract in the territory of the Republic of Armenia subject to Articles 142, 143 and 356 of this Code.

Article 878. Form of the loan contract

1. The loan contract shall be concluded in writing.

2. In confirmation of the loan contract and its conditions a receipt issued by the borrower or another document confirming the transferring certain amount of money or certain quantity of goods issued by the lender to borrower may be submitted.

3. Failure to maintain its written form shall result in invalidity of the loan contract. Such a contract shall be null and void.

Article 879. Interest under the loan contract

1. The lender shall be entitled to receive interest on loan amount from the borrower unless otherwise provided for by the loan contract. The loan contract shall clearly prescribe the amount of interests and procedure for calculation thereof. At the time of conclusion of the loan contract the amount of the interest may not exceed the double the bank rate of the Central Bank of the Republic of Armenia.

2. Interests shall be paid every month, unless otherwise provided for by the loan contract.

3. A loan contract shall be deemed to be without interest unless otherwise directly provided for therein, where:

(1) the loan contract between citizens is concluded for an amount not exceeding fifty-fold of minimum salary and does not concern entrepreneurial activity of any of the parties;

(2) the borrower is handed other property determined by generic characteristics, not money;

(Article 879 edited by HO-41-N of 20 March 2006)

Article 880. Duty of the borrower to return the loan amount

1. The borrower shall be obliged to return the borrowed money to the lender within terms and in the manner provided for by the loan contract.

Where the term of returning of the money is not determined by the contract or is determined to be poste restante, the borrower shall return the loan amount within thirty days from the date of bringing a claim on returning the loan amount by the lender, unless otherwise provided for by the contract.

2. The borrower may redeem the amount of loan without interest early.

The amount of loan with interest may be redeemed early only upon the consent of the lender, unless otherwise provided for by law or the loan contract.

3. The Loan amount shall be deemed to be redeemed on the moment of transferring it to the lender or to the bank account of the latter, unless otherwise provided for by the loan contract.

(Article 880 supplemented by HO-126-N of 17 June 2008)

Article 881. Consequences of breaching the loan contract by the borrower

1. Where the borrower fails to return the loan amount in the terms defined, the interest on loan as provided for by the loan contract shall terminate, and the interest in the amount provided for by point 1 of Article 441 of this Code shall be due for payment only from the date when the amount was to be repaid to the date it is redeemed to the lender.

An agreement provided for in the loan contract on payment of interest under different conditions shall be null and void.

2. Where a loan contract provides for that the loan shall be repaid in instalments (on a time share basis), in case the borrower breaches the term of returning the regular instalment of the loan, the lender shall have the right to request to return the principal loan amount together with accrued interest.

Article 882. Disputing the loan contract

1. The borrower shall be entitled to dispute the loan contract where the borrower proves that no money or other property was actually received thereby from the lender or was received in less quantity than indicated in the contract.

2. Dispute of the loan contract on the grounds prescribed by point 1 of this Article through testimony of witnesses shall be prohibited, except for cases where the contract has been concluded by deception, violence, threat, malicious collusion between the representative of the borrower and lender or under other grave circumstances.

3. Where in disputing the loan contract on the grounds prescribed by point 1 of this Article it is found that the borrower actually did not receive the money or other property from the lender, the loan contract shall be deemed not to be concluded. Where the borrower has received less money or other property from the lender than provided for in the contract, the contract shall be deemed to be concluded in the amount of money or property received.

Article 883. Consequences of failure to secure obligations of the borrower

In case of non-performance by the borrower of duties provided for by the loan contract for ensuring the obligation to return the amount of the loan and also in case of loss of security or worsening of its conditions due to circumstances for which the lender does not Article, the lender shall have the right to request from the borrower an early return of the amount of the loan and payment of the interest due unless otherwise provided for by the contract.

Article 884. Special loan

1. Where a loan contract is concluded for using the means received from the borrower for specific purposes (special loan), the borrower shall be obliged to enable the lender to control targeted use of the loan amount.

2. In case of non-performance by the borrower of the condition of the loan contract on the use of the amount of the loan for a purpose and also in case of breach of

the duties provided for by point 1 of this Article, the lender shall have the right to request from the borrower an early return of the amount of the loan and payment of interest due, unless otherwise provided for by the contract.

Article 885. State loan contract

1. Under a state loan contract the Republic of Armenia shall act as the borrower and a citizen or a legal person shall act as the lender.

2. State loans shall be voluntary.

3. The state loan contract shall be made through obtaining by the lender of state bonds or other government securities issued by the borrower confirming the right of the lender to receive from the borrower monetary means, other property, fixed interests or other property rights within the terms provided for by the conditions on loan issuance.

4. Changing the terms of the loan issued into circulation is not allowed.

5. The rules on the contract of state loan shall be applied respectively to loans issued by communities.

Article 886. Renewal of the debt under the loan obligation

1. By the consent of the parties a debt that has arisen from purchase and sales, lease of property, or on other ground may be replaced by a loan obligation.

2. Replacement of a debt by a loan obligation shall be conducted with the observance of the requirements on substitution (Article 430) and in the form provided for concluding a loan contract (Article 878).

Article 886.1. Subsidiary loan

It may be envisaged by the loan agreement — including the conditions for share issues and sales — that in case of liquidity of the borrower, the claims of the lender shall be satisfied after paying all the other creditors of the borrower (subsidiary loan).

(Article 886.1 supplemented by HO-55-N of 28 February 2011)

CHAPTER 47

CREDIT

Article 887. Credit contract

1. Under a credit contract, the bank or other credit organisation (the creditor) shall be obliged to provide money funds (credit) to the borrower in the amount and on the conditions provided for by the contract, and the borrower shall be obliged to return the monetary amount received and to pay interests on it.

2. The rules provided by Chapter 46 of this Code shall apply to relations deriving from the credit contract, unless otherwise prescribed by the rules of this Chapter or the credit contract.

(Article 887 amended by HO-116 of 5 December 2000)

Article 888. Form of a credit contract

Credit contract shall be concluded in writing.

Failure to maintain the written form shall entail invalidity of the credit contract. Such a contract shall be null and void.

Article 889. Refusal from granting or receiving the credit

1. The creditor shall have the right to fully or partly refuse from providing the borrower with the credit provided for by the credit contract in case of presence of circumstances that obviously evidence that the amount submitted to the borrower shall not be returned in time.

2. In case of breach by the borrower of a duty provided for by the credit contract for use of the credit for a purpose (Article 884), the creditor also shall have a right to refuse from further granting of credit to the borrower under the contract.

3. The borrower shall have a right to refuse receiving a credit in whole or in part where the creditor is notified thereabout before the time provided for by the contract for its granting unless otherwise provided for by law, other legal acts, or a credit contract.

Article 890. Commodity credit

1. The parties may conclude a contract providing for the duty of one party to submit to the other party a property defined by generic characteristics (commodity credit contract). The rules of this chapter shall apply to such a contract unless otherwise provided for by the contract or derives from the essence of the obligations.

2. Conditions on the quantity, assortment, completeness, quality, containers and/or packaging of the goods provided must be performed in conformity with the rules on the goods purchase and sales contract (Articles 481-501), unless otherwise provided for by the contract of commodity credit.

Article 891. Commercial credit

1. Contracts the performance whereof is connected with the transferring of money amounts or other property defined by generic characteristics to the ownership of

the other party may provide for the granting of credit including in the form of a pre-payment, advanced payment, post payment or payment on a time share basis for goods, work or services (commercial credit), unless otherwise prescribed by law.

2. Rules of this Chapter shall correspondingly apply to the commercial credit, unless otherwise provided for by conditions of the contract giving rise to the relevant obligation and unless it is without prejudice to the essence of such obligation.

CHAPTER 48

FINANCING AGAINST SURRENDERING A PECUNIARY CLAIM (FACTORING)

Article 892. Contract on financing against surrendering a pecuniary claim

1. Under a contract on financing against surrender of a pecuniary claim, one party (the financial agent — factor) shall transfer or shall be obliged to transfer to the other party (the client) monetary means with reference to the pecuniary claim of the client (creditor) against a third person (the debtor) arising from the provision of goods to, performance of work for, or rendering services to the third person by the client, while the client shall assign or shall be obliged to assign this pecuniary claim to the financial agent.

The pecuniary claim against the debtor may also be assigned by the client to the financial agent for the purpose of providing security for performance of obligations of the client towards the financial agent.

2. The obligations of the financial agent under the contract on financing against surrender of a pecuniary claim may include the maintenance of accounting for

the client, as well as the provision to the client of other financial services connected with the pecuniary claims that are the subject of the surrender.

3. The contract on financing against surrender of pecuniary claim shall be concluded in writing.

Article 893. Financial agent

Banks and other credit organisations, as well as commercial organisations with a permit (a license) for carrying out an activity of such type may, as financial agents, conclude contracts on financing against surrender of pecuniary claims.

Article 894. Surrendered pecuniary claim with the purpose of receiving financing

1. The subject of surrender for which financing is provided may be both a pecuniary claim, the term of payment whereof is due (current claim) and the right to receive monetary means that will arise in the future (future claim).

The pecuniary claim that is the subject of surrender must be defined in the contract of the client with the financial agent in such a manner that will allow the identification of an existing claim at the time of concluding the contract and a future claim – not later than at the time when it arises.

2. In case of surrender of a future pecuniary claim, it shall be considered as having passed to the financial agent after the right has arisen to receive from the debtor the pecuniary funds that are the subject of the surrender of the claim provided for by the contract. Where the surrender of the pecuniary claim is conditioned by a certain event, it will enter into force after the occurrence of that event.

No additional formulation of the surrender of a pecuniary claim shall be required in these cases.

Article 895. Liability of the client against the financial agent

1. Unless the contract on financing against surrender of a pecuniary claim provides otherwise, the client shall bear liability against the financial agent for the realness of the pecuniary claim that is the subject of the surrender.

2. The pecuniary claim that is the subject of the surrender shall be recognised to be real if the client has the right to transfer the pecuniary claim and at the time of surrender of the claim the client is not aware of circumstances as a consequence of which the debtor will have the right not to satisfy it.

3. The client does not bear liability for non-satisfaction or improper satisfaction by the debtor of the claim that is the subject of the surrender in the case where the financial agent lays a claim for its satisfaction, unless otherwise provided by the contract between the client and the financial agent.

Article 896. Invalidity of prohibition of surrender of the pecuniary claim

1. Surrender of the pecuniary claim to the financial agent shall be valid even if an agreement exists between the client and the debtor thereof on the prohibition or limitation of the surrender.

2. The rule prescribed by point 1 of this Article does not free the client from liability against the debtor in connection with the surrender of the claim in breach of an agreement between them forbidding or limiting the surrender.

Article 897. Subsequent surrender of a pecuniary claim

1. Unless the contract on financing for surrender of a pecuniary claim provides otherwise, a subsequent surrender of the pecuniary claim by the financial agent is not allowed.

2. In the case when a subsequent surrender of the pecuniary claim is allowed by the contract the provisions of this Chapter shall respectively apply to it.

Article 898. Satisfaction by the debtor of the pecuniary claim of the financial agent

1. A debtor shall be obliged to make a payment to the financial agent on condition that the debtor has received from the client or from the financial agent a written notice on the surrender of the pecuniary claim to the given financial agent and the pecuniary claim subject to satisfaction is defined in the notice, and the financial agent to whom payment must be made is also indicated.

2. Upon the request of the debtor, the financial agent shall be obliged, in a reasonable time, to provide the debtor with a proof of the fact that the surrender of the pecuniary claim to the financial agent has actually taken place. If the financial agent does not perform this obligation, the debtor shall have the right to make a payment under the given claim to the client in satisfaction of the debtor's obligations to the client.

3. Satisfaction of a pecuniary claim by the debtor as against the financial agent in conformity with the rules of this Article frees the debtor from the respective obligation to the client.

Article 899. Rights of the financial agent to amounts received from the debtor

1. Where, under the terms of the contract on financing against surrender of a pecuniary claim, the client's financing is carried out by the financial agent through purchase from the client of that claim , the financial agent shall obtain the right to all amounts to be received from the debtor in satisfaction of the claim, while the client

shall not bear liability against the financial agent where the amounts received by the latter are less than the price for which the agent has obtained the claim.

2. If the surrender of the pecuniary claim to a financial agent has been conducted for the purpose of securing the fulfilment of obligation of the client against the agent, and the contract on financing against surrender of the claim does not provide otherwise, the financial agent shall be obliged to submit a report to the client and transfer to the latter the amount in excess of the debt of the client as secured by the surrender of the claim. If the monetary means received by the financial agent from the debtor are less than the debt of the client to the financial agent as secured by the surrender of the claim, the client shall bear liability to the financial agent for the remainder of the debt.

Article 900. Cross claims of the debtor

1. In case of bringing a claim by the financial agent on making a payment to the debtor, the debtor shall, in accordance with Articles 426-428 of this Code, have the right to present for offset pecuniary claims thereof based on the contract concluded with the client that the debtor already had by the time of obtaining a notice of the surrender of the claim to the financial agent.

2. Claims that the debtor could make against the client in connection with the breach by the latter of the agreement forbidding or limiting the surrender of the claim are ineffective with respect to the financial agent.

Article 901. Return to the debtor of the amounts received by the financial agent

1. In case of breach by the client of obligations thereof under the contract concluded with the debtor, the latter shall not have a right to request from

the financial agent the return of amounts already paid thereto on a claim that has passed to the financial agent where the debtor has the right to receive such amounts directly from the client.

2. The debtor having the right to receive directly from the client amounts paid to the financial agent as the result of surrender of the claim nevertheless shall have the right to claim return of these amounts by the financial agent if it is proved that the latter has not performed the obligation to make to the client a promised payment connected with the surrender of the claim or has made such a payment having known of the breach by the client of the obligation to the debtor to which the payment connected with the surrender of claim relates.

CHAPTER 49

BANK DEPOSIT

Article 902. Bank deposit contract

1. Under a bank deposit contract the party (the bank) by accepting monetary means (the deposit) received from another party (the depositor) or for the depositor, shall undertake an obligation to repay the depositor the sum of the deposit and to pay interest on the sum deposited under the conditions and procedure provided for by the contract.

2. The bank deposit contract, where the depositor is a citizen, shall be a public contract (Article 442).

3. The rules on the bank account contract (Chapter 50) shall apply to the relations between the bank and the depositor with respect to the account where the deposit

have been made, unless otherwise prescribed by the rules of this Chapter or otherwise follows from the nature of the bank deposit contract.

(paragraph repealed by HO-87-N of 19 June 2015)

4. The rules of this Chapter relating to banks shall apply also to other credit organisations accepting deposits from legal persons in accordance with law.

(Article 570 amended by HO-87-N of 19 June 2015)

Article 903. Right to attract monetary means in deposits

1. The right to attract monetary means in deposits shall be vested with the banks which have been vested with such right in conformity with the permit (or license) issued as prescribed by law.

2. In case of accepting deposits from citizens by a person not having such right or in case of accepting it in violation of the procedure laid down by law or by bank rules adopted in conformity therewith, the depositor may require immediate return of the deposit amount and payment of interests provided for by Article 411 of this Code, and apart from the interests, compensation to the depositor for the damages caused to the latter.

If such a person has accepted monetary means from a legal person on the conditions of bank deposit, this contract shall be invalid (Article 305).

3. Unless otherwise prescribed by law, the consequences provided for by point 2 of this Article shall apply also in cases where there has been:

(1) attraction of monetary means of citizens and legal persons by sales of illegally issued shares and other securities to them;

(2) attraction of monetary means of citizens in such deposits against promissory note or other securities that exclude receiving those means by the deposit holders upon

the first request and exercising by a depositor of other rights provided for by the rules of this Chapter.

Article 904. Form of the bank deposit contract

1. The bank deposit contract shall be concluded in writing.

The written form of the bank deposit contract shall be considered to be observed if a written contract has been concluded and the making of the bank deposit has been confirmed by the document defined by the Central Bank of the Republic of Armenia or a bank book, bank certificate or certificate of deposit containing requisites defined by the Central Bank of the Republic of Armenia.

2. Non-observance of the written form of the bank deposit contract shall entail invalidity of this contract. Such a contract shall be null and void.

(Article 904 edited by HO-41-N of 20 March 2006)

Article 905. Types of deposits

1. The contract of bank deposit is made on conditions of return of the deposit on the first request (demand deposit) or on conditions of return of the deposit on the expiry of a term determined by the contract (fixed-term deposit). Funded pension deposit and education deposit are types of fixed-term deposit.

(1) funded pension deposit shall mean a deposit made for a natural person by that person or by another person, in lump sum or in instalments, and which, together with the interests accrued thereon, may be received by the natural person only after he or she attains the age of retirement prescribed by law, or in other cases provided for by law.

(2) education deposit shall mean a deposit made for a third person by the depositor, in lump sum or in instalments, and which, together with the interests accrued thereon, may, by making non-cash payments, be used by the third person only for educational purposes. An educational purpose is the payment of tuition fees during studies at an educational institution (tuition fees of a pre-school educational institution) duly licensed in the Republic of Armenia or foreign states.

The third person may use the education deposit for purposes other than those prescribed by part 2 of this article only with the consent of the depositor.

The contract may provide for other conditions, not contradicting the law, for the return of deposits.

2. Under the contract of bank deposit of any type, the bank shall be obliged to return the deposit amount or part of it on the first request by the depositor, with the exception of funded pension deposits, education deposits and deposits made by legal persons on other conditions of return provided for by the contract.

A condition of a contract excluding the right of a citizen to receive a deposit on the first request shall be null and void , except for cumulative pension deposits..

3. In cases when a deposit, other than a demand deposit, is returned at the request of the depositor before the expiry of the term (in case of a funded pension deposit — before the attainment of the retirement age) or before the occurrence of circumstances indicated in the contract of the bank deposit, the interest amounts shall be paid to the depositor at the rate established by the bank for demand deposits, unless otherwise provided for by law, and another rate of interest provided for by the contract.

4. In cases when the depositor does not request to return the sum of a fixed-term deposit on the expiry of the term or to return the sum of a deposit made on other conditions of return — upon the emergence of the circumstances provided for by

the contract, the contract shall be considered to be continued on the conditions of a demand deposit, unless otherwise provided for by the contract.

(Article 905 supplemented by HO-253-N of 22 December 2010, edited by HO-216-N of 12 November 2012, by HO-139-N of 11 November 2015)

Article 905.1. Specific aspects of disposal and succession of an education deposit

1. Education deposits may not be pledged, attached, levied for the obligations of the depositor or third person or serve as liquidation assets for the fulfilment of their obligations in case of their bankruptcy.

2. An education deposit may be pledged, attached, levied only in cases when the obligations of the third person are related to obligations arising from directions, cases, conditions or operations provided for by point 2 of part 1 of Article 905 of this Code.

3. In the cases provided for by point 2 of part 1 of Article 905 of this Code, the depositor or third person shall apply to the bank by submitting documents, provided for by the education deposit contract, concerning the payment of the tuition fee of the relevant educational institution. The procedure for the non-cash transfer to the educational institution by the bank shall be prescribed by the education deposit contract.

4. In case of the death of the depositor, the educational deposit shall, together with the interests accrued, be included in the composition of the succession, but shall not be inherited on the general grounds prescribed by this Code.

5. The education deposit shall be inherited by the third person for the benefit whereof the education deposit was made. Moreover, the third person may use

the education deposit only for the purposes provided for by point 2 of part 1 of Article 905 of this Code.

6. In case when the third person for the benefit whereof the education deposit was made refuses to use the education deposit for educational purposes or fails to submit sufficient evidence to prove his or her intention to use the education deposit for educational purposes, the education deposit shall be inherited on the general grounds prescribed by this Code.

7. In cases when the inherited education deposit has been partially used for educational purposes and a balance of the deposit, as well as of accrued interests, has remained, said balance shall be inherited on the general grounds prescribed by this Code.

8. Where the depositor of an education deposit has opened a children's deposit and concludes an education deposit contract with the same bank for the benefit of the same third person, the children's deposit may, upon request of the depositor, be amended and renewed as an education deposit contract without the negative consequences provided for the early rescission of the contract. Within the meaning of this part, a children's deposit shall mean a deposit the contract whereof is concluded by the depositor for the benefit of a minor natural person, and the conditions whereof are prescribed by the relevant contract.

(Article 905.1 supplemented by HO-139-N of 11 November 2015)

Article 906. Interests on the sum of the deposit

1. The bank shall pay the depositor interests on the amount of the deposit at the rate determined in the bank deposit contract.

In case of absence in the contract of a condition on the amount of interest to be paid, the bank shall be obliged to pay interests in the amount defined in conformity with point 1 of Article 411 of this Code.

2. Unless otherwise provided for by the bank deposit contract, the bank shall have the right to change the amount of interests paid on demand deposits.

In case the bank reduces the amount of interest, the new amount of interest shall apply to deposits made to the bank before the notification to the depositors on reduction of interests upon the expiry of a month from the day of the respective notification, unless otherwise provided for by the contract.

3. The amount of interests determined by the bank deposit contract for a deposit made by a citizen on the condition of its return upon expiry of a certain term or upon occurrence of the circumstances provided for by the contract may not be unilaterally reduced by the bank, unless otherwise provided for by law. The amount of interests of such bank deposit may not be unilaterally changed by the contract concluded by the bank with a legal person, unless otherwise provided for by law or the contract.

Article 907. Procedure for accrual of interests on the deposit amount and payment thereof

1. Interests on the amount of bank deposit shall be accrued from the day following the day of its receipt with the bank up to the day preceding its return to the depositor or its write-off from the account of the depositor on other grounds.

2. Unless otherwise provided for by the bank deposit contract, interests on the amount of the bank deposit shall be paid to the depositor on the latter's request each quarter separately from the amount of the deposit, and the interests not claimed within that term shall be added to the deposit amount whereon interests are accrued.

Upon return of the deposit all interests accrued at that moment shall be paid.

3. Provisions of part 2 of this Article shall not apply to funded pension deposits. Interest on cumulative pension deposits shall be added to the amount of the deposit, and interest accrued on cumulative pension deposits are accrued on them. All interests accrued on cumulative pension deposits are paid simultaneously with the deposit within the term prescribed by the first paragraph of part 1 of Article 905 of this Code.

(Article 907 supplemented by HO-253-N of 22 December 2010)

Article 908. Security for the return of the deposit

1. Banks shall be obliged to secure the return of deposits of citizens through mandatory insurance and, in cases provided for by law, also by other means.

The return of deposits of citizens by a bank, over fifty percent of the shares of the charter capital whereof are held by the Republic of Armenia or Communes, shall additionally be guaranteed by their subsidiary liability on the claims of the depositor against the bank by the procedure provided for by Article 415 of this Code.

2. Means of securing by the bank of the return of deposits of legal persons shall be prescribed by the bank deposit contract.

3. When entering into the contract of bank deposit, the bank shall be obliged to provide the depositor with information on the security for the return of the deposit.

4. In case of default of performance by the bank of its obligations prescribed by law or the bank deposit contract for returning the deposit and also in case of loss of security or worsening of its conditions, the depositor shall have the right to require immediate return of the deposit amount from the bank, also payment of interests on it in the amount prescribed by point 1 Article 906 of this Code, and compensation for damages inflicted.

Article 909. Placement of monetary means by third persons to the account of the depositor

Unless otherwise provided for by the bank deposit contract, monetary means, received from third persons on the name of the depositor with indication of necessary data on the latter's deposit account, shall be placed to the deposit account. it shall be presumed that the depositor has agreed to receive monetary means from them, having provided them with necessary data on the deposit account.

Article 910. Deposits to the benefit of third persons

1. The deposit may be made in the bank in the name of a specific third person. Unless otherwise provided for by the bank deposit contract, such a person shall obtain the rights of a depositor from the moment of submitting to the bank the first request based on these rights or otherwise expressing to the bank the intention thereof to use such rights.

The indication of the name of a citizen (Article 22) or the name of a legal person (Article 58) for the benefit whereof the deposit is being made, shall be an essential condition of the respective bank deposit contract.

The bank deposit contract to the benefit of a citizen who is dead at the moment of concluding the contract or to the benefit of a legal person not existing at that moment shall be null and void.

2. Until the expression by a third person of an intention to enjoy the rights of the depositor, the person who has concluded the bank deposit contract may enjoy the rights of the depositor with respect to monetary means that the latter has deposited to the deposit account.

3. The rules on a contract to the benefit of a third person (Article 446) shall apply to a contract of bank deposit to the benefit of a third person, unless that contradicts the rules of this Article and the essence of a bank deposit.

Article 911. The bank book

1. Unless otherwise provided for by the consent of the parties, the conclusion of a bank deposit contract with a citizen and the deposit of monetary means to his or her deposit account shall be confirmed by a bank book. The bank deposit contract may provide for the issuance of a bank book in a name or a bearer bank book.

The bank book shall indicate and the bank shall confirm the name, and if the deposit has been made at the bank branch, also the name of the respective branch and place of location, the deposit account number and also all amounts of monetary means credited to and written off from the account, and the balance of monetary means on the account at the time of presentation of the bank book to the bank.

Unless otherwise proven, the data on the deposit indicated in the bank book shall be a basis for settlements on the deposit between the bank and the depositor.

2. The return of the deposit, the payment of interests on it, and the transfer of monetary means from the deposit account to other persons shall be done by the bank upon presentation of the bank book.

If a bank book in a name is lost or is brought into a condition unsuitable for presentation, the bank shall upon the request of the depositor provide the latter with a new bank book.

Reinstatement of rights for a lost bearer bank book shall be done by the procedure prescribed for bearer securities (Article 151).

CHAPTER 50

BANK ACCOUNT

Article 912. Bank account contract

1. Under a bank account contract the bank shall undertake the obligation to accept and credit the monetary means received on the account opened by the customer (the account holder), to execute the orders of the customer on transfer and issuance of relevant amounts from the account and on the conduct of other operations on the account.

2. A bank may use monetary means available on the account, guarantying the unimpeded disposition of these means by the customer.

3. The bank shall not have the right to determine or supervise the directions of use of monetary means of the customer nor to establish other limitations not provided for by law or the bank account contract, on the customer's right to dispose the monetary means at own discretion.

4. The rules of this Chapter pertaining to banks shall be used also by other credit organisations in entering into and executing bank account contracts in conformity with the authorisation (license) granted thereto.

Article 913. The form of a bank account contract

1. The bank account contract shall be concluded in writing.

2. Non-observance of the written form of the bank account contract shall entail the invalidity of this contract. Such a contract shall be null and void.

Article 914. Conclusion of the bank account contract

1. When concluding a bank account contract an account shall be opened at a bank for the customer or a person designated thereby under the conditions agreed upon by the parties.

2. The bank shall be obliged to conclude a bank account contract with the customer that has offered to open an account on the conditions declared by the bank for opening accounts of the given type, corresponding to the requirements provided for by law and the bank rules prescribed in conformity therewith.

3. The bank shall not have the right to reject opening an account, the making of the respective operations under which is prescribed by law, the by-laws of the bank, and the authorisation (license) granted thereto, except for cases when such a rejection is a consequence of the lack of the bank's possibilities to render banking services or is allowed by law or other legal acts.

4. In case of ungrounded evasion by the bank to conclude a bank account contract, the customer shall have the right to raise against it the claims prescribed by Article 461 of this Code.

Article 915. Authentication of the right to dispose monetary means available on the account

1. The rights of persons to issue orders for the transfer and payment of monetary means from the account on behalf of the customer shall be authenticated by the customer through presenting to the bank documents prescribed by law, bank rules prescribed in conformity therewith and by the bank account contract.

2. The customer shall have the right to give an order to a bank on writing off monetary means from the account on the claim of third persons connected to the performance by the customer of obligations with regard to these persons.

The bank shall accept these orders provided that necessary data are indicated therein in writing enabling, when submitting the corresponding claim, identification of the person having the right of claim.

3. The contract may provide for the authentication of rights for the disposition, by electronic means and other documents, of monetary means available on the account by using therein similar copies of handwritten signatures (point 3 of Article 296), codes, passwords, and other means confirming that the order is given by a person so authorised.

Article 916. Operations on the account being conducted by the bank

The bank shall be obliged to conduct for the customer the operations prescribed for the given type of accounts by law, bank rules prescribed in conformity therewith and by banking business practices, unless otherwise provided for by the bank account contract.

Article 917. Terms of account operations

1. The bank shall be obliged to credit the monetary means deposited to the account of the customer not later than the day following the day the bank receives respective payment document, unless a shorter term is provided for by law or bank account contract.

2. The bank shall be obliged, upon the order of the customer, to give or transfer monetary means from the account not later than the day following the day the bank receives the respective payment document, unless other terms are provided for by law, bank rules prescribed in conformity therewith, or by the bank account contract.

Article 918. Crediting of the account

1. In cases when, in accordance with the bank account contract, the bank makes payments from the account despite the unavailability of monetary means on it (crediting of the account), the bank, as from the day of making such payment, shall be considered to have granted the customer a credit in the corresponding amount.

2. The rights and duties of the parties connected with crediting of the account shall be determined by the rules on loan (Chapter 46) and credit (Chapter 47), unless otherwise provided for by the bank account contract.

Article 919. Payment of expenses of the bank for operations with the account

1. In cases provided for by the bank account contract, the customer shall pay for the bank services for the operations with account of the customer.

2. The payment for the bank services provided for in point 1 of this Article may be deducted by a bank from the monetary means available on the account of the customer after the end of each transaction, unless otherwise provided for by the bank account contract.

Article 920. Interests for the use of monetary means by the bank

1. The bank shall pay interests for the use of the monetary means available on the account of the customer, the amount of which shall be credited to the account, unless otherwise provided for by the bank account contract.

2. The interests referred to in point 1 of this Article shall be paid by the bank at the rate provided for by the bank account contract, or, in case of absence in the contract of the respective condition, it shall be paid at the rate established by this bank for demand deposits (Article 906).

3. The amount of interests shall be credited to the account within the terms provided for by the contract, and in case of absence of such terms in the contract it shall be credited after the end of each quarter.

Article 921. Offset of cross claims of the bank and the customer

1. Pecuniary claims of the bank against the customer connected with the crediting of the account (Article 918) and payment for services of the bank (Article 919), as well as the claims of the customer against the bank for payment of interests for the use of monetary means (Article 920) shall terminate through offset (Article 426), unless otherwise provided for by the bank account contract.

The offset of these claims shall be made by the bank.

2. The bank shall be obliged to, under the procedure and within the terms provided for by the contract, inform the customer of the offset made, and if the respective conditions have not been agreed upon by the parties — under the procedure and within the terms usual in the banking practice for informing the customer of the state of monetary means on the respective account.

Article 922. Grounds for writing off monetary means from the account

1. The bank shall write off monetary means from an account on the basis of the order by the customer.

2. Without an order by the customer, it shall be allowed to write off monetary means that are available on the account upon a judgment of the court, as well as in cases prescribed by law or provided for by the contract between the bank and the customer.

Article 923. Order of priority for writing off monetary means from account

1. In case of availability of monetary means on an account which are sufficient for the satisfaction of all claims against the account, these means shall be written off from the account in succession of receipt of the customer's orders and other documents for write off (chronological order), unless otherwise provided for by law.

2. In case of insufficiency of monetary means on the account to satisfy the orders of the customer and all the claims made against the latter, the monetary means shall be written off in the following order of priority:

Firstly, transfers or payments of monetary means under a writ of execution for the satisfaction of claims relating to compensation for the damage caused to life or health, as well as claims on levying alimonies in execution;

Secondly, transfers or payments of monetary means under a writ of execution for payments of dismissal pays, salaries of persons working under employment contract and for payments of remuneration under copyright contracts;

Thirdly, payments to be made under payment documents to the State Budget and the community budgets;

Fourthly, payments for the satisfaction of other pecuniary claims under a writ of execution;

Fifthly, payments under other documents in conformity with the chronological order of submission thereof.

Means shall be written off from the account on claims relating to the given priority shall be made by chronological order of receipt of documents.

Article 924. Liability of the bank for improper conduct of operations with the account

In cases of failure to credit the monetary means received in the name of the customer on the latter's account or in case of their undue write off from the account by the bank, as well as in case of failure to execute or improper execution of instructions of the customer on transferring or paying monetary means, the bank shall be obliged to pay interests on this amount under the procedure and in the amount provided for by Article 411 of this Code.

Article 925. Bank secret

1. The bank shall guarantee secrecy of information on the bank account and bank deposit, operations with the account and information on the customer.

2. Information constituting bank secret may be provided only to customers themselves or their representatives.

State bodies and their officials may be provided with such information only in cases and under the procedure provided for by law.

3. In case of disclosure by the bank of information constituting bank secret, the customer whose rights have been violated shall have the right to require from the bank compensation for the damages caused.

Article 926. Impermissibility of limiting the disposal of the account

Limitation of the rights of the customer to dispose of the monetary means available on the account shall not be allowed, with the exception of cases of attachment of monetary means available on the account or termination of operations with the account.

Article 927. Rescission of a bank account contract

1. The bank account contract may be rescinded at any time upon the request of the customer.

2. Unless otherwise provided for by the bank account contract, the bank account contract may be rescinded by the court on the claim of the bank in the following cases:

(1) when the amount of monetary means available on the account of the customer are less than the minimum amount provided for by the bank rules or the contract, unless such an amount has been reinstated within a month from the day of warning of the bank thereon;

(2) in case of absence of operations with this account during one year, unless otherwise provided for by the contract.

3. The balance of monetary means available on the account shall be given to the customer or — at the latter's order — shall be transferred to another account not later than within seven days after receipt of the respective written request of the customer.

4. Rescission of the bank account contract shall be a ground for closing of the account of the customer.

Article 928. Accounts of banks

The rules of this Chapter shall apply to correspondent accounts, correspondent subaccounts and other bank accounts, unless otherwise prescribed by law, other legal acts or bank rules prescribed in conformity therewith.

CHAPTER 50.1

(Chapter supplemented by HO-139-N of 11 November 2015)

SPECIAL BANK ACCOUNTS

Article 928.1. Specific aspects of a contract of special bank account

1. Special bank accounts shall be the escrow account, social package account, nominal holder account, notary deposit account, special account of a constructor, state aid account, as well as other bank accounts provided for as special bank accounts by law or regulatory legal acts of the Government or the Central Bank of the Republic of Armenia.

2. Special bank accounts shall be the accounts, the means invested wherein:

(1) may, pursuant to the provisions prescribed by this Chapter or regulatory legal acts provided for by point 1 of this Article, be used only in the directions, cases, on the conditions and for the operations prescribed by the contract of regulatory legal acts on the basis of the provisions of this Chapter, and/or

(2) may not be pledged, attached, levied for the obligations of a client or, in case of bankruptcy of a client, serve as means of liquidation for the fulfilment of obligations, except for the cases provided for by this Chapter.

3. The means invested in a special bank account may be pledged, attached, levied only in the cases where:

(1) under the contract of a special bank account, the obligations of a person acting as a customer are connected to the obligations arising from the directions, cases, conditions or operations provided for by sub-point 1 of point 2 of this Article, or

(2) such means shall be the means having been generated from the interests paid to the customer by the bank for using monetary means available on the special bank account, except for notary account or other cases provided for by regulatory legal acts, or

(3) in case of social package account, such means shall be the means credited on account of the means of State Budget available on the given account, or

(4) in case of escrow account, such means shall be the properties provided for by point 5 of Article 190 of the Criminal Code of the Republic of Armenia, or

(5) in case of escrow account, 30 and more days have elapsed from the conclusion of the contract, unless otherwise provided for by the contract.

4. In case of termination of the contract of a special bank account, the balance of the monetary means available on the given special bank account shall be subject to transfer to another relevant special bank account of the given customer or return to the person having credited the relevant monetary means, except for the cases prescribed by the contract, other legal acts and/or this Article. Under the contract of special bank account, such return may also be envisaged in other cases provided for by the contract.

5. In case of termination of the contract of a nominal holder account, the balance of the monetary means available on the account of a nominal holder may be returned to the given nominal holder, transferred to another relevant special bank account of the given nominal holder and/or transferred to another person indicated by the given nominal holder, unless otherwise provided for by the contract of a nominal holder account.

6. In case of termination of the contract of a notary deposit account, the balance of the monetary means available on the notary deposit account may be returned to the given notary, transferred to another relevant special bank account of the given notary and/or transferred to another person indicated by the given notary, unless otherwise provided for by law or the contract of a notary deposit account.

7. In cases provided for by a contract, the customer shall pay for the bank services for the operations with his or her special bank account. Moreover, the payment for the bank services may be deducted by the bank from the means available on the special bank account of the customer, except for the interests provided for by point 9 of this Article. The exception provided for by this point shall not apply to the notary deposit accounts.

8. For using the monetary means available on the special bank account of the customer, the bank shall pay the interests to the customer, unless otherwise provided for by law or the contract. The amount of interests provided for by this point shall be credited to the special bank account unless otherwise provided for by law or the contract.

9. The interests referred to in point 8 of this Article shall be paid by the bank at the rate provided for by the special bank account contract, or, in case of absence in the contract of the respective condition, it shall be paid at the rate established by this bank for demand deposits (Article 906 of this Code).

10. The amount of interests shall be credited to the account within the terms provided for by the contract, and in case of absence of such terms in the contract it shall be credited after the end of each quarter, but not later than on the day following the termination of the contract.

11. Offset of any cross claim of the holder of special bank account and the bank against the holder of special bank account may not be performed on account of the means of the special bank account, even if the special account is the only account

of the account holder at the given bank. The limitation provided for by this point shall not concern the performance of offset in the amount of the means generated from the interests provided for by point 9 of this Article, and in case of social package account — the performance of offset on account of the means of non-state budget available on the given account.

12. The specific aspects of a settlement of state aid accounts shall be prescribed by the decision of the Government.

13. The requirements prescribed by Chapter 50 of this Code shall apply to special bank accounts to the extent they do not contradict the provisions of this Chapter.

Article 928.2. Escrow account contract

1. Escrow account contract shall be deemed the contract under which the bank shall, as an escrow agent, be obliged to accept and credit the means credited with regard to carrying out of the given transaction on the special bank account opened for the purpose of carrying out certain transactions and to execute the orders on transfer and issuance of relevant amounts from the account and on the conduct of other operations on the account with regard to such means only in the cases, on conditions and within the time limits referred to in the contract concluded between the person having credited means on the escrow account and the addressee of such means or in the escrow contract.

2. In case of failure to submit a document certifying the fulfilment of the obligations assumed by the person having credited means on the escrow account and the addressee of such means to each other within the time limits prescribed by the contracts provided for by point 1 of this Article, the means of the escrow account shall be returned to the person having credited such means, and in case of impossibility of return, the escrow account shall be formulated as a bank account

provided for by Chapter 50 of this Code by the name of the person having credited means on that account.

3. Escrow account contract may, upon the request of the customer, be terminated early, only if a written consent between the person having credited means on the escrow account and the addressee of such means is available, or if the relevant contract concluded between the person having credited means on the escrow account and the addressee of such means has been terminated, and at least 10 days have passed after the termination of the contract, but not more than the period for discharge of the whole means available on the escrow account.

4. Means available on the escrow account may not be pledged, attached, levied for the obligations of a client, except for the cases provided for by point 3 of Article 928.1 of this Code.

Article 928.3. Contract of a social package account

1. Contract of a social package account shall be deemed the contract under which the bank shall be obliged to accept and credit the means credited on account of the means of State Budget of the Republic of Armenia as a social guarantee for state authorities (institutions), employees of state organisations and other persons prescribed by the decision of the Government of the Republic of Armenia on the account opened by the customer (account holder) and to execute the orders of the customer on transfer and issuance of relevant amounts from the account and on the conduct of other operations on the account only in the directions, cases, on the conditions and for the operations prescribed by law.

2. Means available on the social package account may not be pledged, attached, levied for the obligations of a client, except for the cases provided for by point 3 of Article 928.1 of this Code.

Article 928.4. Contract of a nominal holder account

1. Contract of a nominal holder account shall be deemed the contract under which the bank shall undertake the obligation to accept and credit on the account opened by the customer (nominal holder) only the means of the user (fund) of the nominal holder service related to the provision of investment services and management of investment funds, to execute the orders of the nominal holder on transfer and issuance of respective amounts from the account and on the conduct of other operations on the account. Moreover, nominal holder account shall be the account the means invested wherein do not belong to the account holder with the right of ownership, but they have been transferred thereto as a result of the provision and management of the services referred to in this point.

2. The nominal holder account may be used only by a person providing investment services or an investment fund manager (bailee) for carrying out operations relating to the provision of investment services or management (bailment) of investment funds.

3. Means available on the account of a nominal holder may not be pledged, attached, levied for the obligations of a nominal holder or in case of bankruptcy of a nominal holder, serve as means of liquidation for the fulfilment of obligations. Moreover, means available on the account of a nominal holder may, on the ground of sub-point 1 of point 3 of Article 928.1 of this Code, be pledged, attached, levied only in the amount of the means belonging to the user of the given service available on the account of a nominal holder.

Article 928.5. Contract of a notary deposit account

1. Contract of a notary deposit account shall be the contract under which the bank shall undertake the obligation to accept and credit the monetary means received on the account opened by the customer (notary), to execute the orders of the customer

on transfer and issuance of respective amounts from the account and on the conduct of other operations on the account.

2. Notary deposit account may be used only for carrying out operations — provided for by law — by monetary means subject to crediting to the notary deposit,

3. Means available on the Notary deposit account may not be pledged, attached, levied for the obligations of a notary. Moreover, means available on the notary deposit account may, on the ground of sub-point 1 of point 3 of Article 928.1 of this Code, be pledged, attached, levied only in the amount of the means belonging to the user of the given service available on the notary deposit account.

Article 928.6. Special account of a constructor

1. Special account of a constructor shall be the account to which payments are made to the constructor by the purchaser under the contract of the right to purchase immovable property in a building under construction.

2. Special accounts of a constructor may opened in:

(1) a treasury;

(2) a commercial bank operating on the territory of the Republic of Armenia;

(3) a deposit account of a notary in a treasury or in a bank operating on the territory of the Republic of Armenia as sub-account.

3. In case of conclusion of a contract of the pledged monetary means between the constructor and the purchaser, advance payments made by the purchaser to the special account of the constructor shall be deemed as pledged in favour of the purchaser from the moment of the receipt thereof to ensure proper fulfilment of the obligation of the constructor to transfer the immovable property from a building to the purchaser after the completion of construction and the obligation of

the constructor to return the advance payment in case of termination of the contract of the right to purchase immovable property in a building under construction. Advance payments made by the purchaser to the special account of the constructor may be pledged in favour of the creditor of the purchaser according to the rules of subsequent pledge.

4. The contract concluded between the constructor and the purchaser and the amendments thereto may provide for termination of the right to pledge the part of the means of the special account of the constructor opened in the bank before the completion of the building construction or before concluding an act on transfer of the ownership right or before receiving exploitation permit of the building, in cases of application whereof the means discharged of a pledge shall be transferred to the other accounts of the constructor and may be disposed by the constructor.

5. The interests accrued on the balance of the special account of a constructor shall, by the expiration of the time limits of their receipt, be transferred to other bank accounts of the constructor and may be disposed by the constructor.

6. The pledged monetary means available on the special account of a constructor may not be attached (arrested) or levied for any obligation of a constructor not arising from the contract of the right to purchase immovable property in a building under construction, or for any obligation of a constructor to state and municipal budget.

7. In the cases prescribed by the Legislation of the Republic of Armenia, in case of transfer of the rights and obligations of the constructor through legal succession to other persons (reorganisation of a constructor acting as legal person, death of a constructor acting as legal person), the rights to the monetary means pledged in favour of the purchaser in the special account of the constructor may be passed only to the legal successor of the constructor to whom the obligations of the constructor to purchase immovable property from a building under construction have been passed under the contract.

Article 928.7. Contract of a state aid account

1. Contract of a state aid account shall be deemed the contract concluded between the state administration body authorised by the Government of the Republic of Armenia in the sphere of social assistance and the bank, under which the bank shall be obliged to accept and credit the monetary means of the family capital received on the account opened by the state administration body authorised by the Government of the Republic of Armenia, to execute the orders on transfer and issuance of respective amounts from the account and conduct other operations on the account as prescribed by the Government of the Republic of Armenia.

2. Relations with regard to disposition of the means available on the State support account shall be regulated as prescribed by the Law of the Republic of Armenia "On state benefits" and by the Government of the Republic of Armenia.

(Chapter supplemented by HO-139-N of 11 November 2015)

CHAPTER 51

SETTLEMENTS

§ 1.GENERAL PROVISIONS ON SETTLEMENTS

Article 929. Cash and non-cash settlements

1. Settlements with participation of citizens, which are not connected with their entrepreneurial activity, may be made in cash (Article 142) without limitation of the amount or in a non-cash form.

2. Settlements between legal persons, as well as settlements with the participation of citizens, in connection to their entrepreneurial activity, shall be made in a non-cash form. Settlements between these persons may also be made in cash, unless otherwise prescribed by law.

3. Non-cash settlements shall be made through banks or other credit organisations (hereinafter referred to as "banks") in which the respective accounts are opened, unless otherwise follows from law or conditioned by the used form of settlements.

Article 930. Forms of non-cash settlements

1. When making non-cash settlements, there shall be allowed settlements by payment orders, by letter of credit, collection payments, settlements by cheques, and payment cards, as well as settlements in other forms prescribed by law and bank rules in conformity therewith and banking business practices.

2. The parties to a contract shall have the right to choose and establish by the contract any form of settlements referred to in point 1 of this Article.

§ 2.SETTLEMENTS BY PAYMENT ORDERS

Article 931. General provisions on settlements by payment orders

1. When making settlements by payment orders, the bank shall undertake the obligation — by the payer's order — to transfer certain amount of money from the means available on the latter's account to the account, in the same or another bank, of the person indicated by the payer within the term defined by law or by bank rules prescribed in conformity therewith, unless a shorter term is provided for by the bank account contract or prescribed by banking business practices.

2. The rules of this Paragraph shall apply to relations connected to the transfer through the bank of monetary means of a person not having an account in the given bank, unless otherwise provided for by law, by bank rules prescribed in conformity therewith, or unless otherwise follows from the essence of these relations.

3. Settlements by payment orders shall be regulated by law, as well as by bank rules prescribed in conformity therewith and by banking business practices.

Article 932. Conditions on executing the payment order by the bank

1. The content and the form of the payment order and settlement documents submitted therewith must comply with the requirements prescribed by law and bank rules in conformity therewith.

2. In case the payment order does not comply with the requirements of point 1 of this Article, the bank may clarify the content of the order. Such an inquiry to the payer shall be made to the payer without delay upon receipt of the order. In case of failure to receive a reply within the term provided for by law or by bank rules in conformity therewith, and in case of absence of such a term — within a reasonable term, the bank may leave the payment order unexecuted and return it to the payer, unless otherwise provided for by law, by bank rules prescribed in conformity therewith, or by the contract concluded between the bank and the payer.

3. The payer's order shall be executed by the bank in case of availability of means on the account of the payer, unless otherwise provided for by the contract between the payer and the bank. Orders shall be executed by the bank subject to the order of priority for writing off monetary means from the account (Article 923).

Article 933. Execution of the order

1. Upon accepting the payer's payment order, the bank shall be obliged to transfer the corresponding amount of money to the recipient bank for crediting the amount to the account of the person indicated in the order within the term prescribed in point 1 of Article 931 of this Code.

2. The bank shall have the right to involve other banks for the conduct of operations for the transfer of monetary means indicated in the customer's order.

3. The bank shall be obliged — upon the payer's demand — to inform the latter of the executing of the order. The requirements set for the content of the notice on executing the order and the procedure for formulating such a notice shall be prescribed by law, by bank rules prescribed in conformity therewith, or by the consent of the parties.

Article 934. Liability for non-execution or improper execution of the order

1. In case of non-execution or improper execution of a customer's order, the bank shall bear liability on the grounds and in the amounts provided for in Chapter 26 of this Code.

2. In cases when the non-execution or improper execution of an order has taken place as a consequence of breach of rules on settlement operations by the bank involved for executing the payer's order, the liability provided for by point 1 of this Article may be imposed by the court on this bank.

3. Where the breach by the bank of rules on settlement operations has led to illegal withholding of monetary means, the bank shall be obliged to pay interests under the procedure and in the amount provided for by Article 411 of this Code.

§ 3. SETTLEMENTS BY THE LETTER OF CREDIT

Article 935. General provisions on settlements by the letter of credit

1. When making settlements by a letter of credit, the bank acting on the order of the payer on opening the letter of credit (the issuing bank) shall be obliged to pay means to the recipient or to pay, accept, or record the bill of exchange (payment note) thereof or authorise another bank (the executing bank) to pay means to the recipient, or to pay, accept, or record a bill of exchange (a payment note).

The rules on the executing bank shall apply to the issuing bank making payments to the recipient or paying, accepting or recording the bill of exchange (payment note) thereto.

2. Making a settlement by a letter of credit shall be regulated by law and also by bank rules prescribed in conformity therewith and by banking business practices.

Article 936. Revocable letter of credit

1. A letter of credit is considered to be revocable if it may be changed or revoked by the issuing bank without a prior notification to the recipient of means. Revocation of a letter of credit shall not impose any obligations on the issuing bank before the recipient of means.

2. The executing bank shall be obliged to make a payment or conduct other operations by a revocable letter of credit if by the time of conducting them it has not received the notice on change of conditions or abolition of the letter of credit.

3. The letter of credit shall be considered to be revocable, unless otherwise directly provided for in its text.

Article 937. Irrevocable letter of credit

1. A letter of credit shall be considered to be irrevocable if it may not be abolished or changed without the consent of the recipient of means.

2. Upon the request of the issuing bank, the executing bank participating in the operation with the letter of credit, may confirm the irrevocable letter of credit (confirmed letter of credit). Such confirmation shall signify assuming by the executing bank the obligation supplementary to the obligation of the issuing bank to make payment in conformity with the conditions of the letter of credit.

3. The irrevocable letter of credit confirmed by the executing bank may not be changed or abolished without the consent of the executing bank.

Article 938. Execution of a letter of credit

1. To execute a letter of credit the recipient of means shall submit to the executing bank documents confirming all conditions of the letter of credit. In case of violation of even one of these conditions the letter of credit shall not be executed.

2. Where the executing bank has made payment or has conducted another operation in accordance with the conditions of the letter of credit, the issuing bank shall be obliged to compensate for the expenses incurred thereby in connection with the execution of the letter of credit. These expenses, as well as other expenses of the issuing bank in connection with the execution of the letter of credit shall be compensated by the payer.

Article 939. Refusal from accepting documents

1. Where the executing bank refuses from accepting documents that by their external characteristics do not comply with the conditions of the letter of credit, it shall

be obliged without delay to inform the recipient of means and the issuing bank thereof with an indication of the reasons for refusal.

2. Where the issuing bank, having received the documents accepted by the executing bank, considers that they — by their external characteristics — do not comply with the conditions of the letter of credit, it shall have the right to refuse from accepting them and to claim from the executing bank the amount paid to the recipient of means in violation of conditions of the letter of credit and — for the part uncovered by the letter of credit — to refuse from reimbursement of the amounts paid.

Article 940. Liability of the bank for violation of the conditions of the letter of credit

1. The liability to the payer for violation of conditions of the letter of credit shall be borne by the issuing bank, and liability to the issuing bank — by the executing bank, except for cases provided for by this Article.

2. In case of undue refusal by the executing bank from paying monetary means under a covered or confirmed letter of credit, the liability to the recipient may be imposed on this bank.

3. In case of incorrect payment by the executing bank of monetary means under a covered or confirmed letter of credit as the result of violating the conditions of the letter of credit, the liability to the payer may be imposed on this bank.

Article 941. Closing of the letter of credit

1. The executing bank shall close the letter of credit:

(1) upon the expiry of the term of the letter of credit;

(2) upon the application of the recipient of means on the decision thereof not to use the letter of credit before the expiry of its term, if the possibility of refusal is provided for by the conditions of the letter of credit;

(3) upon demand of the payer for full or partial revocation of the letter of credit, if such revocation is possible under the conditions of the letter of credit.

The executing bank shall inform the issuing bank of closing the letter of credit.

2. While closing the letter of credit, the unused amount of the covered letter of credit shall without delay be returned to the issuing bank. The issuing bank shall be obliged to credit the returned amounts to the account of the payer, wherefrom the means have been deposited.

§ 4.COLLECTION PAYMENTS

Article 942. General provisions on collection payments

1. In case of collection payments the bank (the issuing bank) shall, upon the customer's order and at the latter's expense, undertake the obligation to conduct actions of receipt of payment and/or acceptance of payment from the payer.

2. The issuing bank, having received the order from the customer, shall have the right to involve another bank to execute it (the executing bank).

The manner of executing collection payments shall be regulated by law, bank rules prescribed in conformity therewith and banking business practices.

3. In case of non-execution or improper execution of the customer's order, the issuing bank shall bear liability before the customer on the grounds and in the amount provided for by Chapter 26 of this Code.

4. Where the non-execution or improper execution of the customer's order is a result of breach of rules for conducting settlement operations by the executing bank, the liability to the customer may be imposed on this bank.

5. Relations connected with collection payments — on the part not regulated by this Code — shall be regulated by law.

Article 943. Execution of a collection order

1. In case of absence of any document or incompliance of external characteristics of documents with the collection order, the executing bank shall be obliged without delay to inform thereon the person from whom the collection order has been received. In case of failure to eliminate these deficiencies the bank shall have the right to return the documents without execution.

2. The documents shall be submitted to the payer in the same form in which they have been received, except for notes and endorsements of the banks necessary for formulating the collection operations.

3. Where the documents are subject to payment on demand, the executing bank must without delay pay them upon receipt of the collection order.

Where the documents are subject to payment within another term, the executing bank shall, without delay, submit the documents for acceptance upon receipt of the collection order, and the claim for payment shall be met not later than the day of occurrence of the term for payment indicated in the document.

4. Partial payments may be accepted in cases established by bank rules or in case of availability of a special permit in the collection order.

5. The executing bank must, without delay, transfer the amounts received (collected) to the disposition of the issuing bank, which shall be obliged to credit these amounts to the account of the customer. The executing bank shall have the right to

withhold, from the amounts collected, the compensation due to it and compensation for expenses.

Article 944. Notification of operations conducted

1. Where payment and/or acceptance have not been received, the executing bank shall, without delay, be obliged to inform the issuing bank of the reasons of non-payment or refusal from acceptance.

The issuing bank shall be obliged to inform thereon without delay to the customer, requesting instructions on further actions.

2. In case of failure to receive instructions on further actions within the term provided for by bank rules, or in case of its absence — within a reasonable term — the executing bank shall have the right to return the documents to the issuing bank.

§ 5.SETTLEMENTS BY CHEQUES

Article 945. General provisions on settlements by cheques

1. When making settlements by cheque (Article 155) only the bank may be the payer of the cheque, where the drawer of cheque has means which the latter has the right to dispose by presenting cheques.

2. Revocation of a cheque before the expiry of the term for its presentation shall not be allowed.

3. Issuance of cheque shall not redeem the pecuniary obligation in fulfilment of which the cheque has been issued.

4. The procedure and conditions for the use of cheques in payment turnover shall be regulated by this Code, and in cases not regulated thereby it shall be regulated by other regulatory acts of the Central Bank of the Republic of Armenia and bank rules prescribed in conformity therewith.

(Article 945 amended by HO-153-N of 24 November 2004)

Article 946. Requisites of a cheque

1. A cheque shall contain:

(1) the word "cheque" as a title;

(2) an order to the payer to pay certain amount of money;

(3) the name of the payer and an indication of the account wherefrom the payment shall be made;

(4) an indication of the payment currency;

(5) an indication of the year, month and date and place of issuing the cheque;

(6) the signature of the person issuing the cheque, namely the person drawing the cheque.

The document, in which any of the above mentioned requisites are absent, shall not be a cheque.

The cheque that does not contain an indication of the place of its issuance shall be considered to be signed in the place of location of the drawer of cheque.

The indication on interests shall be considered not to be written.

2. The form of the cheque and the procedure for filling it out shall be determined by regulatory acts of the Central Bank of the Republic of Armenia and bank rules prescribed in conformity therewith.

(Article 946 amended by HO-153-N of 24 November 2004)

Article 947. Payment of cheque

1. The payment of cheque shall be made from the means of the drawer of the cheque.

In case of depositing means, the procedure and conditions for depositing means for coverage of the cheque shall be defined by bank rules.

2. The cheque shall be subject to payment on condition of its presentation within the term defined by regulatory acts of the Central Bank of the Republic of Armenia.

3. The payer of cheque shall be obliged to ascertain by all methods available thereto the authenticity of the cheque, as well as that the person presenting the cheque is the person authorised thereby.

In case of payment of endorsed cheque, the payer shall be obliged to verify the authenticity of endorsements, whereas not being obliged to identify the genuineness of the signatures of the endorsers.

4. Damages inflicted as a result of payment by the payer of a counterfeit, unlawfully taken or lost cheque, shall be borne on the payer or the issuer of cheque depending on by whose fault they have been caused.

5. The person having paid the cheque shall have the right to require that the cheque is submitted thereto with the signature on the receipt of payment.

(Article 947 amended by HO-153-N of 24 November 2004)

Article 948. Transfer of rights by cheque

1. The rights by cheque shall be transferred as prescribed by Article 149 of this Code subject to the rules provided for by this Article.

2. The cheque drawn to a person by name may not be transferred.

3. The endorsement on receipt of payment made on transferable cheque shall have an effect of receipt.

The endorsement made by a payer shall be invalid.

The holder of a transferable cheque received by endorsement shall be considered to be its legitimate possessor, if the right thereof is grounded on an uninterrupted series of endorsements.

Article 949. Guarantee of payment

1. Payment by cheque may be fully or partially guaranteed by an aval.

The guarantee (aval) of the payment by cheque may be given by any person, except for the payer.

2. The aval shall be placed on the obverse of the cheque or on supplementary list under the inscription "consider as aval", with an indication of by whom and for whom it has been issued. Where there is no indication on for whom it has been issued, it shall be considered that the aval has been made for the drawer of the cheque.

The aval shall be signed by the avalist with an indication of his or her place of residence and the year, month and day of making of the inscription and if the avalist is a legal person, with an indication of its registered office and the date of making the aval.

3. The avalist shall bear joint and several liability together with the aval receiver.

The avalist's obligation shall be real even in the case where the obligation guaranteed thereby has been invalid on any ground other than non-observance of its form.

4. The avalist by paying the cheque shall obtain the rights arising from the cheque against the person for whom the avalist has given a guarantee and against those who have obligation against the receiver of guarantee.

Article 950. Collecting the cheque

1. Submission of a cheque for collection at a bank serving the holder of a cheque shall be considered a submission of a cheque for payment.

A cheque shall be paid in the manner prescribed in Article 943 of this Code.

2. The means on the account of the holder of a cheque shall — by the collected cheque — be transferred after the receipt of payment from the payer, unless otherwise provided for by the contract between the holder of the cheque and the bank.

Article 951. Confirmation of refusal from paying the cheque

1. The refusal from paying the cheque must be confirmed by one of the following methods:

(1) a protest by a notary or drawing up an equivalent document as prescribed by law;

(2) an inscription by the payer of the cheque on refusal from paying it with an indication of the year, month and date of submission of the cheque for payment;

(3) an inscription by the collecting bank with an indication of the year, month and date to the effect that the cheque has been timely presented, but has not been paid.

2. The protest or document equivalent to it shall be drawn up before the expiry of the term for presenting of the cheque.

If the cheque has been presented on the last day of the term, the protest or document equivalent to it may be drawn up on the next working day.

Article 952. Notification of non-payment of the cheque

1. The holder of cheque shall be obliged to notify the endorser thereof and the drawer of the cheque about the non-payment within two working days after the drawing up of the protest or document equivalent to it.

2. Each endorser shall, within the next two working days following the day of receipt of the notice, inform the endorser thereof about the notice received. A notice shall be sent within the same term to the person having made an aval for this person.

A person having failed to send the notice within the mentioned term shall not lose the rights thereof, but shall compensate for the damages inflicted as a result of failure to notify about the non-payment of the cheque. The size of the damages to be compensated may not exceed the amount of the cheque.

Article 953. Consequences of non-payment of a cheque

1. In case of refusal by the payer from paying a cheque, the holder of the cheque shall have the right at own choice to file a claim against one, several, or all persons (a cheque issuer, an avalist, endorsers) obliged under the cheque, who shall bear joint and several liability against him or her.

2. The holder of the cheque shall have the right to require from these persons to pay the amount of the cheque, the expenses incurred thereby for receiving the payment, and also of interests in accordance with point 1 of Article 411 of this Code.

The person obliged under a cheque shall be vested with a similar right after paying the cheque.

3. The claim by the holder of the cheque against the persons referred to in point 1 of this Article may be filed within six months from the day of the end of the term of presenting the cheque for payment. Regress claims of persons obliged shall be

redeemed within six months from the day when the respective person obliged has satisfied the claim or from the day of bringing an action against the latter.

CHAPTER 52

TRUST MANAGEMENT OF PROPERTY

Article 954. Property trust management contract

1. Under a property trust management contract one party (the trustor) shall — for a certain term — transfer to the other party (the trust manager) the property for trust management and the other party shall be obliged to carry out the management of the property to the benefit of the trustor or the person indicated thereby (the beneficiary).

The transfer of property to trust management shall not result in the transfer of the right of ownership to it to the trust manager..

2. When carrying out trust management of the property the trust manager shall have the right to conduct with respect to this property, in conformity with the trust management contract any legal or factual actions to the interests of the beneficiary.

Limitations, regarding individual actions aimed at trust management of property, may be provided for by law or the contract.

3. The trust manager shall enter, on own behalf, into transactions in relation to property transferred for trust management by indicating that the latter is acting as manager of such property. This condition shall be considered to be observed, where in performing actions not requiring written formulation, the trust manager has

informed the other party of having performed them as the trust manager, and where an inscription “T.M.” [H.K.] is made in the written documents after the name of the trust manager.

4. In case of absence of an indication of actions of the trust manager the latter shall personally undertake an obligations against third persons and shall bear liability before them only with the property belonging thereto.

Article 955. Object of the trust management

1. Objects of trust management may be separate types of immovable property, securities, rights confirmed by non-paper securities, exclusive rights and other property.

2. Money may not be a separate object of trust management, except for cases provided for by law.

Article 956. Trustor

The owner of the property, and in cases provided for by Article 968 of this Code — another person — shall be the trustor.

Article 957. Trust manager

1. The trust manager may be an individual entrepreneur or a commercial organisation.

2. In cases where the property trust management is carried out on the grounds provided for by law, the trust manager may be a citizen other than an entrepreneur, or a non-commercial organisation.

3. The property shall not be subject to transfer for trust management of state body or local self-government body.

4. The trust manager may not be the beneficiary under a contract on trust management of property.

Article 958. Essential conditions of property trust management contract

1. The following shall be indicated in the property trust management contract:

(1) the composition of the property transferred for trust management;

(2) the name of the legal person or the name of the citizen to the benefit whereof the management of the property is carried out;

(3) the amount and form of remuneration of the manager where remuneration is provided for by the contract;

(4) the term of effectiveness of the contract.

2. The property trust management contract shall be concluded for a term of up to five years. Different time limits for conclusion of a contract for separate types of property transferred for trust management may be prescribed by law.

In case of absence of application by one of the parties on the termination of the contract after the expiry of its term of effectiveness, the contract shall be considered to be extended for the same term and on the same conditions as provided for by the contract.

Article 959. Form of a property trust management contract

1. The property trust management contract shall be concluded in writing.

2. The immovable property trust management contract shall be subject to notary certification.

3. The right of trust management of immovable property shall be subject to state registration.

Article 960. Separation of property transferred for trust management

1. The property transferred for trust management shall be separated from other property of the trustor and that of the trust manager. This property shall be reflected in the separate balance sheet of the trust manager, for which independent accounting shall be maintained. A separate bank account shall be opened for settlements with regard to activities connected with trust management.

2. In case of bankruptcy of the trustor the property trust management of that property shall be terminated and the property shall be included in competitive bulk.

Article 961. Transfer of pledged property for trust management

1. The transfer of pledged property for trust management shall not deprive the pledgee of the right to levy of execution on that property.

2. The trust manager shall be warned that the property transferred for trust management is encumbered with a pledge. Where the trust manager has not known and should not have known that the property transferred thereto for trust management is pledged, the latter shall have the right to require, through court procedure, rescission of the property trust management contract, compensation for actual damages incurred thereby and payment of proportionate remuneration.

Article 962. Rights and duties of the trust manager

1. The trust manager shall, within the limits provided for by law and the property trust management contract, exercise powers of an owner with respect to the property

transferred for trust management. The trust manager may dispose the immovable property in cases provide for by the trust management contract.

2. The rights acquired by the trust manager as a result of actions pertaining to trust management of property shall be included in the composition of the property transferred for trust management. Obligations of the trust manager that have arisen as a result of such actions shall be fulfilled at the expense of this property.

3. For the protection of own rights over the property under trust management, the trust manager shall have the right to require elimination of all types of violations of these rights (Articles 274, 275, 277 and 278).

4. The trust manager shall submit to the trustor and beneficiary a report on the activity thereof in the manner and within the terms defined by the property trust management contract.

Article 963. Assignment of actions necessary for property trust management to another person

1. The trust manager shall carry out the property trust management in person, except for cases provided for by point 2 of this Article.

2. The trust manager may assign another person to perform the actions necessary for trust management of property on behalf of the trust manager where the latter is so authorised by the property trust management contract or has received the consent of the trustor or is compelled to do so by virtue of circumstances to ensure the interests of the trustor or the beneficiary and does not have the possibility to receive instructions from the trustor within a reasonable term.

3. The trust manager shall bear liability for the actions of the delegatee chosen thereby like for the own actions.

Article 964. Liability of the trust manager

1. The trust manager, who during property trust management has not taken proper care for the interests of the beneficiary or the trustor, shall compensate the beneficiary for the benefit lost in the course of trust management of property, and the trustor — for damages inflicted as a result of loss of or harm to property, taking into account its ordinary tear and wear, as well as the lost benefit.

The trust manager shall bear liability for the damages inflicted where the latter fails to prove that the damages have emerged as a result of force majeure or actions of the beneficiary or the trustor.

2. Obligations under a transaction entered into by the trust manager in excess of powers granted thereto or in violation of the limitations prescribed for such powers shall be borne personally by the trust manager. Where third persons participating in the transaction has not known and should not have known about exceeding of powers or limitations prescribed, the created obligations shall be fulfilled in the manner provided for by point 3 of this Article. In this case the trustor may require from the trust manager to compensate for the damages incurred thereby.

3. Debt obligations having arisen with regard to the trust management of property shall be redeemed at the expense of that property. In case of insufficiency of such property levy of execution may be imposed on the property of the trust manager, and in case of insufficiency of the latter's property — upon the property of the trustor that has not been transferred for trust management.

4. Under the property trust management contract the trust manager may provide the pledge for securing the compensation for those damages that may be caused to the trustor or the beneficiary as a consequence of improper performance of the trust management contract.

Article 965. Remuneration of the trust manager

The trust manager shall have remuneration provided for by the property trust management contract, as well as the right to receive reimbursement of costs incurred thereby during the trust management of property at the expense of income received from the use of such property.

Article 966. Termination of the property trust management contract

1. Except for general grounds for termination of obligations, the property trust management contract shall terminate as a result of:

(1) death of a beneficiary-citizen or liquidation of a beneficiary-legal person, unless otherwise provided for by the contract;

(2) refusal by the beneficiary from benefits received under the contract, unless otherwise provided for by the contract;

(3) death of a trust manager-citizen, or declaration thereof as having no, limited active legal capacity, missing or bankrupt;

(4) renunciation by the trust manager or the trustor from trust management in connection to impossibility for the trust manager to personally carry out the trust management of property;

(5) refusal by the trustor from the contract on condition of paying the remuneration to the trust manager agreed upon in the contract;

(6) declaring the trustor-citizen as bankrupt.

2. In case of refusal by one of the parties from the property trust management contract the other party shall, three months prior to termination of the contract, be notified thereabout, unless another term for notification is provided for by the contract;

3. In case of termination of a trust management contract the property transferred for trust management shall be passed to the trustor, unless otherwise provided for by the contract.

Article 967. Transfer of securities for trust management

1. In case of transfer of securities for trust management a combination of securities of different persons having been transferred for trust management may be envisaged.

2. The rights of the trust manager for disposition of the securities shall be prescribed by the trust management contract.

3. Specific aspects of trust management of securities shall be prescribed by law.

4. The rules of this Article shall correspondingly apply to the rights confirmed by non-paper securities (Article 152).

Article 968. Property trust management on the grounds defined by law

1. Property trust management may be prescribed:

(1) as a result of necessity to permanently manage the property of a ward in cases provided for by Article 40 of this Code;

(2) on the ground of a will appointing an executor of will;

(3) on other grounds provided for by law.

2. The rules provided for by this Chapter shall correspondingly apply to property trust management relations established on the grounds referred to in point 1 of this Article, unless otherwise provided for by law or otherwise follows from the essence of such relations.

Where property trust management is established on the grounds referred to in point 1 of this Article, the rights of the trustor — provided for by the rules of this Chapter — shall correspondingly belong to the guardianship and curatorship body, the executor of will or another person indicated in law.

CHAPTER 52.1

FUND MANAGEMENT

(Chapter supplemented by HO-69-N of 18 May 2010)

Article 968.1. Fund management contract

1. Under the fund management contract one party (participant of the fund), in compliance with the fund rules published by the other party (fund manager), shall allocate monetary means thereto, while the other party shall undertake the obligation to combine those means, against a relevant payment, with the means of relevant fund and manage the fund in compliance with law, other legal acts and fund rules.

2. Fund shall be a pool of assets combined under uniform rules and under the legal regime provided for by this Chapter.

3. According to the law, the fund may be divided into separate pools of assets (sub-funds) falling under uniform rules of operation and differing from each other by their investment policy, income distribution policy, fund share distribution charges and/or repurchase fees, currency of the assets thereof, reward of the manager or the combination thereof.

4. By investing monetary means in the fund the right of ownership of the participant of the fund over those means shall terminate, and the latter shall acquire the right of common shared ownership over all the assets of the fund (sub-fund) with the share determined in accordance with the contribution thereof.

5. Fund manager shall manage the fund through collecting fund assets, investing them in the securities and/or other property in compliance with the fund rules and to the benefit of the participants, distributing the revenues — derived from investments under the procedure and conditions defined by law and fund rules — among the participants of the fund, as well as carrying out other de jure and de facto actions related thereto.

6. Fund manager shall conclude transactions related to the fund management on own behalf indicating that the latter is acting as the manager of the given fund (sub-fund), and that the obligations assumed thereby under the transactions shall be performed exclusively at the expense of the assets of the given fund (sub-fund). Indication envisaged by this point shall be made in the manner consistent with the form of the concluded transaction.

7. In case of absence of the indication envisaged by point 6 of this Article, transactions concluded by the fund manager shall be regarded for third persons as not related to the fund management, and the obligations assumed thereunder shall not fall under the provisions of Article 968.7(2) of this Code.

8. The specific aspects of the management contracts of public funds and their separate types shall be prescribed by law and other legal acts.

(Article 968.1 supplemented by HO-253-N of 22 December 2010)

Article 968.2. Object of fund management

1. Fund assets shall include the monetary means invested by the participants of the fund (whereas in case of funds envisaged by Article 968.12 of this Code — collected by the fund manager under other procedure provided for by law), the assets wherein those means and the revenues derived from management, as well as other means envisaged by law have been invested.

2. Assets of the fund (sub-fund) shall be the common shared ownership of participants of the fund. Moreover, the right of ownership of the participant of the fund over the assets of the fund (sub-fund) shall be limited to the rights to transfer the fund share — belonging thereto and certifying the given right — through alienation and legal succession, to receive dividends from revenues derived from management of fund assets, to receive own share from the fund assets in case of termination of the fund, as well as to participate in the decision-making process with regard to the management of fund assets in cases envisaged by law or fund rules.

3. Laws and other legal acts may lay down requirements for funds (sub-funds).

(Article 968.2 supplemented by HO-253-N of 22 December 2010)

Article 968.3. Participant of the fund

Participant of the fund shall be the person having acquired fund share.

Article 968.4. Fund rules

1. Fund rules shall be the conditions under which management contracts of the given fund are concluded. Conditions envisaged by the this point shall be uniform for all the participants of the given fund (Article 444). Fund rules shall define the specific aspects of the investment policy, income distribution policy of sub-funds

existing within the fund, fund share distribution charges and/or repurchase fees, the currency of the assets of sub-funds, the reward of the manager (if any).

2. Fund rules shall also cover at least the following:

(1) investment policy of the fund, including investment directions, limits and other specific (geographical, sectoral, etc) restrictions;

(2) procedure and conditions for the issuance, distribution and repurchase of fund shares (including the fees charged for distribution and/or repurchase thereof (premium rates, discount rates), as well as the cases of and terms for repurchase and repurchase suspension);

(3) fund revenues sharing policy, procedure and conditions;

(4) types, amount and procedure for the calculation of the rewards and other payments provided to the fund manager;

(5) procedure and terms for determining the calculated value of the fund share as well as the distribution charges and repurchase (redemption) fees, and for notifying the participants of the fund;

(6) procedure for evaluating the assets of the fund and for calculating the net assets of the fund;

(7) list of functions of the fund management which may be delegated to a third person (where such possibility is envisaged).

3. Fund rules envisaged by Article 968.12 of this Code shall not fall under the provisions of points 1 and 2 of this Article and conditions to be included therein shall be defined by law and other legal acts adopted on the basis thereof. Fund management contracts shall not be concluded on the basis of those fund rules.

(Article 968.4 amended by HO-253-N of 22 December 2010)

Article 968.5. Form of fund management contract

Fund management contract shall be concluded by the participant of the fund, upon acquisition of fund share.

Article 968.6. Partition of fund assets

1. Fund manager shall be obliged to carry out separate management and separate record-registration of own assets and of assets of each fund under the management thereof, as well as of assets of different sub-funds.

2. Assets of the funds may be used exclusively for the purpose of management of the given fund.

3. Assets of the fund may not be levied of execution against the liabilities of the fund manager, except for the liabilities assumed under transactions related to fund management and concluded as prescribed by Article 968.1(6) of this Code.

4. Where the other property of the fund participant is not sufficient, filing of a claim on partition of the latter's share in the fund shall be prohibited. In the case envisaged by this point, levy of execution may be imposed — against the obligations of the fund participant — on the latter's fund share(s), on condition of compensation of the difference between the calculated value of the share concerned and the obligation of the fund participant, by subtracting expenses related to the realisation, including repurchase of the fund share.

Article 968.7. Rights and duties of the fund manager

1. The assets of the fund, securities acquired with those assets, and other property and rights over it shall be separately placed on record-registration and registered in the name of the fund manager, without acquisition by the fund manager of ownership right over them.

2. Property and other rights acquired by the fund manager as a result of actions related to fund management shall be included in the assets of the fund. Obligations arising from actions envisaged by this point shall be fulfilled exclusively at the expense of the assets of the fund, except for the cases envisaged by Article 968.9(3) of this Code.

3. The fund manager shall be obliged to:

(1) act, in the course of fulfilment of the latter's obligations for fund management, in the interests of participants of the fund, exercise the rights and fulfil the obligations thereof in good-faith and reasonably, on proper professional level (fiduciary duty);

(2) abstain from concluding transactions considered as subject matter for the conflict of interests of the participants of the fund, and in case of impossibility thereof — giving preference to the interests of the latter;

(3) take sufficient measures in the course of implementation of the activities thereof to prevent conflict of interests between him or her and the participants of the fund, as well as between the latter and the customers, whereas in case of impossibility thereof — take necessary measures to reduce them.

4. The fund manager shall, in case of emergence of obstacles hindering the management of the fund managed thereby, be obliged to require elimination thereof (Articles 274, 275, 277 and 278). Moreover, compensations received by the fund manager with regard to the elimination of obstacles envisaged by this point, shall be included in the assets of the fund.

5. The fund manager shall, under the procedure and within terms defined by law, other legal acts and/or fund rules, submit a report to the participants of the fund concerning the fund and the actions related to the management thereof.

6. Requirements and additional obligations for the fund manager may be envisaged by law.

(Article 968.7 edited by HO-253-N of 22 December 2010)

Article 968.8. Delegation of functions of the fund management

Fund manager may delegate a part of functions of fund management to a third person for the purpose of more efficient management, where such possibility is envisaged by the fund rules. In that case the fund manager shall continue to bear responsibility for proper and conscientious performance of the delegated functions.

Article 968.9. Responsibility of the fund manager

1. Fund manager shall be obliged to compensate the damages (including lost benefits) caused to the participants of the fund as a result of own actions or omissions, except when the manager proves that the latter has acted within the scope of fiduciary duties thereof. Moreover, the less profitability of the fund as compared to the profitability of similar funds, shall not by itself, on the grounds of improper fulfilment of the obligations of the fund manager, create for the given fund manager an obligation of compensation as envisaged by this point. The compensation by the fund manager, as provided for by this part, shall be paid through distributing fund shares in the corresponding quantity to relevant participants of the fund (except for the pension fund) at the expense of the fund manager, except for the damage, caused to persons not considered a participant of the given fund at the moment of payment of the compensation, which shall be compensated through payment of a relevant sum. Damages caused to participants of the pension fund shall be compensated in the manner envisaged by law and other legal acts.

2. Obligations under transactions concluded in violation of fund rules shall be fulfilled at the expense of the fund manager. If third persons participating in the transaction have not been aware and should not have been aware of the mentioned breach, obligations arising from the transaction concluded under the procedure prescribed by Article 968.1(6) of this Code shall be fulfilled at the expense of the fund assets, and in case of insufficiency thereof — at the expense of the fund manager. In that case, the participants of the fund, and in the case

provided for by law — other persons as well, shall acquire the right to require compensation in the manner envisaged by point 1 of this Article.

3. Unless otherwise envisaged by this Chapter, for the purpose of fulfilment of the liabilities having arisen in relation to fund management — in case of insufficiency of fund assets — levy of execution may be imposed on property of the fund manager only where the latter, in the course of fulfilment of obligations thereof under the relevant transaction, acts in bad faith or unreasonably.

(Article 968.9 edited by HO-253-N of 22 December 2010, amended by HO-216-N of 12 November 2012)

Article 968.10. Amending the fund management contract

1. Fund management contract shall be amended through making amendments to the fund rules.

2. Amendments to the fund rules shall be made by the fund manager, upon the consent of at least the majority of the participants of the fund. Moreover, a participant of the fund not having given consent to an amendment resulting in restriction of the rights thereof or to other essential amendment, shall be entitled to rescind the fund management contract within a reasonable term.

3. Upon the request of the participant of the fund, based on the court judgement, the fund management contract may be amended by means of substitution of the fund manager in case of significant breach by the latter of obligations defined by law, other legal acts or fund rules.

Article 968.11. Termination of the fund management contract

1. Fund management contract may be terminated as a result of:

(1) alienation, including repurchase of the fund share (rescission of the fund management contract);

(2) termination of the fund.

2. The fund shall be terminated in the following cases:

(1) where the validity period thereof defined by the fund rules has expired;

(2) where the person carrying out fund management has been released from performance of duties of fund management, on the grounds of liquidation, death or other grounds envisaged by law or fund rules, and has not been substituted by another person;

(3) in other cases provided for by law and fund rules.

3. Termination of the fund shall be carried out within such terms (at least within two months) and under such procedure (by ensuring the proper publicizing thereof) so as to give the creditors a real possibility — under the transactions related to the fund management — to submit their claims under those transactions with regard to the fund assets. Upon termination of the fund, the creditors may under the transactions concluded with regard to fund management submit their claims under the mentioned transactions against the property of the fund manager only where the latter has failed to comply with the requirements for fund termination procedure envisaged by this point.

4. In case of termination of the fund management contract on the ground of termination of the fund, following the satisfaction of all the claims — having arisen as a result of fund management — at the expense of fund assets as prescribed by this Chapter, the remaining assets of the fund (sub-fund) shall be allocated among the participants of the fund (given sub-fund) in proportion to the amount of participation thereof.

Article 968.12. Funds established by virtue of law

1. Establishment of a fund may be envisaged also by law. Moreover, the law may envisage that persons investing in the fund, shall not be considered as participants of

the fund, and that the right of ownership over the fund assets shall be reserved to the fund manager or other person, including the State.

2. Fund manager shall manage the fund established by virtue of law through the collection of fund assets, investment thereof in the securities and/or other property in compliance with law, other legal acts adopted on the basis thereof and fund rules, the use of the fund assets for the purposes envisaged by law as well as through carrying out other de jure and de facto actions related thereto.

3. Relations pertaining to fund management established by virtue of law shall fall under the rules defined by points 6 and 7 of Article 968.1, points 1, 2 and 3 of Article 968.6, points 2 and 4 of Article 968.7, Article 968.8 and points 2 and 3 of Article 968.9 of this Code.

4. Additional restrictions may be laid down by law with regard to the use of means of the fund established by virtue of law, including another procedure for the fulfilment of liabilities arising from actions related to fund management

(Article 968.12 supplemented by HO-69-N of 21 June 2014)

(Chapter supplemented by HO-69-N of 18 May 2010)

CHAPTER 53

AUTHORISATION FOR COMPLEX ENTREPRENEURIAL ACTIVITY (FRANCHISING)

Article 969. Contract on authorisation for complex entrepreneurial activity

1. Under a contract on authorisation for complex entrepreneurial activity (hereinafter referred to as "franchise contract") one party (the franchisor) shall

undertake the obligation to grant the other party (the franchisee) — in exchange for compensation, with or without indication of a term — the right to use in the entrepreneurial activity of the latter the complex of exclusive rights belonging to the franchisor, including the right to the trade name of the franchisor, to commercial information protected by law, and also to other objects of exclusive rights provided for by the contract such as the trademark, the service mark, etc.

The franchise contract shall provide for the use of certain amount (in particular with an establishment of a minimum and/or a maximum volume of use) of the complex of exclusive rights, business reputation and commercial experience of the franchisor , with or without indication of the territory of use in a certain sector of entrepreneurial activity (sales of goods received from the franchisor or produced by the franchisee, conduct of other commercial activity, performance of works, rendering of services).

2. Commercial organisations and individual entrepreneur - citizens may be parties to a franchise contract.

Article 970. Form and registration of a franchise contract

1. Franchise contract shall be concluded in writing.

Non-observance of the written form of the contract shall result in its invalidity. Such a contract shall be null and void.

2. The franchise contract shall be registered by the state body that has registered the legal person or individual entrepreneur acting as franchisor under the contract.

If the franchisor has been registered as a legal person or individual entrepreneur in a foreign state, the franchise contract shall be registered by the state body that has registered the legal person or individual entrepreneur acting as franchisee under the contract.

The parties to the franchise contract shall have the right to invoke the contract in relations with third persons only after having registered it.

3. The franchise on the use of an object protected by patent legislation shall be subject to registration also by the authorised state body carrying out registration of patents and trademarks. In case of failure to comply with this requirement the franchise contract shall be considered null and void.

(Article 970 amended by HO-61-N of 29 April 2010)

Article 971. Sub-franchise

1. The franchise contract may provide for the right of the franchisee to authorise other persons, under conditions of sub-franchise agreed with the franchisor or provided for by the franchise contract, to use the complex or part of exclusive rights granted thereto. The contract may envisage an obligation of the franchisee to provide, within a certain term, the right to use the rights indicated in the conditions of sub-franchise to a certain number of persons.

The franchise contract may not be concluded for a term longer than the franchise contract on the ground whereof it has been concluded.

2. If the franchise contract is invalid, the sub-franchise contracts, having been concluded on the ground thereof, shall also be invalid.

3. Unless otherwise provided for by the contract, in case of early termination of a franchise contract concluded for a fixed term the rights and duties of the secondary franchisor under the sub-franchise contract (the franchisee under the franchise contract) shall pass to the franchisor, unless the latter refuses to assume the rights and duties under this contract. This rule shall respectively apply in case of rescission of a franchise contract concluded without indication of the term.

4. The franchisee shall bear subsidiary liability for the damage caused to the franchisor by actions of the secondary franchisees, unless otherwise provided for by the franchise contract.

5. The rules provided for by this Chapter on the franchise contract shall apply to the sub-franchise contract, unless otherwise provided for, otherwise follows from the specific aspects of sub-franchise.

Article 972. Payment under the franchise contract

Under a franchise contract the franchisee may pay the franchisor in the form of certain lump-sum or regular payments, deductions from income, difference between the wholesale price and mark-up for property transferred by the franchisor for resale or in other forms provided for by the contract.

Article 973. Duties of the franchisor

1. The franchisor shall be obliged to:

(1) transfer technical and commercial documentation to the franchisee and provide the latter with other information necessary for the exercise of the rights granted thereto under the franchise contract, as well as to give instructions to the franchisee and employees thereof on issues in relation to the exercise of these rights;

(2) transfer to the franchisee the authorisations (licenses) provided for by the contract by ensuring their formulation in the prescribed manner.

2. Unless otherwise provided for by the franchise contract, the franchisor shall be obliged to:

(1) ensure the registration of the franchise contract (Article 970(2) and (3));

(2) provide permanent technical and advisory support to the franchisee, including support for training and professional development of employees;

(3) control the quality of the goods produced, works performed and services rendered by the franchisee on the basis of the franchise contract.

Article 974. Duties of franchisee

Taking into account the nature and specific aspects of the activity carried out under the franchise contract, the franchisee shall be obliged:

(1) to use the trade name of the franchisor — when carrying out the activity provided for by the contract — as prescribed by the contract;

(2) to ensure the compliance of quality of goods produced, works performed, services rendered thereby on the basis of the contract, to the quality of analogous goods, works or services that are produced, performed or rendered by the franchisor;

(3) to implicitly execute the directions and instructions of the franchisor aimed at ensuring the compliance of the nature, means and conditions of using the complex of exclusive rights to that of exercised by the franchisor, including instructions regarding the external and internal design of commercial areas;

(4) to render the purchasers (customers) all supplementary services that they could receive in case of obtaining (ordering) goods (works, services) directly from the franchisor;

(5) not to disclose production secrets of the franchisor and other confidential commercial information received from the latter;

(6) to provide the agreed number of sub-franchises, if such a duty is provided for by the contract;

(7) to inform the purchasers (customers), in the manner most obvious for them, that the franchisee is using the trade name, trademark, service mark or other means of identification under a franchise contract.

Article 975. Restriction of the rights of the parties under the franchise contract

1. The franchise contract may provide for restrictions of the rights of the parties. In particular, it may provide for:

(1) an obligation of the franchisor not to provide other persons analogous exclusive rights for exercising them on the territory designated for the franchisee or to refrain from analogous own activity on this territory;

(2) an obligation of the franchisee not to compete with the franchisor on the territory covered by the franchise contract;

(3) renouncement of the franchisee from obtaining analogous rights from the franchisor's competitors (potential competitors) under a franchise contract;

(4) an obligation of the franchisee to agree with the franchisor the allocation of usable commercial premises, as well as external and internal design thereof, in case of enforcement of exclusive rights granted under the contract.

Restricting conditions may be declared invalid upon the demand of an anti-monopoly body or other stakeholder, if these conditions, in light of the relevant market situation and economic status of the parties, contradict the anti-monopoly legislation.

2. Conditions restricting the rights of parties under the franchise contract shall be considered null and void, by virtue whereof:

(1) the franchisor has the right to determine the price of goods sold by the franchisee or work performed, service rendered by the franchisee or the upper or lower limit of these prices,

(2) the franchisee has the right to sell goods, to perform works and render services exclusively for a specified group of purchasers (customers) or for purchasers (customers) having a registered office (place of residence) on the territory determined by the contract.

Article 976. Liability of the franchisor for claims against the franchisee

1. Under a franchise contract the franchisor shall bear subsidiary liability in case claims are lodged against the franchisee regarding the incompliance of the quality of goods sold, of works performed, of services rendered by the franchisee.

2. In the event the claims are lodged against the franchisee as a producer of the product (goods) of the franchisor, the franchisor shall bear joint and several liability together with the franchisee.

Article 977. Preferential right of the franchisee to conclude the franchise contract for a new term

1. When the term of the contract expires, the franchisee, who has duly performed the duties thereof, shall have a preferential right over other persons to conclude a contract with a new term, unless otherwise provided for by the franchise contract.

2. The franchisee shall be obliged, within the term indicated in the franchise contract, and where such term is not indicated in the contract — within a reasonable term before the end of the contract, to inform the franchisor in writing of the intention thereof to conclude such a contract.

3. When concluding the franchise contract for a new term, the conditions of the contract may be amended upon the consent of the parties.

Article 978. Amendments to the franchise contract

A franchise contract may be amended in conformity with rules provided for by Chapter 30 of this Code.

Parties to a franchise contract — in relations with third persons — shall have the right to invoke an amendment to the contract, only after the registration of this amendment as prescribed by Article 970(2) and (3), unless they prove that the third person has known or should have known of the amendment to the contract.

Article 979. Termination of the franchise contract

1. Each party to the franchise contract, concluded without indication of the term, shall have the right to renounce the contract, having notified the other party thereon six months in advance, unless a longer term is provided for by the contract.

2. Early rescission of the franchise contract, concluded with indication of the term, as well as rescission of the contract concluded without indication of the term, shall be subject to registration as prescribed by Article 970(2) and (3) of this Code.

3. In case of termination of the right to a trade name belonging to the franchisor, the franchise contract shall terminate.

4. The franchise contract shall terminate in case of declaring the franchisor or the franchisee as bankrupt.

Article 980. Preservation of effectiveness of a franchise contract in case of change of parties

1. The transfer of any exclusive right included in the complex of exclusive rights to another person shall not be a ground for amendment to or termination of the franchise contract. The new franchisor shall become a party to that contract with regard to the rights and duties relating to the transferred exclusive right.

2. In case of the death of franchisor, the latter's rights and duties under the franchise contract shall pass to the heir, provided that he or she is registered or shall be registered as an individual entrepreneur within six months from the day of opening the succession. Otherwise the contract shall terminate.

The administrator appointed by a notary shall exercise the rights of the deceased franchisor and perform the latter's duties until the acceptance of these rights and duties by the heir or until registration of the heir as an individual entrepreneur.

Article 981. Consequences of alteration of the trade name of the franchisor

In case of alteration by the franchisor of its trade name, the right of using whereof is included in the complex of exclusive rights, the franchise contract shall apply to the new franchisor's trade name, unless the franchisee requires termination of the contract or compensation for damages. In case of continuation of the effectiveness of the contract, the franchisee shall have the right to require proportionally reducing the remuneration payable to the franchisor.

Article 982. Consequences of termination of an exclusive right granted under a franchise contract

Where during the term of effectiveness of the franchise contract, the term of effectiveness the exclusive right granted under this contract has expired or such right

has terminated on other ground, the franchise contract shall continue to be in effect, except for the provisions related to the terminated right, and the franchisee shall have the right to require proportional reduction of the remuneration payable to the franchisor, unless otherwise provided for by the contract.

In case of termination of the right to trade name belonging to the franchisor, the consequences provided for by Article 979(3) and Article 981 of this Code shall arise.

CHAPTER 54

INSURANCE

Article 983. Insurance, classification thereof

1. Insurance shall be carried out based on an insurance contract and/or certificate concluded between the insurer and the policyholder.

2. Voluntary and compulsory insurance may be carried out in the Republic of Armenia.

Voluntary insurance is the insurance carried out at volition of the policyholder through conclusion of an insurance contract with the insurer.

Compulsory insurance shall constitute relations arising independent from the will of the policyholder with the insurer by virtue of law, the types, conditions and implementation procedure whereof shall be regulated by this Code, the Law of the Republic of Armenia "On insurance and insurance activities" and relevant laws on compulsory insurance.

3. Where a duty to carry out life or non-life compulsory insurance as policyholders, at their expense or at the expense of beneficiaries, is imposed by law on certain persons, it shall be carried out in conformity with the provisions of this Chapter, and through concluding a relevant contract in conformity with the Law "On insurance and insurance activities".

4. Cases of compulsory life and non-life insurance of citizens at the expense of state budget funds (state compulsory insurance) may be envisaged by law.

5. In the Republic of Armenia insurance is carried out as per the types, classes and corresponding sub-classes thereof as defined by the Law on "On insurance and insurance activities" of the Republic of Armenia.

(Article 983 edited by HO-178-N of 9 April 2007)

Article 983[1]. Elements of insurance

1. The policyholder shall be the person who has concluded an insurance contract with the insurer.

2. The insured person shall be the person with regard whereto the occurrence of an insured event is considered the subject of the insurance contract.

3. The beneficiary shall be the person who is entitled to receive indemnity for the insurance envisaged by the insurance contract in case of an insured event.

4. The object of insurance shall be the property and personal interests subject to insurance.

5. The insurance risk shall be the possible magnitude of loss incurred as a result of the insured event which has certain likelihood and chance to occur.

6. The insurance indemnity shall be the amount payable — in money or property equivalent — to the policyholder or beneficiary by the insurer based on the insurance contract in case of the occurrence of an insured event.

7. The insurance benefit shall be the maximum amount of insurance indemnity payable by the insurer.

8. The insurance premium shall be the amount payable by the policyholder to the insurer for the insurance indemnity, in the amount and under conditions defined by the insurance contract.

9. The insured event shall be the incident or contingency envisaged by an insurance contract, by virtue of the occurrence whereof the insurer shall be obliged to pay insurance indemnity to the policyholder or beneficiary.

10. The insurance tariff shall be the rate of insurance coverage set against the insurance benefit.

11. The non-indemnity amount, in case of non-life insurance, shall be the share of the policyholder in the compensation for damages, which shall be envisaged by the insurance contract in the percentage ratio to the specific amount or the insurance benefit. The types of non-indemnity amount are the following;

(1) conditional non-indemnity amount, in case of which an insurer is released from the duty to compensate for factual damages or losses, if the damages do not exceed the non-indemnity amount envisaged by the insurance contract, and is obliged to pay the indemnity in full, if the amount thereof exceeds the non-indemnity amount.

(2) unconditional non-indemnity amount, in case of which an insurer is partly released from indemnification, regardless of the total amount of the damages and losses.

(Article 983[1] supplemented by HO-178-N of 09 April 2007)

Article 984. Interests, the insurance whereof shall not be permitted

1. The following shall not be permitted:

(1) insurance of unlawful interests,

(2) insurance for damages incurred as a result of participation in games, lotteries and wagers.

2. Conditions of an insurance contract contradicting point 1 of this Article shall be null and void.

Article 985. Property insurance contract

(Article repealed by HO-178-N of 09 April 2007)

Article 986. Property insurance

(Article 986 edited by HO-100-N of 11 June 2004, repealed by HO-178-N of 9 April 2007)

Article 987. Damage liability insurance

(Article repealed by HO-178-N of 09 April 2007)

Article 988. Contract liability insurance

(Article repealed by HO-178-N of 09 April 2007)

Article 989. Entrepreneurial risk insurance

(Article repealed by HO-178-N of 09 April 2007)

Article 990. Personal insurance contract

(Article 990 supplemented, amended by HO-100-N of 11 June 2004, repealed by HO-178-N of 9 April 2007)

Article 990[1]. Classification of insurance

(Article 990[1] supplemented by HO-100-N of 11 June 2004, repealed by HO-178-N of 9 April 2007)

Article 991. Compulsory insurance

(Article repealed by HO-178-N of 09 April 2007)

Article 992. Carrying out compulsory insurance

(Article repealed by HO-178-N of 09 April 2007)

Article 993. Consequences of breaching compulsory insurance rules

(Article repealed by HO-178-N of 09 April 2007)

Article 994. Insurers

1. Legal persons having a license to carry out insurance activities of a relevant insurance type may conclude insurance contracts as insurers.

2. The requirements for insurers and the activities thereof, the procedure for the licensing, state regulation and supervision thereof shall be defined by the Law of the Republic of Armenia "On insurance and insurance activities" and other legal acts.

(Article 994 edited by HO-178-N of 9 April 2007)

Article 995. Fulfilment of obligations by the policyholder and the beneficiary as defined by the insurance contract

1. Concluding an insurance contract for the benefit of a beneficiary, including in the cases where the beneficiary is the insured person, shall not release the policyholder from fulfilling the obligations under the contract, unless otherwise provided for by the contract, or unless the obligations of the policyholder are fulfilled in advance by the person for whose benefit the contract was concluded.

2. Before providing the insurance indemnity, the insurer shall be entitled to require from the beneficiary (including in the cases where the beneficiary is the insured person) fulfilment of the obligations of the policyholder (including the policyholder, insured person and the beneficiary) under the contract, which this party has not fulfilled but was obliged to fulfil by that time. If the beneficiary requires insurance indemnity under the insurance contract, the risk of the consequences of non-fulfilment or untimely fulfilment of the obligations which should have been fulfilled earlier by the policyholder shall be borne by the beneficiary.

(Article 995 edited by HO-178-N of 9 April 2007)

Article 996. Insurance contract

1. Under an insurance contract one party, the insurer, shall be obliged within the scope of a certain insurance benefit to compensate the other party, the policyholder or a person indicated by him or her (the beneficiary) — against a certain lump-sum or regular payment (insurance premium) — for damages caused as a result of an event (events) or a part thereof, or provide with a certain amount of money (insurance indemnity), if there is likelihood and/or chance of the occurrence of these events, and if such occurrence does not depend on the will of the parties or the insured person or the beneficiary (except for the cases of life insurance when the occurrence of a certain and expected event is indemnified).

2. An insurance contract shall be concluded in writing. Failure to maintain the written form shall entail invalidity of the insurance contract. Such contract shall be null and void. The requirements for concluding an insurance contract may be envisaged by law.

3. In case of carrying out insurance, the existence of an insurance contract shall be obligatory. An insurance certificate may replace the insurance contract, if it contains the essential conditions for the insurance contract, provided for by this Chapter and Law.

4. In case of loss, damage or destruction of the insurance contract and/or certificate, the insurer shall be obliged to provide the policyholder with the copy of the contract and/or certificate upon the application of the policyholder.

5. Under a personal insurance contract one party (the insurer) shall be obliged to pay in lump-sum or regularly the amount fixed by the contract (insurance indemnity) to the other party (the policyholder) — against a payment fixed by the contract (insurance premium) — in cases of damage caused to the life or health or work capacity, the attaining of a certain age of the policyholder or another citizen indicated in the contract (the insured person), or in case of other contingency (insured event) envisaged by the contract.

The person (beneficiary), for the benefit of whom an insurance contract has been concluded, shall be entitled to insurance indemnity.

A personal insurance contract shall be considered concluded for the benefit of the insured person (beneficiary), if no other person is indicated in the contract as a beneficiary. Policyholder or a third person who is not an insured person may not be a beneficiary without the written permission of the insured person. A contract concluded without the written permission of the insured person shall be null and void.

In case of the death of the insured person, the heirs of the insured person shall be recognized as beneficiaries. Other persons considered as beneficiaries in case of

the death of the insured person may be envisaged by the insurance contract, if the insured person is considered the policyholder under the insurance contract.

6. Under a property insurance contract one party (the insurer) shall be obliged to compensate (the insurance indemnity) the other party (the policyholder) or another person for the benefit of whom the contract has been concluded (the beneficiary) — against a payment fixed by the contract (insurance premium) — for damages caused to the insured property as a consequence of occurrence of an incident envisaged by the contract (the insured event) or for damages connected with other property interests of the policyholder, within the limits of the amount fixed by the contract (the insurance benefit).

Under a property insurance contract the property can be insured for the benefit of a person (the policyholder or beneficiary), who has an interest to maintain that property as per law, other legal act or a contract. In case the policyholder or the beneficiary has no interest in maintaining the insured property, the concluded property insurance contract shall be invalid.

7. Under an entrepreneurial risk insurance contract only the entrepreneurial risk of the policyholder may be insured, and under this contract only the policyholder may be the beneficiary. Any contract on insurance of the entrepreneurial risk of a person who is not the policyholder shall be null and void.

8. Derivative financial instruments envisaged by the Law of the Republic of Armenia "On Securities market and other legal acts adopted based thereon shall not be insurance contract.

(Article 996 supplemented by HO-100-N of 11 June 2004, edited by HO-178-N of 09 April 2007, supplemented by HO-190-N of 27 October 2016)

Article 997. Insurance under the principal insurance contract

1. During a certain period of time and based on similar conditions, regular insurance of different lots of homogeneous insured objects can be carried out with the same insurer, upon the agreement between the insurer and the policyholder, through one insurance contract — the principal contract.

2. The policyholder shall be obliged to promptly provide the insurer with information — on each lot of the insured object falling under the scope of the principal insurance contract — as envisaged by such insurance contract, within the term fixed by the insurer or upon the receipt thereof if such term is not fixed. The policyholder shall not be released from this obligation even in cases where, at the moment of the receipt of this information, the need to compensate for the damages by the insurer is eliminated.

3. Upon the request of the policyholder, the insurer shall be obliged to furnish insurance certificates for each lot of property falling under the principal contract.

4. In case of non-conformity of insurance certificates with the principal insurance contract, the insurance certificate shall prevail.

(Article 997 edited by HO-178-N of 9 April 2007)

Article 998. Binding conditions of an insurance contract and insurance certificate

1. The essential conditions of an insurance contract are:

(1) the object of insurance;

(2) the insured event (events) or contingency, in case of occurrence of which insurance indemnity is given;

(3) the amount of insurance benefit;

(4) the insurance indemnification procedure;

(6) the amount of insurance premium;

(7) the procedure and terms whereby the policyholder and/or the beneficiary inform the insurer of the occurrence of the insured event;

(8) damage assessment procedure;

(9) the consequences when a policyholder fails to pay insurance premium in the terms and in the manner specified in the contract.

2. An insurance contract shall also indicate:

(1) the validity period of the insurance contract;

(2) the procedure for amending, supplementing and early rescission the insurance contract;

(3) a note that the policyholder has familiarised himself or herself with the conditions of the insurance certificate;

(4) the year, month, and day of signing the insurance contract.

3. An insurance certificate shall include the following requisites:

(1) the number of insurance certificate;

(2) the title and registered office, telephone number, website of the insurer;

(3) the name or title, registered office and telephone number of the policyholder's beneficiary;

(4) the relevant class and subclass of insurance;

(5) the validity period of the insurance contract;

(6) the signature of the policyholder (the signature of the head of its executive body if the policyholder is a legal person) and an indication that the policyholder has familiarised himself or herself with the conditions of the insurance contract;

(7) the signature — or its facsimile reproduction — of the insurer's proxy;

(8) the year, month, and day of issuing the insurance certificate;

(9) the amount of insurance benefit;

(10) the insured event or contingency, in case of occurrence of which insurance indemnity is given;

(11) the procedure and terms whereby the policyholder and/or the beneficiary inform the insurer of the occurrence of the insured event;

4. Recording and registration of insurance contracts and certificates shall be carried out by the insurer. The competent state body may establish a procedure for recording and registration of insurance contracts and certificates.

(Article 998 edited by HO-178-N of 9 April 2007, supplemented by HO-121-N of 13 April 2011, edited by HO-49-N of 19 March 2012)

Article 999. Determining the conditions of an insurance contract under general insurance conditions

1. The conditions under which an insurance contract is concluded may be determined upon standard conditions (general insurance conditions) specified for the relevant insurance type, class adopted or approved by an insurer or a union of insurers. Where an insurance contract is concluded upon the general conditions of the insurance contract approved by an insurer or insurance unions, the insurance contract shall contain a reference to such conditions.

2. The conditions contained in general insurance conditions and not included in the insurance contract shall be binding for the policyholder (beneficiary), if the application of such general conditions is explicitly invoked in the contract, and these conditions are attached to the contract; moreover handover of insurance

conditions to the policyholder upon conclusion of the contract shall be certified through a record made in the contract.

3. Upon the conclusion of the insurance contract, the policyholder and the insurer shall agree in writing (under the insurance contract or a separate agreement) on the procedure for amending, eliminating or supplementing certain provisions of the general insurance conditions. Moreover, where it is stipulated that the amendments are made to the general conditions unilaterally without the consent of the policyholder, the responsibility of prior notification of the insurer to the policyholder in case of such amendments and the right of the policyholder to immediately rescind the contract if he or she disagrees with such amendments shall be fixed in the contract.

(Article 999 edited by HO-178-N of 9 April 2007)

Article 1000. Information provided by a policyholder upon conclusion of an insurance contract

1. When concluding an insurance contract, the policyholder, upon the written request of the insurer, shall be bound to provide the insurer with written information on the circumstances essentially significant for determining the probability known to him or her of the occurrence of an insured event and the extent of possible damages derived therefrom, unless these circumstances were not and could not have been known to the insurer.

2. The request to disclose significant information indicated in point 1 of this Article is at the discretion of the insurer, and the policyholder shall not be liable for non-disclosure of information after the entry into force of the insurance contract in case of absence of such specific request.

3. Where, after the conclusion of the insurance contract, it becomes apparent that the policyholder has provided the insurer with apparently false information on

the circumstances indicated in point 1 of this Article, the insurer shall have the right to require declaring the contract invalid and apply the consequences indicated in Article 313(2) of this Code.

4. Where the insurance contract is concluded in the absence of answers of the policyholder to certain questions of the insurer, the insurer may not thereafter require rescission of the contract or declaration as invalid thereof, invoking the fact that respective circumstances were not communicated by the policyholder.

(Article 1000 edited by HO-178-N of 9 April 2007)

Article 1000[1]. Insured event

1. After the occurrence of an insured event, the insurance company shall be entitled to refer to independent experts (including foreign) to reveal the causes of the insured incident and clarify the amount of damage, as well as to base on the conclusions of the latter when determining the amount of insurance indemnity.

2. State authorities, organisations and all those persons possessing information on the insured event shall be obliged to provide any information on the insured event upon the request of the insurance company, except for the information comprising state, bank, commercial secret, and other confidential information as defined by law.

3. Insurance companies shall have the right to personally investigate the circumstances of an insured event or involve other persons.

(Article 1000[1] supplemented by HO-178-N of 09 April 2007)

Article 1000[2]. Insurance risk assessment

1. When concluding a non-life insurance contract, the insurer shall have the right to examine and inspect the object of insurance, and, where necessary, assign expert examination to identify its real (market) value.

2. Expert examination shall be carried out by an expert assigned by a person having no interest in the insurance contract or by experts assigned by each party.

3. Expert's conclusion on the object of insurance shall not have a binding force upon the parties, if it is obvious that it does not correspond to its real (market) value.

(Article 1000[2] supplemented by HO-178-N of 09 April 2007)

Article 1001. Right of insurer to assess insurance risk

(Article repealed by HO-178-N of 09 April 2007)

Article 1002. Insurance secrecy

The insurer shall have no right to disclose any information, obtained as a result of his or her professional activities, about the policyholder, the insured person and the beneficiary. The insurer shall be liable in the manner defined by law for violating insurance secrecy, depending on the kind of the violated rights and/or the nature of violation thereof.

(Article 1002 edited by HO-178-N of 9 April 2007)

Article 1003. Insurance benefit and insurance value

1. The amount of insurance benefit shall be determined by mutual agreement between the policyholder and the insurer according to the rules provided for in this Article.

2. The insurance benefit envisaged by the property insurance contract may not exceed the real (market) value of that property at the moment of concluding the contract. The insurance value is the market (real) value of the insured property at the moment of concluding the insurance contract.

3. Where a party, in determining the insurance value of the property, provides false information on the real value of the property subject to insurance, the other party shall have the right to rescind the insurance contract unilaterally and require indemnification for the damages and expenses incurred in this regard.

4. Where the property is insured partially in regard to its insurance value, the policyholder (beneficiary) shall have the right to additional insurance also by another insurer, but only in the amount not exceeding the total insurance benefit which is the insurance value of the given property under all insurance contracts.

5. Where the insurance benefit indicated in the property insurance contract has exceeded the insurance value, the damage caused to the property shall be subject to indemnification only in the extent of the insurance value. In this case, the overpaid amount of the insurance premium shall not be refundable.

6. Where, as per the non-life (property) insurance contract, the premium is paid on a time share basis and it is not fully paid at the moment of clarifying the circumstances indicated in point 5 of this Article, the rest of the premiums shall be paid in the amount decreased proportionally to the deducted insurance benefit.

7. Where the increment in the insurance benefit under the non-life (property) insurance contract is a result of fraud by the policyholder, the insurer shall have the right to require declaring the contract invalid and indemnifying for the damages caused in the amount exceeding the insurance premium amount received by the policyholder.

8. The rules referred to in points 5-7 of this Article shall also apply accordingly in cases where the insurance benefit has exceeded the insurance value as a result of insuring the same object by two or more insurers (double insurance).

In this case, the amount to be indemnified by each insurer shall be reduced in proportion to the deduction of the initial insurance benefit of the relevant insurance contract.

9. Where the object is insured against different insurance risks both under the same and separate insurance contracts, including those concluded with different insurers, the total insurance benefit specified in all contracts may exceed the insurance value.

Where two or several contracts concluded in accordance with this point provide for an obligation of insurers to pay insurance indemnity for the same consequences occurred due to the same insured incident, the rules referred to in points 5-8 of this Article shall apply to such contracts in respective parts.

10. Where the insurance value determined under the insurance contract significantly differs from its real value at the moment of the occurrence of the insured event, the real value shall serve as a basis.

(Article 1003 edited by HO-178-N of 9 April 2007)

Article 1003[1]. Reduction of the insurance indemnity and grounds for refusing indemnification

1. The insurance company shall be entitled to reduce or refuse to pay the insurance indemnity subject to payment under the insurance contract, where:

(1) the insured event has occurred as a result of deliberate acts committed by the policyholder or the insured person or the beneficiary;

(2) the policyholder, when concluding the insurance contract, has submitted false information on the object of insurance or has concealed it;

(3) the policyholder received indemnification from a third person, who is responsible for the inflicted damage to the extent he or she has received the indemnification from the person who caused the damage.

(4) there are other grounds envisaged by law or contract for reducing or refusing the payment of insurance indemnity.".

2. In case of reduction in insurance indemnity or refusal to indemnify, the insurance company shall adopt a reasoned decision which shall be delivered to the policyholder (beneficiary) via a registered letter, at the address of his or her permanent place of residence.

(Article 1003[1] supplemented by HO-178-N of 9 April 2007, edited by HO-69-N of 18 May 2010)

Article 1004. Impermissibility to dispute over the property insurance value

(Article repealed by HO-178-N of 09 April 2007)

Article 1005. Partial property insurance

(Article repealed by HO-178-N of 09 April 2007)

Article 1006. Additional property insurance

(Article repealed by HO-178-N of 09 April 2007)

Article 1007. Consequences of insurance exceeding the insurance value

(Article repealed by HO-178-N of 09 April 2007)

Article 1008. Property insurance against different insurance risks

(Article repealed by HO-178-N of 09 April 2007)

Article 1009. Joint insurance (co-insurance)

1. The insurance object may be insured jointly by several insurers (co-insurance) under a single insurance contract.

2. In case of joint insurance, the contract shall lay down the rights and duties of each insurer. Where such a contract does not determine the rights and duties of each insurer, they shall bear joint and several liability against the policyholder (the insured person or beneficiary) for paying insurance indemnity.

3. A principal insurer shall be selected in case of joint insurance. The principal insurer shall define the insurance conditions. The principal insurer shall act on behalf of the other insurers in the relationships with the policyholder.

4. Where the joint insurance contract does not specify a principal insurer, the policyholder may at his or her discretion consider any of the joint insurers as the principal insurer with prior written notification thereon.

(Article 1009 supplemented by HO-100-N of 11 June 2004, edited by HO-178-N of 9 April 2007)

Article 1010. Insurance premium

1. The premium amount, payment procedure and terms shall be defined by the insurance contract.

2. When determining the insurance premium amount payable under the insurance contract, the insurer, taking into account the nature of the insurance object and insurance risk, shall be entitled to apply insurance tariffs calculated thereby that determine the insurance premium chargeable per unit of the insurance benefit. In cases provided for by law, the insurance premium amount shall be determined based on the insurance tariffs established by the state body carrying out supervision over those conducting insurance activities.

3. Where the insured event occurred prior to the payment of the regular instalment of the insurance premium, which has been defaulted, the insurer shall be entitled to set off the defaulted insurance premium amount when determining the amount of insurance premium subject to payment.

4. Where the policyholder fails to pay the insurance premium either by lump sum or in first regular instalment within a fourteen-day period following the entry into force of the insurance contract, the insurer shall be entitled to rescind the insurance contract unilaterally, unless the contract provides for another term or possibility for the payment of insurance premium on a time share basis.

5. Prior to concluding an insurance contract, the insurer shall be obliged to inform the policyholder of the consequences laid down in points 3 and 4 of this Article.

6. Where the policyholder fails to make the regular instalment of insurance premium within the term specified in the insurance contract, the insurer shall define an additional term for the payment of insurance premium notifying the policyholder thereon within a three-day period, unless otherwise provided for by the contract. The notification shall specify the legal effects for failure to pay the insurance premium within the additional term.

7. Where the policyholder fails to pay the insurance premium within the additional term, the insurer shall be entitled to rescind the insurance contract unilaterally without notifying the policyholder thereon.

8. Where the insured event occurs after the lapse of the additional term, and the policyholder fails to pay the insurance premium, the insurer shall be exempt from the liability to pay indemnification, except for the cases when the policyholder proves that the failure to pay the insurance premium was due to circumstances not depending on him or her.

9. Where the insurance contract is terminated due to its early rescission or other ground, the insurer shall be entitled to require insurance premium only for the time period preceding the termination of the contract.

10. Where the policyholder pays the insurance premium within a month period after the termination of the contract or the term defined for the payment of the insurance premium, and no insured event occurs prior to the payment of the insurance premium, the contract shall not be considered as repealed.

11. In case of continuous reduction of insurance risk, the policyholder shall be entitled to require reduction of the insurance premium, which does not apply to the insurance premiums paid or payable before such a requirement.

12. In case of loss of the insurance object under circumstances not depending on the policyholder, the policyholder shall be exempt from the liability to pay insurance premium, and the insurer shall be exempt from the liability to pay insurance indemnity, if the risk of such loss is not a subject of the insurance contract.

13. Points 1-12 of this Article shall not apply to life insurance contracts.

(Title edited by HO-100-N of 11 June 2004)

(Article 1010 amended by HO-100-N of 11 June 2004, edited by HO-178-N of 9 April 2007)

Article 1011. Replacement of an insured person

The policyholder may replace the insured person indicated in the insurance contract with another person, by notifying the insured person thereon in writing.

(Article 1011 edited by HO-178-N of 9 April 2007)

Article 1012. Beneficiary

1. The policyholder shall have the right to conclude an insurance contract for the benefit of another person — the beneficiary. The policyholder shall have the right to replace the beneficiary indicated in the insurance contract with another person, notifying the insurer thereon in writing. It is permitted to replace the beneficiary, which is assigned by the consent of the insured person under a life insurance contract, only upon the consent of the insured person. In case of the death of the policyholder, his or her heirs may not replace the beneficiary indicated in the contract.

2. The beneficiary may not be replaced with another person, after he or she has performed any duty under the insurance contract or has submitted a request to the insurer for receiving insurance indemnity.

3. In case of the death of the beneficiary prior to the occurrence of the insured event (if his or her life is not insured), the insurance indemnity shall be given to the heirs of the beneficiary, unless otherwise stipulated by the insurance contract.

4. Where several persons are assigned as beneficiaries under a life insurance contract, and the amount of indemnity for each of them is not determined under the contract, the insurance indemnity shall be distributed equally between them.

(Article 1012 edited by HO-178-N of 9 April 2007)

Article 1013. Start of insurance contract

1. An insurance contract shall enter into force from the moment of its conclusion, unless otherwise provided for by the contract. It may be provided for by the insurance contract that the contract shall enter into force after the policyholder has paid the insurance premium in full or in the amount fixed in the contract.

2. An insurance contract shall cover insured incidents occurred during the validity period of the insurance contract.

(Article 1013 edited by HO-178-N of 9 April 2007)

Article 1014. Early termination of an insurance contract and the legal effects thereof

1. An insurance contract shall terminate early if after its entry into force the probability of occurrence of an insured event is eliminated, and the insured risk ceases in view of circumstances other than the insured event.

2. A policyholder shall have the right to rescind the contract unilaterally notifying the insurer thereon no less than fifteen days earlier. Other time-frame for rescission of the contract may be envisaged by the Law.

3. In case of rescission of the insurance contract by the policyholder, he or she shall, unless otherwise provided for by the insurance contract, have the right to receive:

(1) in case of non-life insurance and risk life insurance — insurance premiums for the remaining validity period of the contract;

(2) in case of life insurance — insurance premiums paid by the policyholder, other indemnifications, if such are provided for by the insurance contract, from which expenses of conclusion and execution of the insurance contract are deducted.

4. An insurance contract may be rescinded early at the initiative of each party — where the other party has substantially violated the insurance contract — within a three-month period after discovering the violation.

5. In case the insurance contract is rescinded at the initiative of the policyholder due to the violation of the contract by the insurer, the policyholder shall have the right

to receive the positive difference of the insurance premiums paid by him or her and the insurance indemnities received during the effectiveness of the contract, unless otherwise provided for by the insurance contract. Where no insurance indemnity is made until the day the contract is rescinded according to this point, the policyholder shall have the right to a full refund of his or her insurance premiums. Where the violation serving as a ground for the rescission of the contract is the incomplete performance of indemnification subject to payment under the contract, the policyholder shall have the right to a full refund of his or her insurance premiums.

6. In case the contract is rescinded at the initiative of the insurer due to the violation of the contract by the policyholder, and unless otherwise provided for by the insurance contract:

(1) insurance premiums are not refundable to the policyholder in case of non-life insurance and risk life insurance;

(2) all insurance premiums paid by the policyholder shall be subject to refund in case of accumulative life insurance, from which expenses for conclusion and execution of the insurance contract, paid insurance indemnities are deducted;

7. The insurer may not rescind an insurance contract unilaterally, where:

(1) he or she knew or might have known that the policyholder had submitted misleading, false or incomplete information at the moment of concluding the contract;

(2) the violation by the policyholder of the assumed liabilities under the insurance contract was not due to his or her fault.

8. A policyholder may early rescind an insurance contract in case the insurer's license on insurance activities is repealed, unless otherwise prescribed by law.

9. The policyholder and the insurer may, upon mutual agreement, rescind the insurance contract at any moment.

10. An insurance contract shall terminate by virtue of expiry of the term specified in the contract, as well as in cases provided for in Chapter 27 of this Code, unless otherwise stipulated by that contract.

11. The specific aspects of early termination of the contract of voluntary funded pension insurance shall be defined by the Law of the Republic of Armenia "On funded pensions".

(Article 1014 edited by HO-178-N of 9 April 2007, supplemented by HO-216-N of 12 November 2012, HO-197-N of 21 December 2015)

Article 1015. Consequences of increase or decrease of insurance risk during the effectiveness of insurance contract

1. During the effectiveness of a non-life insurance contract, the policyholder (beneficiary) shall be obliged to immediately inform the insurer on the changes that have become known to him or her of the circumstances communicated to the insurer upon the conclusion of the contract, where these changes may substantially contribute to an increase or decrease of the insurance risk.

In any case, changes laid down in the insurance contract and specified by the insurance rules furnished to the policyholder shall be considered essential.

2. An insurer who is informed on the circumstances generating the increase of insurance risk shall have the right to require changing the insurance contract conditions or pay extra insurance premium proportionally to the increase of the risk.

3. In case the policyholder or the beneficiary fail to fulfil the obligations provided for in point 1 of this Article, the insurer shall be entitled not to pay the insurance indemnity and to require rescission of the insurance contract and to indemnify for the damages incurred due to the rescission of the contract or to reduce the amount of the indemnification or not to reduce the insurance premium.

4. The insurer shall not be entitled to require rescission of the contract, where the circumstances generating the increase of the insurance risk no longer exist.

5. In case of life insurance, the legal effects indicated in points 2 and 3 of this Article in regard with the increase or decrease of the insurance risk during the effectiveness of the insurance contract shall arise only when they are explicitly provided for in the contract.

(Article 1015 edited by HO-178-N of 9 April 2007)

Article 1016. Transfer of rights over the object of insurance to another person

1. In case of transfer of the rights over the object of insurance from the person for whose benefit the insurance contract was concluded to another person, the rights and obligations under that contract shall be transferred to him or her only upon the consent of the insurer, unless otherwise provided for by law.

2. The person, to whom the rights over the object of insurance have been transferred, may rescind the insurance contract unilaterally within a one-month period upon the arising of these rights. Where the person, to whom the rights over the object of insurance have been transferred, is not aware that the object is insured, the one-month period referred to in this point shall be calculated from the moment when he or she has become aware or should have become aware that the object is insured.

3. In case of rescission of the contract in the manner defined by points 1 and 2 of this Article, the transferor shall be obliged to pay insurance premiums fixed under the insurance contract for the time period prior to the rescission of the contract. In this case the person, to whom the rights over the object of insurance have been transferred, shall not be liable for the payment of insurance premiums.

4. In case the court declares the policyholder as having no or limited active legal capacity during the effectiveness of the non life insurance contract, his or her rights and duties as per the insurance contract shall be exercised by his or her guardian or curator upon the consent of the insurer, unless otherwise provided for by the insurance contract. In case of not granting the consent as referred to in this point, the insurer may rescind the contract unilaterally. The consent shall be considered as granted, where the insurer does not inform the guardian or the curator of the policyholder of his or her intention to rescind the contract within a one-month period after being informed on the fact that the policyholder is declared as having no or limited active legal capacity.

(Article 1016 supplemented by HO-100-N of 11 June 2004, edited by HO-178-N of 9 April 2007)

Article 1017. Notifying the insurer on the occurrence of an insured event

1. Under a non-life insurance contract the policyholder shall be obliged to immediately (within a reasonable term) inform the insurer or its representative on the occurrence of the insured event as soon as it becomes known to him or her. Where the contract envisages a term and/or a method for notification, it shall be done within the defined term and through the method indicated in the contract.

The beneficiary, who is aware of the conclusion of the insurance contract for his or her benefit, bears the same responsibility, if he or she intends to use the right to receive insurance indemnification.

2. In case of failure to fulfil the obligation referred to in point 1 of this Article, the insurer shall be entitled not to pay insurance indemnification, unless it is proven that he or she knew about the occurrence of the insured event in a timely manner or

that the lack of information of the insurer on that could not affect its responsibility to pay insurance indemnification.

3. The rules provided for in points 1 and 2 of this Article shall apply respectively to a life insurance contract if the insured event is the death of the insured person. In this case, the term, as defined in the contract, for notifying the insurer may not be less than thirty days.

(Article 1017 edited by HO-178-N of 9 April 2007)

Article 1018. Reduction of damages caused by an insured event

1. Upon occurrence of an insured event provided for under the non-life insurance contract, the policyholder shall be obliged to undertake reasonable and accessible measures to reduce potential damages. When applying such measures, the policyholder shall follow the instructions of the insurer, if such instructions were communicated to him or her.

2. Expenses — made by the insurer to reduce damages — subject to indemnification, where these were necessary or were made in accordance with the instructions of the insurer, shall be indemnified by the insurer even in the case when the relevant measures have not been effective. Such expenses are indemnified in proportion to the ratio of the insurance value to the insurance benefit, regardless that these together with the indemnification of other damages may exceed the insurance benefit.

3. The insurer shall be exempt from indemnification for damages occurred as a result of deliberately not undertaking, by the policyholder, of reasonable measures accessible to him or her to reduce potential damages.

(Article 1018 edited by HO-178-N of 9 April 2007)

Article 1019. Consequences of the occurrence of an insured event due to the fault of the policyholder, the insured person or the beneficiary

1. The insurer shall be exempt from payment of insurance indemnification, where the insured event had occurred due to the intent of the policyholder, insured person or the beneficiary, with the exception of the cases referred to in points 2 and 3 of this Article.

2. The insurer shall not be exempt from payment of insurance indemnification under a civil liability insurance contract for causing damage to life or health, where the damage is due to the fault of the person responsible for it.

3. The insurer shall not be exempt from payment of insurance indemnification which is paid in case of the death of an insured person under a life insurance contract, if the latter committed a suicide, and at the time of committing suicide the insurance contract had been in effect for at least three years.

(Article 1019 edited by HO-178-N of 9 April 2007)

Article 1020. Exemption from payment of the insurance indemnity and insurance benefit by the insurer

1. Unless otherwise provided for by law or the insurance contract, the insurer shall be exempt from payment of insurance indemnity and insurance benefit, where:

(1) the insured event has occurred as a result of —

(a) the effect of nuclear explosion, radiation or radioactive contamination;

(b) military actions, as well as military manoeuvres or other military measures;

(c) civil war and other cases prescribed by law;

(2) the insured event occurred as a result of deliberate actions committed by the policyholder or the insured person or the beneficiary;

(3) at the time of concluding the insurance contract the policyholder has submitted false information on the object of insurance or has concealed information having significant value for insurance risk assessment.

2. An insurer shall be exempt from paying insurance indemnity for the damages incurred as a result of seizure, confiscation, requisition, attachment on or destruction of the insured property upon the order of state authorities, unless otherwise provided for by non-life insurance contract.

3. An insurer shall not be exempt from the liability to pay insurance indemnity and insurance benefit, where

(1) the policyholder has breached the liability not connected with the insurance premium due to another person's fault, and such breach has not led to the occurrence of an insured event or another damage;

(2) the policyholder has failed to fulfil his or her obligation to reduce the insurance risk or prevent the increase of the insurance risk, and the failure to fulfil such obligation has not led to occurrence of the insured event;

(3) the policyholder proves that there is no deliberation in the occurrence of the insured event.

(Article 1020 edited by HO-178-N of 9 April 2007)

Article 1021. Transfer of the right of claim for indemnity from the policyholder to the insurer (subrogation)

1. Unless otherwise provided for by the insurance contract, the right of claim of the policyholder (insured person) — followed from a damage caused to him or her (or the beneficiary) as a result of an insured event — against the person having

caused the damage shall transfer to the insurer in as per his or her indemnified amount. The clause of the contract excluding the transfer to the insurer of the right of claim against a person who has deliberately caused the damage shall be null and void.

2. The insurer shall exercise the right of claim transferred thereto in observation of the rules regulating the relations between a policyholder (insured person, beneficiary) and a person liable for the damages.

3. The policyholder (insured person, beneficiary) shall be obliged to transfer to the insurer the documents and other evidences confirming his or her right of claim, communicating all information necessary for the exercise of the right of claim transferred to him or her by the insurer.

4. Where a policyholder (insured person, beneficiary) has renounced his or her right of claim against the person liable for the damages indemnified by an insurer, or the exercise of this right has become impossible due to the fault of the policyholder (insured person, beneficiary), the insurer shall be exempt from payment of insurance indemnity in full or in respective part and shall have the right to require refund of the overpaid indemnity amount.

(Title supplemented by HO-100-N of 11 June 2004)

(Article 1021 edited by HO-178-N of 9 April 2007)

Article 1021[1]. Insurance of liability for damage caused by a third person

1. A policyholder may conclude an insurance contract under which the risk of the liability for the damage caused by a third person is insured.

2. The insurance contract shall indicate the person who is insured against the risk of liability for the damage caused thereby. Where such person is not indicated in the contract, the risk of liability of the policyholder shall be considered as insured.

3. The policyholder shall be obliged to familiarise the insured person with the content of the insurance contract.

4. An insurance contract of the risk of liability for the caused damage shall be considered as concluded for the benefit of those persons to whom damage may be caused (for the benefit of beneficiaries), even if the contract is concluded for the benefit of a policyholder or other person bearing liability for the caused damage, or it is not indicated in the contract for whose benefit it is concluded.

5. Where the liability for the caused damage is insured by virtue of compulsory insurance, as well as by law or in other cases providing for such liability under an insurance contract, the person for whose benefit the insurance contract is considered concluded, shall have the right to require directly from the insurer indemnity for the caused damage within the limits of the insured amount, except for the damages not subject to compensation by the insurance company.

6. In case of the death of the policyholder under a contract concluded for the benefit of another person, or termination of his or her activities without legal succession, the insured person shall be considered as policyholder unless otherwise prescribed by law or the insurance contract.

(Article 1021[1] supplemented by HO-178-N of 9 April 2007, edited by HO-69-N of 18 May 2010)

Article 1022. Statute of limitations in regard with insurance related claims

1. Actions in regard with claims following from a non-life insurance contract may be filed within three years, whereas actions with regard to the claims following from a life insurance contract may be filed within ten years.

2. The calculation of the term defined in point 1 of this Article shall start from the moment of the occurrence of an insured event.

(Article 1022 edited by HO-178-N of 9 April 2007)

Article 1023. Reinsurance contract

1. The risk in regard with the fulfilment of its all liabilities or a part thereof against policyholders by one insurer under the conditions determined by the contract may be insured by another insurer.

2. The insurer that concluded a reinsurance contract under the insurance contract (principal contract) shall be the policyholder in the reinsurance contract.

3. In case of reinsurance, the insurer of the principal contract shall bear liability against the policyholder for paying insurance indemnity under the principal insurance contract.

4. Two or several reinsurance contracts may be concluded in sequence.

(Article 1023 edited by HO-178-N of 9 April 2007)

Article 1024. Compulsory insurance

1. Compulsory insurance, by virtue of concluding an insurance contract with an insurer, shall be carried out by such a person (policyholder) who is imposed with such insurance obligation by law.

2. Where a person, who is imposed with insurance obligation by law, has failed to fulfil it or has concluded an insurance contract under the conditions that aggravate the situation of the beneficiary as compared with the conditions defined by law, he or she — in case of occurrence of the insured event — shall assume the obligation to pay the beneficiary the amount equivalent to that of what he or she would have received if the insurance was conducted in a proper manner.

(Article 1024 amended by HO-100-N of 11 June 2004, edited by HO-178-N of 9 April 2007)

Article 1025. Application of general insurance rules for special types of insurance

The rules provided for in this Chapter shall apply to the insurance of foreign investments against non-commercial risks, medical insurance, bank deposit insurance, pension insurance, as well as other types of insurance, unless otherwise provided for by laws on such types of insurance.

Provisions defined by this Chapter shall be applied to relations pertaining to compulsory insurance against liability arising from the use of motor vehicles, unless other regulation is provided for by the Law of the Republic of Armenia "On compulsory insurance against liability arising from the use of motor vehicles".

Provisions of Article 995, Article 1000(3), Article 1000.1(1), Articles 1000.2 and 1003.1, Article 1010(3) and (8), Articles 1011 and 1012, Article 1015(3), Article 1017(2), Article 1018(3) and Article 1020(1) of this Code shall not apply to the contracts on compulsory insurance of liability arising from the use of motor vehicles.

(Article 1025 supplemented by HO-69-N of 18 May 2010)

SIXTH SUBSECTION

JOINT VENTURE CONTRACT WITHOUT FORMING A LEGAL PERSON

CHAPTER 55

JOINT VENTURE

Article 1026. Joint venture contract

1. Under a joint venture contract, two or more persons (participants) assume the obligation to join their contributions and act jointly without forming a legal person for gaining profit or achieving another purpose not contradicting the law.

2. Only individual entrepreneurs and/or commercial organisations and/or citizens engaged in agricultural production may be parties to a joint venture contract concluded for entrepreneurial activities.

3. A joint venture contract may envisage no disclosure thereof to third persons (silent joint venture).

4. A joint venture contract shall be concluded in writing.

(Article 1026 supplemented by HO-243-N of 26 December 2008)

Article 1027. Contributions of the participants

1. The contribution of a participant shall be anything he or she contributes into the joint venture, including money, other property, professional and other knowledge, skills and expertise, as well as business reputation and business connections.

2. The contributions of participants shall be deemed as equal in their value, unless otherwise follows from the joint venture contract or the actual circumstances. Monetary valuation of the contributions of the participants shall be carried out upon their consent.

Article 1028. Common property of participants

1. The property contributed by participants, over which they have had ownership right prior to the contribution, as well as the products produced during the joint venture and benefits and income generated from such activities shall be considered their common shared ownership, unless otherwise prescribed by law or a joint venture contract or followed from the essence of the obligation.

2. The property contributed by participants that they have possessed on the grounds other than the ownership right, shall be used for the benefit of all participants and together with the property under the common shared ownership shall constitute the common property of participants.

3. Participants may assign the accounting of the common property to one amongst them.

4. Participants shall make use of the common property through common consent, and if there is no such consent, in the manner established by court.

5. The duties of participants with respect to the maintenance of the common property and indemnification for expenses related to the performance of such duties shall be determined under a joint venture contract.

Article 1029. Administration of common affairs by participants

1. In administration of the common affairs, each participant shall be entitled to act on behalf of all participants, unless the joint venture contract prescribes that

the affairs shall be administered by individual participants or jointly by all the participants of the joint venture contract.

The consent of all the participants shall be required for the conclusion of each transaction in case of joint administration of affairs.

2. In relations with third persons, the power of a participant to conclude transactions on behalf of all participants shall be certified upon the authorisation issued to him or her by the other participants or upon the joint venture contract.

3. In relations with third persons the participants may not invoke limitations of the rights of the participant who has concluded a transaction related to the administration of common affairs of participants, except for the cases where they prove that at the moment of concluding the transaction the third person was aware or should have been aware of such limitations.

4. The participant — who has concluded transactions on behalf of all participants, for the conclusion of which his or her right was limited, or who has concluded transactions on his or her own behalf for the benefit of all participant —, may require to indemnify expenses made by him or her, where there are sufficient grounds to presume that these transactions were for the benefit of all participants. Participants who suffered losses due to such transactions shall have the right to require indemnification.

5. Participants shall adopt decisions on common affairs upon common agreement, unless otherwise provided for by the joint venture contract.

Article 1030. Right of a participant to obtain information

Each participant shall have the right to get acquainted with all the documents on the administration of affairs regardless of whether he or she is authorised to administer the common affairs of the participants or not. Renunciation of this right or

limitation thereof, including upon the agreement of participants, shall be null and void.

Article 1031. Common costs and losses of participants

The procedure for covering costs and losses with regard to the joint venture of participants shall be determined upon their agreement. In case of absence of such an agreement, each participant shall bear costs and losses proportional to the value of his or her contribution to the common business.

An agreement which fully exempts any participant from the obligation to cover the common costs and losses shall be null and void.

Article 1032. Liability of participants for common obligations

1. Where a joint venture contract is not related to the entrepreneurial activities of the participants thereto, each participant shall bear liability for the common contractual obligations with all his or her property, proportionally to the value of his or her contribution to the common business.

Participants shall bear joint and several liability for the common obligations not arising from the contract.

2. Where a joint venture contract is related to the entrepreneurial activities of the participants thereto, the participants shall bear joint and several liability for all common obligations regardless of the grounds of their arising.

Article 1033. Distribution of profit

1. Profit generated from the joint venture of participants shall be distributed proportionally to the value of their contribution to the common business, unless

otherwise provided for by the joint venture contract or the agreement of the participants.

2. An agreement on deprivation of any participant from profit sharing shall be null and void.

Article 1034. Separation of the participant's share upon the request of his or her creditor

The creditor of a participant to a joint venture contract shall have the right to require separation of the share of that participant from the common property, according to Article 200 of this Code.

Article 1035. Termination of a joint venture contract

1. A joint venture contract shall be terminated due to the following:

(1) declaring any participant as having no or limited active legal capacity, or as missing, unless a joint venture contract or a further agreement of its participants provides for maintenance of the contract in the relations of remaining participants;

(2) declaring any participant as bankrupt, with the exception referred to in sub-point 1 of this point;

(3) death of a participant, or liquidation or reorganisation of a legal person that is party to a joint venture contract, unless the contract or the further agreement of the experts envisages that the contract shall be maintained in the relations of the remaining participants, or that the deceased participant (reorganised legal person) shall be replaced by his or her heirs (legal successors);

(4) renunciation of any participant to take further part in a termless joint venture contract, with the exception referred to in sub-point 1 of this point;

(5) rescission of a joint venture contract concluded for a term — upon the request of one of the participants — on the relations between him or her and the remaining participants, with the exception referred to in sub-point 1 of this point;

(6) expiry of the validity period of a joint venture contract;

(7) separation of the share of a participant upon the request of his or her creditor, with the exception referred to in point 1 of this point.

2. In case of termination of a joint venture contract, the property transferred to common possession and/or use of participants shall be returned free of charge to those participants who provided it, unless otherwise provided for by the agreement of the parties.

3. Following the moment of termination of a joint venture contract, its participants shall bear joint and several liability for outstanding common obligations in respect of third persons.

4. The property under the common ownership of participants shall be divided, and the common rights of claim having arisen among the participants shall be distributed in the manner defined by Article 197 of this Code.

5. In case of termination of a joint venture contract, the participant who has contributed an individually identified property to the common ownership shall have the right to claim, through judicial procedure, the return of that property, with a condition of protecting the interests of the remaining participants and creditors.

Article 1036. Renunciation of a termless joint venture contract

1. The statement of a participant on the renunciation of a termless joint venture contract shall be submitted no later than three months prior to the presumed withdrawal from the contract.

2. An agreement on limitation of the right to renounce a termless joint venture contract shall be null and void.

Article 1037. Rescission of a joint venture contract upon the request of a party thereto

Together with the grounds referred to in Article 466(2) of this Code, a party to a joint venture contract concluded with an indication of a term or an objective as a resolutory condition, shall have the right to require rescission of the contract in the relations between him or her and the remaining participants if there exists a reasonable excuse with the condition of compensation for the actual damage caused to the remaining participants as a result of the rescission of the contract.

Article 1038. Liability of a participant, the participation whereof in the joint venture contract was terminated

In the case where a joint venture contract has not been terminated on the ground of the statement of any participant on renunciation of further participation or on the rescission of the contract upon the request of one of the participants, the person whose participation in the contract has been terminated shall be liable to third persons for general obligations that have arisen in the period of his or her participation in the contract just as he or she would bear liability if had remained a participant in the joint venture.

Article 1038[1]. Specific aspects of a joint venture contract concluded by citizens engaged in agricultural production

1. A joint venture contract for the purpose of engagement in agricultural production shall be concluded in writing.

2. A joint venture contract shall be notary certified upon the request of any party to the contract. Where the participants should contribute immovable property or rights to the immovable property according to the contract, as well as in other cases provided for by law, the contract shall be subject to obligatory notary certification. A contract certified by a notary public shall enter into force from the moment of its notary certification, and the rights over the immovable property following from the contract shall arise from the moment of state registration.

3. A joint venture contract concluded in a simple written form (without notary certification) shall be signed by all participants (parties), the validity of the signature whereof may be certified by the head of community.

4. The parties to the contract, types of contributions made by each party (property or property right or other contribution), the value thereof, the amount of their monetary valuation, procedure for the use of the contribution, persons having the right to act on behalf of the participants and carrying out the accounting of the property of common shared ownership of the participants (in case the contract provides for property of common shared ownership) and their passport details, the profit distribution procedure, the replacement procedure of a person having the right to act on behalf of the participants, as well as other provisions prescribed by law and agreed upon by the parties shall be obligatorily indicated in a joint venture contract.

5. The standard form of a joint venture contract shall be approved by the Government of the Republic of Armenia.

6. A joint venture contract shall not be rescinded or terminated in cases provided for in Article 1035 of this Code, except for the expiration of the validity period of the contract, as well as in case when only one participant to the contract remains. In case of the death of a party participating in the contract, his or her heir may act as a party to the contract.

(Article 1038[1] supplemented by HO-243-N of 26 December 2008)

SEVENTH SUBSECTION

CONTRACTS ON CONDUCTING GAMES AND BETS

CHAPTER 56

ORGANISING AND CONDUCTING GAMES AND BETS

Article 1039. Claims related to the organising of games and bets and the participation therein

Claims of citizens and legal persons related to the organising of and participating in risk-based games and bets (gambling) shall not be subject to judicial relief, except for the claims of persons that took part in games or bets under the influence of fraud, violence, threat or the malicious collusion between their representative and the organiser of games or bets, as well as claims referred to in Article 1040(5)of this Code. The claims based on derivative financial instruments envisaged by the Law of the Republic of Armenia "On securities market" and other legal acts adopted based thereon shall not be deemed as risk-based games or bets (gambling), even if they contain terms peculiar or similar to games and bets (gambling).

(Article 1039 supplemented by HO-190-N of 27 October 2016)

Article 1040. Conducting lotteries, pari-mutuels and other games by the state and communities or upon the permission thereof

1. Relations between the organisers — persons that have received permission (licence) from the Republic of Armenia, communities, authorised state body — of lotteries, pari-mutuels (mutual bets) and other risk-based games and the participants of such games shall be based on a contract.

2. In cases provided for by the rules of organising games, a contract between the organiser and the participant shall be formed through issuance of a lottery ticket, receipt or another document.

3. An offer to conclude a contract provided for in point 1 of this Article shall include conditions on the term of holding the games, manner of determining the winnings and the amount thereof.

4. In case the organiser of games cancels the conduct thereof within the term defined thereby, the participants of games shall have the right to require from the organiser compensation for the actual damage caused due to the cancellation or postponement of the term for conducting the games.

5. The organiser of games — in accordance with the rules of conducting a lottery, pari-mutuel or other games — shall pay the winners their winnings in the amount, manner (in cash or in kind) and term as provided for by the rules for conducting games, and where such a term is not indicated in those rules, not later than within ten days following the determination of the results of games.

6. In case of failure by the organiser of games to fulfil the obligations referred to in point 5 of this Article, the winner of the lottery, pari-mutuel or other games shall have the right to require from the organiser of games to pay the winning, as well as compensate for the damages caused by breaching the contract by the organiser.

EIGHTH SECTION

LIABILITIES ARISING FROM UNILATERAL ACTIONS

CHAPTER 57

PUBLIC PROMISE TO PAY A REWARD

Article 1041. Obligation to pay a reward

1. A person who has publicly promised to provide remuneration or reward (payment of a reward) for a certain lawful action shall be obliged, within the term indicated in the announcement, to pay the promised reward to the person who has performed the relevant action, in particular, found the lost property of the person who made the announcement or provided information thereon.

2. The obligation to pay a reward shall arise where the promise to pay a reward makes it possible to identify the person who made the promise. The person who has responded to the promise shall have the right to require a written confirmation of the promise and shall bear the risk of consequences of no submission of such a request, where it becomes apparent that the announcement of a reward has not been actually made by the person indicated therein.

3. Where the public promise of a reward does not indicate the amount thereof, it shall be determined upon an agreement with the person who has promised the reward, and in case of dispute it shall be determined by court.

4. The obligation to pay a reward shall arise regardless of the fact whether the relevant action was performed in regard with the made announcement or not.

5. In cases where the action indicated in the announcement has been performed by several persons, the person who has been the first to perform the respective action shall acquire the right for a reward.

Where the action indicated in the announcement has been performed by two or more persons and it is impossible to determine who has performed it the first, and also in case where the action has been performed by two or more persons simultaneously, the reward shall be divided between them equally or in another amount envisaged upon their agreement, and in case of dispute it shall be determined by the court.

6. The compliance of the performed action with the requirements indicated in the announcement shall be determined by the person who has publicly promised the reward, and in case of dispute it shall be determined by the court, unless otherwise provided for in the announcement of the reward and followed from the nature of the action indicated therein.

Article 1042. Cancellation of the public promise to pay a reward

1. The person who has publicly announced the payment of a reward shall have the right to renounce the made promise in the same form, except for the cases where the announcement envisages the impermissibility of renunciation or the latter follows therefrom, or a certain term was given for the performance of the action for which the reward has been promised, or where by the moment of the announcement on the renunciation one or several persons had already performed the action indicated therein.

2. The cancellation of the public promise of a reward shall not exempt the person who has made the promise from the obligation for compensating the expenses of those persons who have incurred these expenses within the scope indicated in the announcement in relation with the performance of the actions indicated in the announcement.

CHAPTER 58

PUBLIC TENDER

Article 1043. Organising a public tender

1. The person who has made a public announcement (public tender) for the payment of monetary remuneration or the granting of another reward (payment of reward) for the best performance of the work or the achievement of other results shall pay (or grant) the specified reward to the person who has been declared as a winner in accordance with the rules of conducting tenders.

2. A public tender may be open where the proposal by the organiser to take part in the tender is — in accordance with the announcement published in the press or other mass media — directed to all those who wish so, or it may be closed where the proposal to take part in the tender is — by the choice of the organiser of the tender — addressed to a certain scope of people.

An open tender may be conditioned by the qualification of its participants, in case of which the organiser of the tender carries out a preliminary selection from among the persons wishing to take part therein.

3. The announcement of a public tender shall at least provide for the essence of the task, the standards and assessment procedure of works or other achievements, the place, term and procedure for submission thereof, the amount and type of the reward, as well as the terms and procedure for publicising the tender results.

4. The rules of this Chapter shall apply to public tenders containing an obligation to conclude a contract with the winner of the tender, unless otherwise provided for by Articles 463-465 of this Code.

Article 1044. Changing and cancelling the conditions of a public tender

1. The person who has announced a public tender shall have the right to change its conditions or cancel the tender only during the first half of the term defined for the submission of works.

2. The notification on changing or cancelling the terms of the tender shall be made through the same manner as the tender was announced.

3. In case of changing or cancelling the terms of the tender, the person who has announced the tender shall reimburse the expenses incurred by any person for performing the work provided for in the announcement, before the moment the latter has become aware or should have become aware about the change or cancellation of the terms of the tender.

The person who has announced the tender shall be exempt from the obligation to reimburse the expenses where he or she proves that the performance of the given work is not related to the tender, in particular it has been performed before the tender was announced or obviously does not comply with the conditions of the tender.

4. Where the requirements referred to in points 1 or 2 of this Article have been violated while changing the terms of the tender or cancelling the tender, the person who has announced the tender shall pay the reward to those whose work satisfies the conditions indicated in the announcement.

Article 1045. Decision on the payment of a reward

1. The decision on the payment of a reward shall be made and communicated to the participants of the public tender within the terms and through the procedure defined in the tender announcement.

2. Where the results indicated in the announcement were achieved by the joint work of two or more persons, the reward shall be distributed in accordance with the

agreement made between them. In case of absence of such an agreement, the procedure for distribution of the reward shall be determined by the court.

Article 1046. Use of awarded works of science, literature and art

Where the subject of the public tender is the creation of a work of science, literature or art, and the conditions of the tender do not provide for otherwise, the person who has announced the public tender shall have a preferential right to conclude a contract with the author of the awarded work on the use of that work, by paying the relevant remuneration therefor.

Article 1047. Return of the submitted works to the participants of a public tender

The person who has announced a public tender shall be obliged to return the non-awarded works to the participants of the tender, unless otherwise provided for in the tender announcement or followed from the nature of the performed work.

CHAPTER 59

ACTIONS FOR THE BENEFIT OF OTHERS WITHOUT DELEGATION

Article 1048. Conditions of actions for the benefit of others without delegation

1. Actions — without the delegation, other instruction or prior consent of the interested person — which are aimed at preventing damage to that person or to his or her property, fulfilling his or her obligations or protecting his or her other

legitimate interests (actions for the benefit of others) shall be conducted with due care and diligence proceeding from obvious benefit or interest of the interested person, and his or her actual or possible intentions.

2. The rules referred to in this Chapter shall not apply to actions performed for the benefit of others by state or local self-government bodies, for which the performance of such actions is one of the objectives of their activities.

Article 1049. Notification of an interested person on performing actions for his or her benefit

1. The person acting for the benefit of others shall be obliged to inform the interested person thereon at first opportunity and, within a reasonable term, wait for his or her decision on approval or disapproval of the actions undertaken, unless such waiting causes serious damage to the interested person.

2. Informing the interested citizen on performing actions for his or her benefit shall not be obligatory where such actions are undertaken in his or her presence.

Article 1050. Consequences of approval by an interested person of actions undertaken for his or her benefit

Where a person — for the benefit of whom and without his or her delegation actions are undertaken — approves these actions, the rules of delegation or such a contract which complies with the nature of the undertaken actions shall further apply to the relations between the parties.

Article 1051. Consequences of disapproval by an interested person of actions undertaken for his or her benefit

1. Actions for the benefit of others — which have been performed after it has become known to their performer that these are disapproved by the interested person — shall not entail obligations for the latter with respect to the performer of these actions or third persons.

2. Actions, aimed at preventing a danger threatening the life of a person, shall be allowed even against the will of that person, and the fulfilment of the obligation to take care of someone shall be allowed against the will of the person charged with such obligation.

Article 1052. Compensation for damages incurred by a person who acted for the benefit of others

1. The necessary expenses and the actual damage incurred by a person acting for the benefit of others, in compliance with the rules provided for in this Chapter, shall be compensated by the interested person, except for the expenses generated by the actions referred to in Article 1051(1) of the this Code.

The right to compensation for necessary expenses and other actual damage shall be retained, even in case where the actions for the benefit of others have not entailed the supposed result. However, in case of preventing damage to the property of another person, the amount of compensation may not exceed the value of the property.

2. The expenses and damages incurred by a person acting for the benefit of others related to the actions undertaken with the prior approval of the interested person (Article 1050) shall be compensated under the rules on the contract of the relevant type.

Article 1053. Remuneration for actions for the benefit of others

The person, whose actions for the benefit of others have entailed a positive result for the interested person, shall have the right to receive remuneration where such right is provided for by law, the agreement with the interested person or by customary business practices.

Article 1054. Consequences of a transaction for the benefit of others

The obligations under a transaction concluded for the benefit of others shall be transferred to the person for the benefit of whom it was concluded, where the latter has approved this transaction and where the other party does not object against such transfer or has known or should have known upon the conclusion of transaction that it is concluded for the benefit of others.

Together with the obligations, the rights under such transaction shall also be transferred to the person for the benefit of whom the transaction has been concluded.

Article 1055. Compensation for the damage caused due to actions for the benefit of others

Relations pertaining to the compensation for the damage caused to interested or third persons due to actions for the benefit of others shall be regulated by the rules provided for in Chapter 60 of this Code.

Article 1056. Unjust enrichment as a consequence of actions for the benefit of others

Where the actions not directed at ensuring the interests of another person — including in case where the person performing these actions has mistakenly presumed that he or she acts in his or her own interest — have entailed unjust

enrichment of the other person, the rules provided for in Chapter 61 of this Code shall apply.

Article 1057. Report of a person who acted for the benefit of others

A person who acted for the benefit of others shall be obliged to submit a report to the person, for the benefit of whom such actions were performed, with an indication of received income, incurred expenses and other damages.

NINTH SECTION

LIABILITIES ARISING DUE TO CAUSING DAMAGE AND UNJUST ENRICHMENT

CHAPTER 60

LIABILITIES ARISING DUE TO CAUSING DAMAGE

§ 1. GENERAL PROVISIONS ON COMPENSATION FOR DAMAGE

Article 1058. General grounds for the liability to compensate for damage

1. Personal or property damage caused to a citizen, as well as damage to the property of a legal person shall be subject to full compensation by the person who caused the damage.

The obligation to compensate for the damage may be imposed by law on a person who did not cause the damage.

2. The person who caused the damage shall be exempt from compensation where he or she proves that the damage was not caused due to his or her fault. The law may provide for the compensation of damage at no fault of the person who caused the damage.

3. Damage caused due to lawful actions shall be compensated in cases provided for by law.

4. Compensation for damages may be refused where the damage has been caused upon the request or with the consent of the injured person.

5. Exemption from the liability for caused damage shall be applied to the person who rendered support to another person and/or gratuitously provided any property for the purpose of support for the benefit of another person, where the extent of the damage does not exceed the extent of the rendered or provided support.

(Article 1058 supplemented by HO-110-N of 21 February 2007)

Article 1059. Prevention of causing damage

1. The risk of causing damage in future may become a ground for bringing a claim for prohibition of the activities creating the danger.

2. Where the caused damage is due to the exploitation of a building, construction or due to other production activities, which continue to cause damage or threatens with new damage, the court shall be entitled to oblige the defendant, besides the compensation for the damage, also to suspend or terminate the relevant activities.

3. The court may dismiss the claim on suspension or termination of the relevant activities, where the suspension or termination thereof contradicts public interests.

The refusal to suspend or terminate such activities shall not deprive the injured persons from the right to compensation for the damage caused by such activities.

Article 1060. Causing damage in the state of necessary defence

Damage caused in the state of necessary defence shall not be subject to compensation, unless its limits are exceeded.

Article 1061. Causing damage in the state of extreme necessity

1. Damage caused under the conditions of extreme necessity — that is for elimination of danger threatening the person who caused the damage or other persons, where such danger could not be eliminated under the given circumstances with other means — shall be compensated by the person who has caused the damage.

2. Taking into consideration the circumstances of the relevant actions due to which such damage incurred, the court may impose the obligation for the compensation thereof on a third person for whose benefit the person causing damage has acted, or fully or partially exempt from compensation both that third person and the person who caused the damage.

Article 1062. Liability of a legal person or a citizen for the damage caused by the employee thereof

1. A legal person or a citizen shall compensate for the damage caused by the employee thereof while performing work (service, official) duties.

2. According to the rules of this Chapter, an employee shall be deemed the citizen working under an employment contract, as well as under a civil-law contract, where he

or she acted or should have acted on the assignment of the relevant legal person or citizen and under their supervision over the safe conduct of works.

3. Economic partnerships shall compensate for the damage their participants caused while performing entrepreneurial or other activities of the partnership.

Article 1063. Liability for the damage caused by state and local self-government bodies and the officials thereof

The damage caused to a citizen or a legal person due to the unlawful actions (omissions) of state and local self-government bodies or their officials, including promulgation of an act of a state or self-government body inconsistent with the law or any other legal act, shall be compensated by the Republic of Armenia or the respective community.

Article 1064. Liability for the damage caused by illegal actions of inquiry bodies, preliminary investigation bodies, Prosecutor's Office and courts

1. The damage caused due to illegal conviction, holding criminally liable, applying detention or a written undertaking not to leave as a measure of restraint, imposition of an administrative penalty shall be compensated in full by the Republic of Armenia, in the manner defined by law, regardless of the fault of the officials of the bodies of inquiry, preliminary investigation, Prosecutor's Office and courts.

2. Damage caused to a citizen or a legal person by illegal actions of the bodies of inquiry, preliminary investigation, Prosecutor's Office, which has not entailed the consequences provided for in point 1 of this Article shall be compensated on the grounds and in the manner provided for in Article 1063 of this Code.

3. Damage caused in administration of justice shall be compensated only in case where the fault of the judge has been confirmed by the judgement that has entered into legal force.

Article 1065. Bodies and persons acting on behalf of the Republic of Armenia or the community when compensating for damage

In cases where in accordance with this Code or other laws the relevant damage is compensated by the Republic of Armenia or the community, the relevant financial bodies shall act on behalf of them, unless such obligation vests with another body, legal person or a citizen as per Article 129(3) of this Code.

Article 1066. Compensation for damage by the person who has insured his or her liability

A citizen or a legal person, who has insured his or her liability for the benefit of the injured person in the form of either voluntary or mandatory insurance — in the case when the insurance indemnity is not sufficient for full compensation for the caused damage — shall compensate for the difference between the insurance indemnity and the actual amount of the damage.

(Article 1066 amended by HO-69-N of 18 May 2010)

Article 1067. Liability for the damage caused by minors under the age of fourteen

1. Parents, adopters or the guardian shall bear liability for the damage caused by a minor (junior) who has not attained the age of fourteen years, unless they prove that the damage has not been caused by the fault of the minor (junior).

2. Where a junior needing guardianship was in the respective upbringing, medical, social protection or another similar institution, which by virtue of law is his or her guardian (Article 37), this institution shall be obliged to compensate for the damage caused by the junior, unless it proves that this damage has not been caused by the fault of the minor (junior).

3. Where a junior has caused damage while being under the supervision of the educational, upbringing, medical or other institution which is obliged to exercise supervision over him or her, or of the person who is exercising supervision over the junior under a contract, this institution or person shall bear liability for the damage caused by the junior, unless they prove that the damage has not been caused by the fault of the minor (junior) and unless otherwise provided for by the contract concluded between the parents, adopters or the guardian of the junior and the educational, upbringing, medical or other institution.

3[1]. The person — who is not endowed with parental competence, but who has been entrusted to carry out the custody, supervision or upbringing of a minor through transfer of powers or any other way — shall be obliged to compensate for the damage caused by the actions of the minor, unless otherwise provided for by the contract concluded between authoriser or trustor and the person carrying out the custody, supervision or upbringing of the minor.

4. The obligation of parents, adopters, guardian, educational, upbringing, medical and other institutions to compensate for the damage caused by a junior shall not be terminated with the reaching by the junior the age of majority or with the receipt by him or her of property sufficient to compensate for the damage.

5. Where the parents, adopters, guardian or other citizens referred to in point 3 of this Article have died or have no sufficient means for the compensation of the damage caused to the life and health of the injured person, and the person who has caused the damage, acquiring full active legal capacity, does have such means, the court — taking

into consideration the property status of the injured person and the person who caused the damage, as well as other circumstances — shall have the right to adopt a judgement on imposing the compensation for the damage fully or partially on the person who caused the damage .

(Article 1067 amended, supplemented by HO-110-N of 21 February 2007)

Article 1068. Liability for the damage caused by minors aged fourteen to eighteen years

1. Minors aged fourteen to eighteen years shall be independently liable for the damage caused by them on general grounds.

2. In case a minor aged fourteen to eighteen years has no sufficient income or other property to compensate for the damage, the damage shall be compensated fully or in the lacking part by his or her parents, adopters or the curator, unless they prove that the damage has not been caused by their fault.

3. Where a minor aged fourteen to eighteen years, needing curatorship, is in a relevant upbringing, medical, social protection or another similar institution, which by virtue of law is his or her guardian (Article 37), this institution shall be obliged to compensate for the damage caused by him or her in full or in the lacking part, unless it proves that the damage has not been caused by its fault.

4. The obligation of the parents, adopters, the curator and the relevant institution to compensate for the damage caused by a minor aged fourteen to eighteen years shall be terminated upon the attainment of majority by the person who has caused the damage or in such cases where before the attainment of majority he or she has acquired income or other property, which are sufficient to compensate for the damage, or where he or she has acquired active legal capacity prior to the attainment of majority.

Article 1069. Liability for the damage caused by a citizen declared as having no active legal capacity

1. The damage caused by a citizen declared as having no active legal capacity shall be compensated by his or her guardian or the organisation which was obliged to exercise supervision over him or her, unless it proves that the damage has not been caused by his or her fault.

2. The obligation of the guardian, or the organisation which is obliged to exercise supervision, to compensate for the damage caused by a citizen declared as having no active legal capacity shall not cease if he or she is subsequently declared as having active legal capacity.

3. Where the guardian has died or has no sufficient means for compensating the damage caused to the life or health of the injured person, and the person who has caused the damage does have such means, the court — taking into consideration the property status of the injured person and the person who has caused the damage and other circumstances — shall be entitled to adopt a judgement on imposing the compensation for the damage fully or partially on the person who caused the damage.

Article 1070. Liability for the damage caused by a citizen declared as having limited active legal capacity

Damage caused by a citizen declared as having limited active legal capacity shall be compensated by the very person who caused the damage.

Article 1071. Liability for the damage caused by a citizen unable to understand the meaning of his or her actions

1. A citizen having active legal capacity as well as a minor aged fourteen to eighteen years, who has caused damage in a state where he or she was unable to understand

the meaning of his or her actions or control them shall not bear liability for the damage caused by him or her.

Where damage was caused to the life or health of the injured person, the court may impose the obligation of compensation for the damage fully or partially on the person who caused the damage, taking into consideration the property status of the injured person and the person who caused the damage, as well as other circumstances.

2. The person who caused damage shall not be exempt from liability if, due to using alcoholic beverages, narcotics or due to other means, he or she reached a condition where he or she was unable to understand the meaning of his or her actions or control them.

3. Where damage was caused by a person who was unable to understand the meaning of his or her actions or control them due to mental disorder, the court may impose the obligation to compensate for the damage on the spouse, parents, adult children who reside with him or her and have capacity to work, who have known about the mental disorder of the person who caused the damage but have failed to raise the issue of declaring him or her as having no active legal capacity.

Article 1071[1]. Liability of an owner of immovable property

1. The owner of immovable property shall bear the liability of compensation for damage to other persons or their property caused during the use, possession, disposal, exploitation or construction of the immovable property, unless he or she proves that the damage has been inflicted due to the force majeure or the deliberation of the injured person.

2. The obligation to compensate for the damage provided for in point 1 of this Article shall be borne by the person having the right to possession, construction or use (lease, gratuitous use, etc.) of the immovable property, where the damage is

caused during the possession or use of the immovable property which was provided with such right, and unless otherwise provided for by the contract concluded between the owner of the immovable property and the person possessing or using the immovable property.

In cases provided for in this point, the owner of the immovable property together with the possessor or user of this immovable property shall bear joint and several liability for the caused damage, where the immovable property has not been used by the possessor or the user for entrepreneurial purposes and the damage is not generated due to the use of the immovable property for entrepreneurial purposes, except for the immovable property which has been provided with a construction right, in case of which the responsibility to compensate for the damage caused during the use, possession and exploitation of the immovable property shall be borne by the constructor.

3. The owner of immovable property who has compensated for the damage caused to another person during the use, possession, disposal, exploitation or construction of the immovable property shall have the right of regress to the person, by whose fault the damage has been caused in the amount of compensation provided by him or her.

(Article 1071[1] supplemented by HO-110-N of 21 February 2007)

Article 1071[2]. Liability of an owner of animal

1. The owner of an animal shall bear the obligation to compensate for the damage caused by the animal, except for the damage caused by an animal transferred to the possession or use or custody of another person, in case of which the possessor or user or custodian of the animal shall bear the obligation to compensate for the damage, unless otherwise provided for by the contract concluded between the owner of the animal and the person having the right to use, possess or exercise the custody of the animal.

2. The owner of an animal shall not be liable for the damage caused by the animal, where he or she proves that the animal came out of his or her control due to the illegal actions of other persons.

3. The owner of the animal, who has compensated to another person for the damage caused during the use, possession or custody of the animal, has the right of regress to the person, by whose fault the damage has been caused in the amount of compensation provided by him or her.

(Article 1071[2] supplemented by HO-110-N of 21 February 2007)

Article 1072. Liability for damage inflicted by activities most hazardous to the environment

1. Legal persons and citizens, whose activities are associated with most hazardous source to the environment (use of means of transport, machinery, high-voltage electric power, atomic energy, explosives, potent poisons, etc., construction and other activities related thereto) shall be obliged to compensate for the damage inflicted by the most hazardous source, unless they prove that the damage has arisen due to the force majeure or the deliberation of the injured person. The court may release the owner of most hazardous source from liability in full or in part on the grounds provided for by Article 1076(2) and (3) of this Code.

The obligation to compensate for the damage shall be imposed on the legal person or the citizen possessing the most hazardous source by virtue of the right of ownership or other lawful ground (right of lease, right to drive means of transport with authorisation, etc.).

2. The owner of the most hazardous source shall not bear liability for the damage caused by that source, if he or she proves that the source came out of his or her control due to the illegal actions of other persons. In such cases the persons who illegally possessed the source shall bear liability for the damage caused by the most

hazardous source. In case there is a fault of the owner of the source in taking of the source from his or her possession, the liability may be imposed on both the owner of the most hazardous source as well as the person who has illegally acquired it.

3. The owners of the most hazardous sources shall bear joint and several liability for the damage caused due to the interaction of these sources (collusion of transport means, etc.) to third persons on the grounds provided for by point 1 of this Article.

Damage caused due to the interaction of the most hazardous sources to their owners shall be compensated on general grounds (Article 1058).

(Article 1072 amended by HO-110-N of 21 February 2007)

Article 1073. Liability for jointly caused damage

1. Persons who jointly caused the damage shall bear joint and several liability against the injured person.

2. Based on the application of the injured person and for his or her benefit, the court shall be entitled to impose liability on the persons who jointly caused damage in shares, by determining these shares in accordance with rules provided for in Article 1074(2) of this Code.

Article 1074. Right of regress of persons who compensated for damage

1. A person who has compensated for the damage caused by another person (the employee while performing service, official or other employment duties, driving means of transport, etc.) shall have the right of regress to this person in the amount of the compensation paid by him or her, unless the law defines a different amount.

2. The person causing the damage, who has compensated for jointly caused damage, shall have the right to require from the other persons causing damage

the share of the compensation paid to the injured person in the amount that corresponds to the extent of the fault of the persons causing that damage. In case it is impossible to determine the extent of the fault, the shares are recognised as equal.

3. In case of compensation for the damage caused by the officials of the bodies of inquiry, preliminary investigation, Prosecutor's Office or of courts (Article 1064(1)), the Republic of Armenia shall have the right of regress to that person, where the fault of the latter has been confirmed upon the judgement having entered into legal force.

4. Persons who have compensated for the damage on the grounds referred to in Articles 1067-1069 of this Code shall have no right of regress to the person who caused the damage.

Article 1075. Ways of compensation for damage

While awarding the claim for damage, the court shall, in accordance with the circumstances of the case, oblige the person liable for causing the damage to provide in kind compensation for the damage (provide property of the same kind and quality, repair the damaged property, etc.) or compensate for the damages caused (Article 17(2) and (3)).

Article 1076. Taking into consideration the fault of the injured person and the property status of the person who caused damage

1. Damage caused due to the deliberation of the injured person shall not be compensated.

2. Where the gross negligence of the injured person has contributed to the emergence or aggravation of the damage, the amount of compensation shall be reduced in accordance with the extent of the fault of the injured person and the person who caused the damage.

In cases of existence of gross negligence of the injured person and in the absence of the fault of the person who caused the damage, where the liability arises independently of the fault, the amount of compensation shall be reduced or the compensation for the damage may be rejected, unless otherwise provided for by law. In case of the damage is caused to the life or health of a citizen, the compensation for the damage may not be rejected.

The fault of the injured person shall not be taken into consideration in compensation for additional expenses (Article 1078(1)), for the damage arising from the death of the breadwinner (Article 1082), as well as for funeral expenses (Article 1087).

3. The court may reduce the amount of compensation for the damage caused by a citizen, taking into consideration the property status of the latter, except for the cases where damage has been caused by deliberate actions.

§ 2.COMPENSATION FOR DAMAGE CAUSED TO THE LIFE OR HEALTH OF A CITIZEN

Article 1077. Compensation for damage caused to the life or health of a citizen while performing contractual obligations or other duties

Damage caused to the life or health of a citizen while performing contractual obligations, as well as during the performance of military service, police service and other respective duties shall be compensated according to the rules provided for in this Chapter, unless the law or the contract provide for a higher degree of liability.

Article 1078. Extent and nature of the compensation for the damage caused by deterioration of health

1. In case of causing mutilation or other damage to the health of a citizen, the lost salary (income) which he or she was receiving or could have received, as well as additional expenses arising due to the deterioration of health, including expenses for medical treatment, supplementary nutrition, acquisition of medicines, prosthetics, nursing care, sanatorium-resort therapy, acquisition of special means of transport, obtaining of another profession shall be subject to compensation, where it is established that the injured person needs such types of support and care and does not enjoy the right to receive them free of charge.

2. In determining the lost salary (income), a disability pension awarded to the injured person related to the mutilation or other damage to the health as well as other pensions and allowances and other similar payments awarded both before and after the deterioration of the health shall not be taken into consideration and shall not entail a reduction of the amount of compensation (shall not be considered in the compensation for the damage). Salary (income) received by the injured person after the deterioration of the health shall not be considered either in the compensation for the damage.

3. The extent and amount of compensation for the damage caused to the injured person may be increased by law or by contract.

Article 1079. Determination of the amount of salary (income) lost due to the damage caused to health

1. The amount of salary (income) lost by an injured person subject to compensation shall be determined as a percentage of the average salary (income) he or she has received prior to mutilation or other harm to the health or loss of capacity to work. This percentage shall be determined according to the degree of loss by the injured

person of occupational capacity and, in case of absence of occupational capacity to work, the degree of loss of general capacity to work

2. The lost salary (income) of the injured person shall include all types of payments of remuneration for his or her main or secondary work, taxable by income tax, performed under employment and civil-law contracts. Lump-sum payments, in particular compensation for unused vacation and retirement benefit shall not be taken into consideration. The paid allowance shall be taken into consideration for the period of temporary incapacity for work or of maternity leave. Income received from entrepreneurial activities, as well as the author's loyalties shall be included in the lost salary; moreover, income from entrepreneurial activities shall be included on the basis of the tax inspection data.

All types of salary (income) shall be considered in the amount before tax.

3. The average monthly salary (income) of the injured person shall be calculated by dividing his or her salary (income) of twelve months, preceding the damage to his health, by twelve. In case the injured person has worked for less than twelve months by the time the damage was caused, his or her average monthly salary (income) shall be calculated by dividing the total amount of salary (income) for the actually worked months by the number of these months.

The months during which he or she has worked not in full shall be replaced, at the option of the injured person, by the preceding months in which he worked in full and shall be excluded from the calculation in case their replacement is impossible.

4. In case the injured person has not been working at the time the damage was caused, at his or her option, his or her salary before discharge from work shall be calculated, or the usual amount of remuneration of an employee of his qualification in the given place shall serve as a basis for calculation, which, however, may not be less than the fivefold of the minimum monthly salary.

5. Where, prior to causing mutilation or other damage to the health of the injured person, stable changes have been made in his or her salary (income) that improve his or her property status (there is an increase in the salary for the position held, the injured person has been transferred to a higher paid job, or has been admitted to work after graduation from an educational institution with full-time instruction and in other cases when stable change of the remuneration for the labour of the injured person or the possibility of change is proved), when determining his or her average monthly salary (income) only the salary (income) which he or she received or could have received after the appropriate change shall be taken into consideration.

(Article 1079 amended by HO-253-N of 22 December 2010)

Article 1080. Compensation for damage caused to the health of a person who has not reached majority

1. In case of causing mutilation or any other damage to the health of a minor who has not reached the age of fourteen (junior), who does not have salary (income), the liable person shall be obliged to compensate for the expenses arising from causing damage to the health.

2. After the junior reaches the age of fourteen, as well as in case of causing damage to the health of a minor aged fourteen to eighteen years, who does not have a job (income), the person liable for the damage shall be obliged — besides the expenses arising from causing damage to the health of the injured person — to compensate also for the damage related to the loss or reduction of his or her capacity to work, based on the amount of the fivefold of the minimum monthly salary.

3. Where the minor had salary at the time the damage to the health was caused, the damage shall be compensated based on the amount of that salary, which may not be less than fivefold of the minimum monthly salary.

4. The minor, to whose health damage was previously caused, after starting labour activity shall have the right to require an increase of the amount of compensation for the damage based on his or her salary, but in the amount not exceeding the labour remuneration defined for the position he or she holds or the salary of an employee of the same qualification in the place of his or her work.

Article 1081. Compensation for the damage incurred by persons due to the death of the breadwinner

1. In case of the death of the injured person (breadwinner), the following shall have the right to compensation for damage:

(1) persons without capacity to work, who were under the custody of the deceased or had the right to be under his or her custody by the day of his or her death;

(2) the child of the deceased person born after the death thereof;

(3) one of the parents, spouse, or a member of the family — regardless of his or her capacity to work — who does not work and is engaged in the care of children, grandchildren, brothers and sisters of the deceased, who were under the custody of the deceased and have not reached the age of fourteen or who, although having reached this age, however need additional nursing care due to their health condition according to the conclusion of medical institutions;

(4) persons that were under the custody of the deceased and have lost capacity to work in the course of five years after his or her death.

One of the parents, the spouse or other member of the family — who does not work and is engaged in the care of children, grandchildren, brothers and sisters of the deceased person and who has lost capacity to work during the period of taking such

care —shall retain the right to the compensation for damage after the end of the care for these persons.

2. The damage shall be compensated to:

(1) the minors, before they reach the age of eighteen years;

(2) the students over eighteen years, until they graduate from educational institutions with full-time instruction, but not more than until they reach the age of twenty-three years;

(3) the women over fifty five years old and men over sixty years old, for life;

(4) the disabled persons, for the period of disability;

(5) one of the parents, the spouse or another member of the family who is engaged in the care of children, grandchildren, brothers and sisters under the custody of the deceased, until they reach the age of fourteen years.

Article 1082. Amount of compensation for damage in case of the loss of the breadwinner

1. The damage shall be compensated to the persons who have the right to compensation for the damage related to the death of the breadwinner in the amount of the part of the salary (income) of the deceased, as prescribed by rules of Article 1079 of this Code, which they received or had the right to receive for their maintenance during his or her lifetime. In determining the amount of compensation for the damage caused to these persons, together with the salary (income) the pension and other similar payments received during the lifetime of the deceased shall also be included in the composition of his or her income.

2. In determining the amount of compensation for damage, the pensions awarded to the persons related to the breadwinner's death, and other types of pensions

awarded both before and after the breadwinner's death as well as the salary (income) and the stipend received by these persons shall not be counted towards the compensation for their damage.

3. The amount of compensation defined for each person, who has the right to compensation for the damage related to the death of the breadwinner, shall not be subject to recalculation, except for the following cases:

(1) the birth of a child after the death of the breadwinner;

(2) the assignment and termination of compensation payment to the persons engaged in the care of the children, grandchildren, brothers and sisters of the deceased breadwinner.

4. The amount of compensation may be increased by law or contract.

Article 1083. Subsequent change in the amount of compensation for damage

1. The injured person, who has partially lost his or her capacity to work, shall have the right at any time to require compensation for damage from the person who incurred the obligation of compensation, to require the respective increase in the amount thereof, if the injured person’s capacity to work has subsequently decreased due to the damage to the health as compared with the capacity to work which he or she had by the moment of being awarding the compensation for the damage.

2. A person who incurred the obligation of compensation for the damage caused to the health of the injured person shall have the right to require reduction of the amount of compensation, where the injured person’s capacity to work has increased as compared with that he or she had by the moment of awarding the compensation for the damage.

3. The injured person shall have the right to require increasing the amount of the compensation for damage where the person who incurred the obligation of compensation for the damage has improved his or her property status, whereas the amount of compensation has been reduced in accordance with Article 1076(3) of this Code.

4. The court, upon the request of the person who has caused the damage, may reduce the amount of compensation for damage, where his or her property status has worsened due to disability or attainment of the retirement age as compared with his or her status at the moment of awarding the compensation for damage, except for the cases where the damage was caused by deliberate actions.

Article 1084. Increase in the amount of compensation for damage related to the increased costs of living and increased minimum salary

1. In case of increase of the cost of living, the amount of compensation for damage to the life or health of an injured person shall be subject to indexation in the manner defined by law.

2. In case of increase of the minimum salary, the amount of compensation for lost salary (income) and other payments related to the damage to the health or the life of the injured person shall be increased proportionally to the increase of the minimum salary (Article 357).

Article 1085. Payments of compensation for damage

1. The compensation for damage related to the decrease in the capacity to work or the death of the injured person shall be made through monthly payments.

In case there are justifiable reasons, the court — taking into consideration the potential of the person causing the damage, upon the request of the citizen who

has the right to compensation for damage — may assign to him or her the due payments in a lump-sum, but not more than for three years.

2. Amounts for the compensation of additional expenses (Article 1078(1)) may be assigned for the future within the terms defined on the basis of a medical expert examination, as well as in case of necessity of preliminary payment for the value of respective services and property, including for the acquisition of a pass to a sanatorium, travel with special means of transport.

Article 1086. Compensation for damages in case of termination of the legal person

1. In case of the reorganisation of a legal person declared, in a prescribed manner, as liable for the damage caused to life or health, its legal successor shall bear the obligation to pay the respective compensation. Claims for the compensation for damage shall be submitted thereto.

2. In case of the liquidation of a legal person declared, in a prescribed manner, as liable for the damage caused to life or health, the respective payments shall be capitalized for their payment to the injured person as per the rules prescribed by law or other legal acts.

Other cases of capitalization of payments may be established by law or other legal acts.

Article 1087. Compensation for burial expenses

Persons liable for the damage related to the death of the injured person shall be obliged to compensate for the necessary burial expenses to the person who incurred these expenses.

The burial allowance received by citizens who incurred these expenses shall not be counted towards the compensation for the damages.

§ 2.1.PROCEDURE FOR AND CONDITIONS OF COMPENSATION FOR INTANGIBLE DAMAGE

(Title edited by HO-21-N of 19 May 2014)

Article 1087.1. Procedure for and conditions of compensation for the damage caused to honour, dignity or business reputation

1. The person whose honour, dignity or business reputation have been disgraced through insult or slander, may apply to court against the person having insulted or slandered.

2. Within the meaning of this Code, insult shall be deemed as a public statement made with the purpose of disgracing the honour, dignity or business reputation through speech, image, voice, sign or other means.

Within the meaning of this Code, public statement may not be deemed as an insult in the given situation and by virtue of its content where it is based on accurate facts (except for congenital disorders) or is conditioned by overriding public interest.

3. Within the meaning of this Code, slander shall be deemed as public communication of factual data (statement of fact) relating to a person, which do not correspond to the reality and disgrace the honour, dignity or business reputation thereof.

4. Under the cases on slander, the burden of proof in respect of the availability or absence of necessary factual circumstances shall lie with the defendant. It shall be transferred to the plaintiff, where the burden of proof requires from the defendant unreasonable actions or efforts, whereas the plaintiff possesses all the necessary evidence.

5. Public communication of factual data envisaged in part 3 of this Article shall not be deemed as slander where:

(1) they appeared in the statement made or evidence submitted during the pre-trial or trial proceedings by the participant of the proceedings with regard to circumstances of the case under examination;

(2) it is, in the given situation and by virtue of its content, conditioned by overriding public interest, and where the person having publicly communicated factual data proves that he or she has undertaken measures to a reasonable extent in order to ascertain the accuracy and justification thereof, and has submitted information in a balanced manner and in good-faith;

(3) it derives from the public speech or response of the slandered person or the representative thereof, or the documents communicated therefrom.

6. The person shall be exempt from the liability for insult or slander where the factual data expressed or communicated thereby constitute the literal or good-faith reproduction of information disseminated by a media agency, as well as of information contained in another person's public speech, official documents, other mass media or work of authorship, and in course of dissemination thereof a reference has been made to the source (author) of information.

7. In case of insult, the person may require through judicial procedure the application of one or several of the following measures:

(1) making public apology. The form of apology shall be defined by court;

(2) where the insult appeared in the information disseminated by an entity carrying out media activities, promulgation of the court judgement in full or partially through the given media. The manner for promulgation shall be defined by court;

(3) paying compensation in the amount of 1000-fold of the defined minimum salary.

8. In case of slander the person may require, through judicial procedure, the application of one or several of the following measures:

(1) where the slander appeared in the information disseminated by an entity carrying out media activities, public refutation of factual data considered as slander and/or publication of its response with regard thereto. The form of refutation and the response shall be approved by the court, guided by the Law of the Republic of Armenia "On mass media";

(2) paying compensation in the amount of 2000-fold of the defined minimum salary.

9. Where at the time of insulting or slandering a reference was not made to the source (author) of information or the source (author) information was unknown, or the entity carrying out media activities, availing of its right of not disclosing the source of information, does not reveal the author's name, the liability for compensation shall lie with the one having publicly communicated the insult or slander, and if it was communicated in the information disseminated by the entity carrying out media activities, the entity carrying out media activities.

10. The person may not benefit from the means of protection defined in points 7 and 8 of this Article, where he or she, before applying to court, has required refutation and/or publication of the response thereof as prescribed by the Law of the Republic of Armenia "On mass media", and the entity carrying out media activities has complied with that request.

11. When defining the amount of compensation established in points 7 and 8 of this Article, the court shall take into consideration the specific aspects of the specific case, including:

(1) the form and scope of dissemination of the insult or slander;

(2) the property status of the person having insulted or slandered.

In the cases envisaged in points 7 and 8 of this Article, when defining the amount of compensation, the court should not take into consideration the property damage caused due to the insult or slander.

12. Along with benefiting from the means of protection defined in points 7 and 8 of this Article, the person shall have the right to require, through judicial procedure, from the person having insulted or slandered him or her to compensate the property damage caused due to the insult or slander, including the reasonable judicial expenses and the reasonable expenses incurred for the restoration of violated rights.

13. Under the procedure established by this Article, a claim on the protection of right may be filed with the court within one month after the person has become aware of the insult or slander, but not later than within six months from the moment of the insult or slander.

(Article 1087.1 supplemented by HO-97-N of 18 May 2010)

Article 1087.2. Procedure for and conditions of compensation for intangible damage caused as a result of violation of fundamental rights and wrongful conviction

(Title amended by HO-184-N of 21 December 2015)

1. The manner, ground and size of compensation for intangible damage caused as a result of violation of fundamental rights and wrongful conviction shall be determined in accordance with this Article and Article 162.1 of this Code.

2. Intangible damage is subject to compensation irrespective of the property damage subject to compensation.

3. Intangible damage shall be subject to compensation irrespective of the existence of fault of an official while causing the damage.

4. Intangible damage shall be compensated at the expense of the state budget funds. If the fundamental right defined by Article 162.1 of this Code is violated by a local self government body or an official thereof, the intangible damage shall be compensated at the expense of the relevant community budget.

5. The size of compensation of intangible damage shall be determined by the court in compliance with the principles of reasonableness, equitableness and proportionality.

6. When determining the size of compensation of intangible damage, the court shall take into account the nature, degree and duration of physical or mental suffering, consequences of the damage caused, existence of fault while causing damage, personal characteristics of the person who suffered intangible damage, as well as other relevant circumstances.

7. The size of compensation may not exceed:

(1) 3000-fold of the minimum salary, in the cases of violating the rights envisaged by points 1 and 2 of Article 162.1(2) and 162.1(3);

(2) 2000-fold of the minimum salary, in the cases of violating the rights envisaged by points 3-9 of Article 162.1(2);

8. The size of compensation may — in exceptional cases — exceed the maximum threshold envisaged by part 7 of this Article, where grave consequences have been emerged as a result of the damage caused.

9. The claim for compensation of intangible damage may - together with the claim for confirming the violation of the right envisaged by article 162.1(2) of this Code - be submitted to the court within one year from the moment the person has become aware of the decision taken by the investigator or the prosecutor, which has not been abolished or appealed against on violation, as well as after entering into force the judicial act confirming the violation of that right, or after rejecting initiation of a criminal case on a non-acquittal ground, or not conducting criminal prosecution or dismissing proceedings of the criminal case or terminating criminal prosecution.

10. The Republic of Armenia or the community that has compensated for the damage caused as a result of the decision, action or omission of the state or local self-government body or the official thereof, has the right to recourse the claim (regress)

with regard to that person in the amount paid by it. The existence of the guilt of the official of the state or local self-government body shall serve as a ground for filing a recourse claim.

(Article 1087.2 supplemented by HO-21-N of 19 May 2014, amended, supplemented and edited by HO-184-N 21 December 2015, edited by HO-241-N of 16 December 2016)

§ 2.2. REDRESS FOR VICTIMS OF TORTURE

(Paragraph supplemented by HO-241-N of 16 December 2016)

Article 1087.3. Content, procedure and conditions for the redress for victims of torture

1. Within the meaning of this Code, victim of torture shall be deemed to be the person to whom severe physical pain or severe mental suffering has been inflicted intentionally by or at the instigation, upon the order or with knowledge of an official or other person having the right to act on behalf of a state body for the purpose of obtaining from that person or a third person information or confession or for punishing for an act which that person or a third person has committed or is suspected or accused of having committed, as well as for intimidating or coercing that person or a third person to act or abstain from acting or for any reason based on discrimination of any kind.

2. Redress provided to victims of torture includes compensation for material, intangible damages incurred by those persons and the right to rehabilitation.

3. The right of a victim of torture to rehabilitation includes the right to receiving reimbursement for medical aid and service, as well as access to free psychological and free legal services.

Psychological services shall be provided within a reasonable time limit after the supposed victim has submitted a statement on torture, taking into account the legitimate interests of the victim.

Psychological services shall be provided through methods of traditional and alternative intervention, taking into account the individual needs of the victim.

The details of the procedure, conditions and content for accessing psychological services shall be defined by a decision of the Government of the Republic of Armenia.

4. The victim of torture, and — in case he or she dies, is a minor or lacks active legal capacity — his or her parent, adopter, child, adoptee, spouse, guardian, curator shall have the right through judicial procedure to seek and obtain redress under the procedure and conditions defined by this Code.

5. Persons provided for in part 4 of this Article may submit to the court the request of the victim of torture for redress within one year following the entry into legal force of the indictment of the court on commission of the act provided for by Article 309.1 of the Criminal Code of the Republic of Armenia or within one year from the moment that person becomes aware of the decision taken by the investigator or the prosecutor, which has not been abolished or appealed against, on rejecting initiation of a criminal case, on a non-acquittal ground, for commission of the act provided for by Article 309.1 of the Criminal Code of the Republic of Armenia with respect to him or her or not conducting criminal prosecution or dismissing proceedings of the criminal case or terminating criminal prosecution.

In case when the fact of torture is established by a judicial act, having entered into force, of an international court acting with participation of the Republic of Armenia, the victim of torture or the persons provided for in part 4 of this Article shall — within

one year following the entry into force of that act — have the right to obtain redress inasmuch as not provided by the judicial act of the international court.

6. The amount of redress shall be defined by the court in accordance with the principles of reasonableness, equitableness and proportionality by including material and intangible damage, as well as the actual expenses reasonably and necessarily incurred for receiving medical aid and services.

7. The damage incurred by a victim of torture shall be redressed at the expense of the funds of the State Budget.

The Republic of Armenia which has paid redress for the damage inflicted as a consequence of the act of torture committed by or at the instigation, upon the order or with knowledge of an official or other person having the right to act on behalf of an official or state body shall have the right of regress to that person in the amount of the redress paid thereby.

8. Under each of the elements of redress provided for by this Article, the victim of torture may obtain redress for the damages incurred as a consequence of torture only once.

(Article 1087.3 supplemented by HO-241-N of 16 December 2016)

§ 3.COMPENSATION FOR DAMAGES CAUSED DUE TO DEFECTS IN GOODS, WORKS OR SERVICES

Article 1088 Grounds for compensation for damage caused due to defects in goods, works or services

1. Damage to the life, health or property of a citizen or damage to the property of a legal person due to the constructive, ingredient or other defects of goods, works or services, as well as due to the provision of unreliable or insufficiently reliable

information on goods, works or services shall be subject to compensation by the seller or the manufacturer of the goods, by the person who has performed the works or provided the services, regardless of their fault and of the fact of the injured person being in contractual relations therewith.

2. The rules provided for in this Article shall apply only in case of acquisition of goods (performance of works, provision of services) for the purposes of consumption but not for use within entrepreneurial activities.

Article 1089 Persons liable for the damage caused due to defects in goods, works or services

1. The damage caused due to the defects in goods shall be subject to compensation either by the seller or the manufacturer of goods, at the option of the injured person.

2. The damage caused due to the defects in works or services shall be subject to compensation by the person who has performed the works or provided the services (the executor).

3. The damage caused due to the failure to provide complete or reliable information on the goods (works, services) shall be subject to compensation by the persons referred to in points 1 and 2 of this Article.

Article 1090 Terms for the compensation for damage caused due to defects in goods, works or services

1. The damage caused due to the defects in goods, works or services shall be subject to compensation, where it has arisen prior to the expiration date of goods (works, services), and where the expiration date has not been defined, during ten years following the production of goods, performance of works or provision of services.

2. Regardless of its infliction period, the damage shall be subject to compensation where:

(1) the expiration date was not defined in violation of the requirements of law;

(2) the person to whom the good was sold, for whom the work was performed, or to whom the service was provided was not warned of the necessary actions before the lapse of the expiration date and the possible consequences of failure to take these actions.

Article 1091 Grounds for exemption from liability for damage caused due to defects in goods, works or services

A seller or manufacturer of goods, an executor of works or a provider of services shall be exempt from liability, where he or she proves that the damage has arisen due to the force majeure or the violation by the consumer of the rules for using the goods, works, services or for the maintenance thereof.

Article 1091[1]. Compensation for damage caused due to unfair advertisement

1. The damage caused due to unfair advertisement shall be subject to compensation by the advertiser, regardless of his or her fault.

2. The producer of the advertisement or the advertisement medium, which has compensated for the damage caused to another person due to unfair advertisement, shall have the right of regress in the amount of paid compensation, unless upon the request of the producer of the advertisement or advertisement medium, the advertiser has submitted documentary verification (patents, references) on the reliability of the information being submitted for the production of the advertisement.

3. The damage caused by unfair advertisement shall be incurred by the advertisement medium, unless it is impossible to find the advertiser.

(Article 10911 supplemented by HO-110-N of 21 February 2007)

CHAPTER 61

OBLIGATIONS ARISEN FROM UNJUST ENRICHMENT

Article 1092 Obligation to make restitution of unjust enrichment

1. A person who has acquired or retained property (acquirer) at the expense of another person (injured person), on the grounds not prescribed by law, other legal acts or a transaction, shall be obliged to return the unjustly acquired or retained property (unjust enrichment), except for the cases provided for in Article 1099 of this Code.

2. The rules of this Chapter shall apply, regardless of the fact whether the unjust enrichment is a consequence of the behaviour of the acquirer, the injured person, third persons or has occurred regardless of their will.

Article 1093 Correlation of claims for restitution of unjust enrichment with other claims for civil rights protection

Unless otherwise provided for by this Code, other laws or other legal acts and unless otherwise follows from the essence of relevant relationships, the rules provided for in this Chapter shall also be subject to application to the following:

(1) claims in restitution for performance under an invalid transaction;

(2) claims in reclamation of property by its owner from another's illegal possession;

(3) claims of one party in the obligation to the other party for the restitution for fulfilment related to such obligation;

Article 1094 Restitution of unjust enrichment in kind

1. The acquirer of the property which is the subject of unjust enrichment shall make restitution of such property in kind.

2. The acquirer shall bear liability against the injured person for each and every accidental loss, shortage or worsening of the property, the subject of unjust enrichment or retainment, after he or she has learned or should have learned about his or her enrichment being unjust.

Up to that moment, he or she shall be liable only in cases of demonstrating deliberation or gross negligence.

Article 1095 Compensation for the value of unjust enrichment

1. Where it is impossible to make in kind restitution of the property acquired through unjust enrichment or retainment, the acquirer shall compensate to the injured person for the actual value of this property at the time of its acquisition, as well as for the damages arisen due to the subsequent changes in the value of the property, where the acquirer failed to compensate the value of the property immediately after he or she had learned about unjust enrichment.

2. A person who has temporarily used the property of another person unjustly, without intention to acquire it, or has used the services of another person, shall

restitute to the injured person what he or she has retained at the price existing in the place it occurred.

Article 1096 The consequences of unjustified transfer of the right to another person

A person who has transferred the right belonging to him or her by way of surrender or in any other way to another person on the basis of a non-existent or invalid obligation shall have the right to require restoration of the former position, including the return to him or her of the documents certifying the transferred right.

Article 1097 Compensation of income received by the unjustly enriched person to the injured person

1. The person who has unjustly received or retained property shall be obliged to return or to compensate to the injured person all the income which he has received or could have received from this property starting from the day when he or she has learned or should have learned about the enrichment being unjust.

2. Interest for the use of monetary means of another person (Article 411) shall be subject to accruals for the sum of unjust monetary enrichment starting from the day when the acquirer has learned or should have learned about the receipt or saving of monetary means being unjust.

Article 1098 Compensation for expenses on property subject to restitution

When making restitution of property unjustly acquired or retained (Article 1094) or when compensating for the value thereof (Article 1095), the acquirer shall have the right to require from the injured person to compensate for the expenses necessary for the maintenance and safekeeping of the property starting from the day

from which he or she was obliged to return the income (Article 1097), by setting off of the received benefit.

The right to compensation for expenses shall be eliminated in case the acquirer deliberately retains the property subject to restitution.

Article 1099 Unjust enrichment not subject to restitution

The following shall not be subject to restitution as unjust enrichment:

(1) property given for fulfilment of the obligations before the onset of the time for their fulfilment, unless otherwise provided for by the obligation;

(2) property given for fulfilment of the obligation after the expiry of the statute of limitation;

(3) salary and payments equated therewith, pensions, stipends, allowances, compensation for damage caused to life or health, alimony and other monetary amounts given to the citizen as means of subsistence in the absence of bad faith on his or her part;

(4) monetary amounts and other property given for fulfilment of a non-existent obligation, where the acquirer proves that the person having required restitution of the property has known about the absence of such obligation or has provided the property for charity purposes.

TENTH SECTION

INTELLECTUAL PROPERTY

CHAPTER 62

GENERAL PROVISIONS

Article 1100 Objects of intellectual property

1. Objects of intellectual property shall be deemed to be the results of intellectual activity and the means of identification of the participants of civil circulation, goods, works or services.

2. The results of intellectual activity shall be as follows:

(1) scientific, literary and art works;

(2) performances, sound recordings (phonograms) and programmes of broadcasting organisations;

(3) inventions, utility models, industrial designs;

(4) selection achievements;

(5) integrated circuit topographies;

(6) undisclosed information including production secrets (know-how).

3. Means of identification of the participants of civil circulation, goods, works or services shall be as follows:

(1) trade names;

(2) trademarks (service marks);

(3) geographical indications, appellation of origin and traditional speciality guaranteed;

4. In the cases provided for by this Code and other laws, other results of intellectual activity and other means of identification of the participants of civil circulation, goods and services may also be considered as objects of intellectual property.

(Article 1100 edited by HO-413-N of 25 September 2002, HO-61-N of 29 April 2010)

Article 1101 Grounds for arising of the rights over the objects of intellectual property

1. Rights over the object of intellectual property shall arise by virtue of the creation thereof or as a result of granting legal protection to these objects by a state authorised body in the cases and under the procedure provided for by this Code or other laws.

2. The conditions for granting legal protection to undisclosed information shall be prescribed by law.

Article 1102 Personal non-property and property rights over the objects of intellectual property

1. Personal non-property and property rights over the results of intellectual activity shall be vested with the author of these results.

2. Personal non-property rights shall be vested with the author, regardless of the property rights thereof and shall be retained while his or her property rights over the results of intellectual activity are transferred to another person.

Article 1103. Right of authorship

1. The right of the author over the result of intellectual activity (right of authorship) shall be deemed to be a personal non-property right and may be vested only with the person through the creative work whereof the result of intellectual activity was created.

2. Right of authorship shall be unalienable and non-transferable and shall be effective for an unlimited term.

3. 3. Where the result has been created by joint creative work of two or more persons, they shall be considered as co-authors.

Article 1104. Exclusive rights over the objects of intellectual property

1. The possessor of property rights over the results of intellectual activity or means of identification of the participants of civil circulation, goods and services (hereinafter referred to as "the identification means") shall have the exclusive right to lawful use of that object of intellectual property in any form and manner at his or her discretion.

2. The use of such objects of intellectual property by other persons, the exclusive right to which is vested with the rightholder thereof, shall be permitted only with the consent of the latter, unless otherwise provided for by law.

3. The possessor of the exclusive right to the object of intellectual property shall have the right to pass this right to another person in whole or in part, to permit the latter to use or dispose of this object, where this does not contradict the rules of this Code and other laws.

4. Restrictions on exclusive rights, including by way of granting the right to use the object of intellectual property to other persons, declaration of these rights as invalid and the termination (or revocation) thereof shall be permitted in the cases, within limits and under the procedure provided for by this Code and other laws, provided

that they do not undermine the normal use of objects of intellectual property and do not entail unjustified infringement of the rights of authors, taking into account the legitimate interests of third persons.

(Article 1104 supplemented by HO-29 of 7 February 2000)

Article 1105 Transfer of the rights over the object of intellectual property to another person

1. The possessor of exclusive rights over the object of intellectual property may transfer property rights vested therewith to another person in whole or in part under a contract.

Property rights may be transferred to another person heritably by way of universal legal succession or as a result of reorganisation of the rightholder legal person, unless otherwise provided for by this Code or other laws.

2. The transfer of property rights under a contract or the transfer thereof by way of universal legal succession shall not result in the transfer of or restriction on the right of authorship and other inalienable and non-transferable personal non-property rights.

The terms of a contract on transfer of or restriction on such rights shall be null and void, except for the case provided for in this Code.

3. Exclusive rights transferred under a contract must be determined thereby.

The rights not indicated in the contract as alienated shall be considered as not transferred, unless otherwise proved.

(Title edited by HO-270 of 4 December 2001)

(Article 1105 amended, supplemented by HO-270 of 4 December 2001)

Article 1106. Licensing contract

1. Under a licensing contract, the party having an exclusive right to a result of intellectual activity or identification means (the licensor) shall permit the other party (the licensee) to use the respective object of intellectual property.

2. A licensing contract shall be considered as non-gratuitous.

The amount of remuneration and/or the procedure for determining it and the terms for the payment thereof must be prescribed in the licensing contract.

3. The licensing contract must define the rights to be granted, the extent and terms for the use thereof.

4. Under the licensing contract, the licensee may be granted:

(1) the right to use the object of intellectual property by retaining the right of the licensor to use it and to grant permission to other persons (a simple, non-exclusive licence);

(2) the right to use the object of intellectual property by retaining the right of the licensor to use it, but without the right of granting permission to other persons (a single licence);

(3) the right to use an object of intellectual property without the right of the licensor to use it and grant permission to other persons (exclusive licence);.

(4) other types of licences permitted by law.

Unless otherwise provided for by the licensing contract, a licence shall be considered as simple (non-exclusive).

5. A contract on the granting by the licensee of the right to use an object of intellectual property to another person shall be considered as a sublicensing contract.

The licensee shall have the right to conclude a sublicensing contract only in the cases provided for by the licensing contract.

The licensee shall be held liable before the licensor for the actions of the sub-licensee, unless otherwise provided for by the licensing contract.

(Article 1106 amended, edited and supplemented by HO-61-N of 29 April 2010)

Article 1107 Contract for the creation and use of the results of intellectual activity

1. An author may undertake an obligation to create in the future a work, invention, or other result of intellectual activity and to grant the customer not deemed to be the employer thereof exclusive right to use this result.

2. The contract provided for in point 1 of this Article must define the nature of the result of intellectual activity to be created, as well as the purposes or means of the use thereof.

3. A contract obliging an author to grant to another person the exclusive right to use any result of intellectual activity to be created by the author in the future shall be considered as null and void.

4. The terms of a contract restricting the rights of an author to create in the future results of intellectual activity of a certain type or in a certain field shall be considered as null and void.

Article 1108 Exclusive right and right of ownership

The exclusive right to the result of intellectual activity or identification means shall exist independently of the right of ownership over the material object wherein such result or identification means is expressed.

Article 1109 Validity period of the exclusive right

The exclusive right to the object of intellectual property shall be effective within the term provided for by this Code or other laws.

Article 1110. Means of protection of exclusive rights

1. Protection of exclusive rights shall be carried out by the means provided for by Article 14 of this Code.

Protection of exclusive rights may be carried out also by:

(1) seizure of material objects having served as a ground for violation of exclusive rights and created as a result of such violation;

(2) obligatory publication on the committed violation, by including therein information as to who is vested with the violated right, as well as obligatory publication, in whole or in part, of the court judgment on the committed violation at the account of the offender and in the mass media — operating in the Republic of Armenia — indicated by the rightholder.

(3) other ways provided for by law.

2. In case of breach of contracts on the use of results of intellectual activity and identification means, the general rules on liability for breach of obligations (Chapter 26) shall apply.

(Article 1110 supplemented by HO-143-N of 15 June 2006)

CHAPTER 63

COPYRIGHT

Article 1111 Objects of copyright

1. Copyright shall extend to works of science, literature and art considered as a result of creative activity, regardless of the significance and merits of work, as well as ways of the expression thereof.

2. The work must be expressed orally, in writing or in other objective form enabling the possibility of the perception thereof.

3. A work in written form or otherwise expressed in tangible media (manuscript, typescript, musical notation, fixed with the help of technical means, including expressed by sound or video recording, fixed on an image in two dimensional or volume-spatial form, etc.) shall be considered as having objective form, regardless of its accessibility by third persons.

4. An oral work or other work not expressed in any tangible media shall be considered as having objective form where it has become accessible for perception by third persons (public speaking, public performance, etc.).

5. Copyright shall extend to both published and unpublished works.

6. Copyright shall not extend to scientific inventions, ideas, principles, methods, procedures, point of views, systems, protocols, scientific theories, mathematic formulas, statistical diagrams, rules of games, even if they are expressed, described, disclosed, elucidated in the works.

(Article 1111 edited by HO-143-N of 15 June 2006)

Article 1112 Types of objects of copyright

Objects of copyright shall be as follows:

(1) literary works (literary and artistic, scientific, educational, publicist, etc);

(2) dramatic and scenario works;

(3) musical compositions with or without words;

(4) musical-dramatic works;

(5) choreographic works and pantomimes;

(6) audiovisual works (motion picture, television, and video films, slide films, transparency films and other motion picture, television and video works), radio works;

(7) works of painting, sculpture, graphics, design and other works of fine art;

(8) works of decorative and applied art and stage-setting art;

(9) works of architecture, urban development, as well as garden and park art;

(10) photographic works and works made through methods similar to photography;

(11) geographic, geologic and other maps, plans, sketches and plastic works related to geography, topography and other sciences;

(12) software;

(13) fonts;

(14) other works meeting the requirements prescribed by Article 1111 of this Code.

(Article 1112 edited by HO-143-N of 15 June 2006)

Article 1113. Parts of a work and derivative works

1. Objects of copyright shall be deemed to be the parts of works, the names thereof, and derivative works meeting the requirements prescribed by Article 1111 of this Code.

2. Derivative works shall be as follows:

(1) adaptations of other works (re-workings, annotations, papers, summaries, theories, staging, arrangements, and other similar scientific, literary and artistic works);

(2) translations;

(3) collections (encyclopaedias, anthologies), databases and other compiled works which as of the selection or distribution of materials constitute the result of creative work.

3. Derivative works shall be protected by copyright, regardless of whether or not the works upon which they are based or which they include are objects of copyright.

(Article 1113 amended by HO-143-N of 15 June 2006)

Article 1114. Works not considered as objects of copyright

The following shall not be considered as objects of copyright:

(1) official documents (laws, decisions, judgment, etc.), as well as the official translations thereof;

(2) official symbols and signs (flags, coat of arms, orders, medals, currency, etc.);

(3) folklore and works of art;

(4) ordinary communications on daily news or current events having the nature of press information;

(5) results received with the help of technical means without human creative activity;

(6) political speeches, speeches uttered during judicial procedure;

(Article 1114 edited and supplemented by HO-143-N of 15 June 2006)

Article 1115 Rights over draft official documents, symbols and signs

1. The right of authorship over draft official documents, symbols, or signs shall be vested with the person (drafter) having created the draft.

2. Drafters of official documents, symbols and signs shall have the right to publish the draft, where the body assigning development of the draft does not prohibit it.

Drafters shall have the right to indicate their names when publishing the draft.

3. For the purpose of preparing an official document, the competent body may use the draft without the consent of the drafter, where the draft has been published or sent to a relevant body by the drafter.

4. When preparing official documents, symbols and signs on the basis of the draft, supplements and amendments may be made to the draft at the discretion of the body preparing the official document, symbol, or sign.

5. In case of approval of the draft by the competent body, it may be used without indication of the name of the drafter.

Article 1116 Arising of copyright

Presumption of authorship

1. Copyright to scientific, literary or artistic works shall arise by virtue of the fact of the creation thereof.

Neither registration of the work nor any other formality shall be required for the arising of copyright.

2. An author shall be considered as a person, whose name, as an author, is indicated on the work, or whose name, as an author, is indicated when publishing the work, or whose name, as an author, is indicated on the copy of the work deposited within relevant organisation managing property rights on a collective basis or within notary or within other organisation empowered by law, as long as the opposite has not been proved.

This provision shall apply also in the cases where this name is a fictitious name and the personality of an author acting under a fictitious name is beyond doubt.

3. When making a work public anonymously or under a fictitious name (except for the case when the fictitious name of the author is beyond doubt as to the identity thereof), the publisher, the name or title whereof is indicated on the work, in case of absence of other evidence, shall be considered as the representative of the author and shall have the right to protect the rights of the author and ensure the exercise thereof.

This provision shall be effective in so far as the author of such work discloses his or her identity and declares about the authorship thereof.

(Article 1116 edited and amended by HO-143-N of 15 June 2006)

Article 1117 Co-authorship

1. The copyright to a work created by the joint creative activity of two or more citizens shall be vested with the co-authors jointly, regardless of whether such work constitutes an integral whole or consists of parts each whereof also has an independent significance.

2. An individual part of a work shall be considered to have independent significance where it may be used independently from other parts of the work.

3. Each of the co-authors shall have the right to use at his or her discretion the part of the work, which is created thereby and has an independent significance, unless otherwise provided for by a contract concluded between them.

4. Relations between co-authors shall be defined by a contract concluded between them.

In case of absence of a contract, the co-authors shall exercise the copyright to the work jointly, whereas the income shall be distributed between them equally.

5. Where the work of co-authors constitutes an integral whole, neither one of the co-authors shall have the right to forbid without sufficient grounds the use of the work by other co-authors.

(Article 1117 amended, edited and supplemented by HO-143-N of 15 June 2006)

Article 1118 Authors of derivative works

1. Authors of derivative works — that is the translators, the ones compiling collections and other compiled works — shall be deemed to be the persons having revised the works of other persons

2. The author of a derivative work shall enjoy the copyright to such work under the condition of retaining the right of the author of the work that has been revised, translated and included in a compiled work.

3. The copyright of the creators of derivative works shall not prevent other persons from creating their own derivative works based on already used works, where the condition of point 2 of this Article is fulfilled.

(Article 1118 supplemented by HO-143-N of 15 June 2006)

Article 1119. Rights of persons organising the creation of works

1. Persons organising the creation of works (publishers of encyclopaedias, film makers, producers, etc.) shall not be considered as authors of relevant works.

However, in the cases prescribed by this Code or other laws, such persons shall acquire exclusive rights over the use of such works.

2. Publishers of encyclopaedias, encyclopaedic dictionaries, periodical or continuing collections of scientific works, newspapers, magazines, and other periodical publications shall have the exclusive right to use such publications.

In case of any use of such publication, the publisher shall have the right to indicate or require indicating his or her name.

The authors of works included in such publications shall retain the exclusive rights to use their works, regardless of the fact of their publication in whole, unless otherwise provided for by the contract on the creation of work.

Article 1120. Copyright protection sign

1. The possessor of exclusive property rights may, for the purpose of notification of the rights thereof, use the copyright protection sign which shall be placed on the original copy or each copy of the work and shall consist of the following:

(1) the Latin letter "C" framed in a circle;

(2) the name (or title) of the possessor of the exclusive copyright;

(3) the year of first publication of the work.

2. The rightholder shall be deemed to be the person indicated in the copyright protection sign, unless proved otherwise.

(Title amended by HO-143-N of 15 June 2006)

(Article 1120 amended by HO-143-N of 15 June 2006).

Article 1121 Personal non-property rights of the author

1. Personal non-property rights of an author shall ensure the intellectual and personal ties thereof over the work.

2. The author shall be vested with the following personal non-property rights over the work:

(1) the right to be declared as the author of the work (right of authorship);

(2) the right to use or permit such use of the work under his or her name, fictitious name, or anonymously (right to the author's name);

(3) the right to protect the work from possible distortions, amendments or other encroachments impairing reputation or dignity of the author (right of an author to reputation and dignity);

(4) the right of initial publication in any form of the work or reservation of that right to another person (right to publication);

(5) the right to renounce a previously taken decision on publication of the work (right to recall) under the condition of compensating the damages (including lost benefit) caused, as a result thereof, to the persons having the right to use the work.

Where the work has already been published, the author shall be obliged to give a public notice with regard to the recall thereof.

Moreover, he or she shall have the right to remove from circulation the copies of the previously prepared work by covering necessary expenses.

The provisions of this point shall not extend to software, audiovisual works, databases, as well as official works, unless otherwise provided for by the contract concluded between the author and the employer.

3. Personal non-property rights shall be considered as inalienable and non-transferable and shall be retained for an unlimited term, except for the right to recall, which shall be effective only during the lifetime of the author.

(Article 1121 edited by HO-270 of 4 December 2001, HO-143-N of 15 June 2006)

Article 1122 Right of inviolability of the work

(Article repealed by HO-143-N of 15 June 2006)

Article 1123. Right to publish the work

(Article repealed by HO-143-N of 15 June 2006)

Article 1124. Right of the author to use the work

1. The author shall have the exclusive right to use his or her work in any form and manner, as well as permit or prohibit third persons to use it, in particular:

(1) reproduction of the work (right to reproduction);

(2) dissemination of the work (right to dissemination);

(3) leasing the original copy or the copies of the work (right to lease)

(4) borrowing of the original copy or the copies of work (right to borrowing);

(5) translation of the work (right to translation);

(6) adaptation, rearrangement, illustration, adjustment and alteration by other means (right to alteration);

(7) communication of the work to the public (right to communication to the public);

(8) public performance of the work (right to public performance);

(9) public display of the work (right to public display);

(10) broadcasting of the work (right to broadcast);

(11) simultaneous or future rebroadcasting of the work (right to rebroadcast)

(12) communication of the work by wire or similar means (right to communication by wire);

(13) use by means and ways not contradicting the legislation of the Republic of Armenia.

2. ***(point repealed by HO-143-N of 15 June 2006)***

3. Reproduction shall be considered as the direct or indirect, temporary or permanent fixation of a work on any media, by any means and ways, in whole or in part.

4. Dissemination shall be considered as putting the original copy of the work or the copies thereof into circulation by sales or other means of transfer of the right of ownership, as well as the importation thereof.

5. Where the copies of the work are alienated as prescribed by law, further dissemination thereof shall be permitted without the consent of the author and without the payment of remuneration, except for the cases provided for by law.

6. The work shall be considered as used, regardless of whether it has been used for the purpose of making profit, or without seeking that purpose.

7. The practical use of the provisions constituting the content of the work (inventions, other technical, economic, organisational and other decisions) shall not be use of a work from the perspective of copyright.

(Article 1124 supplemented and amended by HO-29 of 7 February 2000, edited and amended by HO-143-N of 15 June 2006)

Article 1125. Disposition of the right to use the work

1. The author or another rightholder may, by a contract, including the contract concluded at public auctions, transfer to another person all of his or her rights of using the work (alienation of the right to use).

2. The right to use the work shall be transferred by way of universal legal succession (point 1 of Article 1105).

3. The rightholder may transfer to another person a permit (a licence) for using the work to a certain extent.

Permission shall be required for the use of the work both in its preliminary and revised form, including as a translation, arrangement, etc.

4. For each way of using the work, special permission of the rightholder shall be required (point 2 of Article 1105).

Article 1126. Special right of the author to a work of fine art

1. The author of a work of fine art shall have the right to require from the owner of the original copy or a copy of the work to grant thereto a possibility of exercising his or her right to reproduction or revision, unless the legitimate interests of the owner are infringed.

Moreover, the owner shall not be obliged to deliver the work to the location of the author.

When providing such opportunity, the owner may require from the author a pledge or another security in the amount of the market price of the original copy or a copy of the work.

The costs necessary for availing of the mentioned right shall be covered by the author who shall also be responsible for any damage caused to the original copy or a copy of the work.

2. The author of the work of fine art shall avail of the inalienable right to be informed about the sale by the owner or through an auction house, gallery, art hall, store or other agent of the original copy of the work of fine art alienated thereby and to receive from the seller five percent of the price of every resale (right to receive remuneration from resale).

(Article 1126 edited by HO-143-N of 15 June 2006)

Article 1127. Restrictions on property rights

1. Restrictions on property rights shall apply, provided that they do not unreasonably undermine the regular use of the work and do not infringe the legitimate interests of the author.

2. Restrictions on the right of the author to use the work and on property rights of other persons shall be permitted only in the cases provided for by law.

(Article 1127 amended by HO-143-N of 15 June 2006)

Article 1128 Copyright to an official work

1. ***(point repealed by HO-143-N of 15 June 2006)***

2. In case of creating a work by an employee in the course of performing official assignments or official duties, the employer shall be considered as the rightholder of the property rights over this work, unless otherwise provided for by the contract concluded between the author and the employer.

The contract concluded between the author and the employer may provide for remuneration for the author for each form of using the official work, a calculation and payment procedure therefor and contain other conditions on the use of the work.

3. The provisions of this Article shall not extend to encyclopaedias, encyclopaedic dictionaries, scientific works, periodical or continuous collections, newspapers, magazines and other periodical publications created in the course of performing official assignments or duties.

4. ***(point 4 repealed by HO-270 of 4 December 2001)***

(Article 1128 amended by HO-270 of 4 December 2001, amended and edited by HO-143-N of 15 June 2006)

Article 1129 Effect of copyright in the territory of the Republic of Armenia

1. The provisions of this Code shall apply to works of the authors or to performances of the performers holding citizenship of the Republic of Armenia, irrespective of the place of creation or publication of the given work.

2. The provisions of this Law shall apply to works of the authors or to performances of the performers not holding citizenship of the Republic of Armenia, but the works or performances thereof have been published for the first time in the Republic of Armenia, where the author or the performer is a person permanently residing in the territory of the Republic of Armenia.

The work shall be also considered as having been published for the first time in the territory of the Republic of Armenia, where within 30 days after being published for the first time in the territory of another State it is published in the territory of the Republic of Armenia.

3. The provisions of this Law shall also apply to sound recordings the producers whereof hold citizenship of the Republic of Armenia or are persons permanently residing in the territory of the Republic of Armenia.

The provisions of point 2 of this Article shall apply to the sound recordings of a foreign producer of sound recordings.

4. Provisions of point 3 of this Article shall apply respectively to films, radio and television programmes, publications of previously unpublished works, as well as databases.

(Article 1129 edited by HO-143-N of 15 June 2006)

Article 1130 Beginning of effect of copyright

1. Copyright to a work shall take effect from the moment the work is given an objective form accessible for perception by third persons, regardless of its publication.

Copyright to an oral work shall have effect from the moment of the communication thereof to third persons.

2. Where the effect of Article 1129 of this Code does not extend to a work, the copyright to such work shall be protected from the moment of first publication of the work, if it has been carried out in the Republic of Armenia.

Article 1131 Validity period of property rights

1. Property rights of an author shall have effect during the lifetime of the author and shall continue to have effect for 70 years after his or her death.

2. Property rights over the work created under co-authorship shall have effect during the life period of the co-authors and shall continue to have effect for 70 years after the death of the last survived co-author.

3. In case of the works created under fictitious name or anonymously, property rights of the author shall arise from the moment the work legally becomes accessible to the public and shall have effect for 70 years.

Where the identity of the author of the work created under fictitious name or anonymously is disclosed within the mentioned term, the terms referred to in part 1 of this Article shall apply.

4. The terms referred to in this Article shall be calculated from 1 January of the year following the corresponding indicated event.

(Article 1131 amended by HO-29 of 7 February 2000, edited by HO-143-N of 15 June 2006)

Article 1132 Turning the work into a public domain

1. Upon the expiration of the validity period of property rights over the work it shall turn into the public domain.

The works having never been protected in the territory of the Republic of Armenia shall fall under the public domain.

2. Works falling under public domain may be used freely by any person without paying an author's remuneration.

Moreover, the right of authorship, the right to name, and the right to reputation and dignity of the author must be retained, except for the cases provided for by law.

(Article 1132 amended by HO-29 of 7 February 2000, supplemented by HO-270 of 4 December 2001, amended by HO-143-N of 15 June 2006)

Article 1133 Succession and transfer of copyright

1. The copyright shall be transferred by succession.

2. The right of authorship, the right to name, and the right to reputation and dignity, the right to recall shall not be transferred by succession.

3. The heirs of the author shall be entitled to exercise the right of authorship, the right to name, and the right to reputation and dignity without any term limitation.

In case of absence of heirs, the protection of the mentioned rights shall be carried out by the authorised body of the Government of the Republic of Armenia.

4. The property rights of an author may be transferred (conceded) to another person under a contract concluded between the latter and the author, his or her heirs or their future legal successors.

5. Property rights may be transferred to another person as a result of reorganisation of a rightholder legal person.

(Article 1133 edited by HO-143-N of 15 June 2006)

Article 1134. Permission for using the work

Authorship contract

1. Other persons may use the work only with the permission of a person bearing property rights over the work (author of the work or another person whereto such rights have been reserved as prescribed by law; hereinafter referred to as "the rightholder") based on the authorship contract, unless otherwise provided for by this Law.

2. The authorship contract which regulates the relations between the rightholder and a person having received permission to use the work (hereinafter referred to as "the user") shall be refundable, and may be exclusive or non-exclusive.

3. The rightholder shall, under a non-exclusive authorship contract, provide the user with the right to use the work within a certain term and to the extent mentioned in the contract by retaining the exclusive rights over the work, including the right to grant permission to other persons to use the work.

4. The rightholder shall, under an exclusive authorship contract, transfer to the user the exclusive right to use the work within a certain term and to a certain extent by retaining the right to use the work as to the extent provided for by the contract.

In this case, the right to prohibit the use of the work by other persons may be exercised by the rightholder, unless it is exercised by the user.

5. The rights transferred under an authorship contract shall be considered as non-exclusive, unless otherwise provided for by the contract.

6. The terms of the contract restricting the rights of the author to create a work in the future shall be considered as null and void.

7. The rights to use a work unknown at the time of concluding a contract may not constitute a subject of the authorship contract.

(Article 1134 edited by HO-143-N of 15 June 2006)

Article 1135. Terms and forms of an authorship contract

1. The volume of rights to be transferred, ways of using the work, the term for transferring the right to use and the amount of remuneration, the procedure for determining the amount of remuneration, the term of and the procedure for remuneration, as well as other conditions that the parties will consider as significant, shall be indicated in the authorship contract.

2. In the authorship contract, remuneration shall be determined as a percentage of income received from the relevant use of work, whereas in case of impossibility thereof conditioned by the nature of the work — in a form of certain amount fixed in the contract or in another way acceptable for the parties.

The minimum rates for author's remuneration shall be established by the Government of the Republic of Armenia.

3. In case of absence in the authorship contract of the condition relating to the territory (within the boundaries whereof the right to use the work has effect), the effect of the contract shall be limited to the territory of the Republic of Armenia.

4. All other rights not provided for in the authorship contract shall be retained in favour of the rightholder.

5. The authorship contract shall have effect within the term indicated in this contract, but shall terminate upon the expiry of term of validity of property rights.

In case of absence of the condition on the term in the licensing contract, the defined term of validity thereof shall be deemed to be five years.

6. Each party of a contract may transfer the rights — transferred under the authorship contract — in whole or in part to other persons only in case of being directly envisaged in the contract.

7. The terms of the authorship contract, which contradict the provisions of this Law or restrict the rights of the author to create a work in the future in a certain field or of a certain type, shall be considered as null and void.

8. An authorship contract shall be concluded in writing.

(Article 1135 edited by HO-143-N of 15 June 2006)

Article 1136 Liability under the authorship contract

1. The party having failed to fulfil or having improperly fulfilled the obligations under the authorship contract shall be obliged to compensate the damages caused to the other party, including the lost benefit.

2. Where the author has failed to submit the ordered work in compliance with the terms of the contract of the order, he or she shall be obliged to compensate the actual damage caused to the customer.

Article 1137 Liability for use of the work without permission

1. The person using the work without the permission of the rightholder shall be obliged to compensate to the rightholder the damages incurred thereby.

2. Upon the request of the rightholder, the following may be paid thereto:

(a) compensation in the double amount of royalties or remuneration, which the rightholder would receive if the offender would have permission to use the object of copyright, or

(b) compensation equivalent to the actual damages caused as a result of violation, including lost benefit.

(Article 1137 edited by HO-143-N of 15 June 2006)

Article 1138 Legal regulation of authorship relations

Authorship relations shall be regulated by this Code and the Law of the Republic of Armenia "On copyright and related rights".

The Law of the Republic of Armenia "On copyright and related rights" shall apply to the relations not regulated by this Chapter.

CHAPTER 64

RELATED RIGHTS

Article 1139 Objects of related rights

Related rights shall extend to performances, sound recordings, film recordings, programmes of broadcasting organisations, content of databases, publishing designs.

No formalities shall be required for the arising and exercise of related rights.

(Article 1139 supplemented by HO-29 of 7 February 2000, edited by HO-143-N of 15 June 2006)

Article 1140. Subjects of related rights

1. The subjects of related rights shall be deemed to be the performers, the producers of sound recordings, the producers of first recording of films, broadcasting organisations, developers of databases and publishers.

2. The right to performance shall be vested with the performer.

3. The right to sound recording shall be vested with the producer of sound recording.

4. The right to film recording shall be vested with the producer of first recording of films.

5. The right to programme of a broadcasting organisation shall be vested with the given broadcasting organisation.

6. The right to the content of database shall be vested with the developer of the database.

7. The right to publishing design shall be vested with the publisher.

8. The rights referred to in points 2-7 of this Article may be transferred to another person by way of universal legal succession by succession or by virtue of the right of reorganisation of the rightholder legal person or by a contract.

(Article 1140 amended by HO-29 of 7 February 2000, edited by HO-143-N of 15 June 2006)

Article 1141 Protection sign of the rights of the producer of sound recording

For the purpose of notification on the related rights of producers of sound recording, the protection sign of related rights may be placed on each copy of the recording media or on each box containing it, which shall consist of:

(1) the Latin letter "P" framed in a circle;

(2) the name or title of the rightholder of related rights;

(3) the year of first release of a sound recording.

(Article 1141 amended by HO-29 of 7 February 2000, edited by HO-143-N of 15 June 2006)

Article 1142. Validity term of related rights

1. The property rights of a performer shall arise from the moment of the performance thereof and shall have effect for 50 years.

Where within this time period the recording of the performance has been legally released or made accessible to the public, the rights of the performer shall arise from the moment of such first release or of being made accessible to the public (which occurred earlier) for the first time and shall have effect for 50 years.

2. The property rights of the producer of a sound recording shall arise from the moment of recording and shall have effect for 50 years.

Where, within this time period, the sound recording has been legally released or made accessible to the public, the rights of the producer of sound recording shall arise from the moment of such first release or of being made accessible to the public (which has been carried out earlier) for the first time and shall have effect for 50 years.

3. The property rights of the producer of the first recording of films shall arise from the moment of recording and shall have effect for 50 years.

Where, within this time period, the film has been legally released or made accessible to the public, the rights of the producer of film shall arise from the moment of such first release or of being made accessible to the public (which has been carried out earlier) and shall have effect for 50 years.

4. Property rights of the broadcasting organisation over a programme shall arise from the moment of first broadcast and shall have effect for 50 years.

5. The right of a publisher shall arise from the moment of publication of the creation and shall have effect for 50 years.

6. The rights of a developer of databases shall arise from the moment of completing the development of the database and shall have effect for 15 years.

Where the database has been made accessible to the public by any way until the expiry of the mentioned term, the term for the protection of property rights of a developer of databases shall be calculated from the moment the database was made accessible to the public for the first time.

7. The terms referred to in this Article shall be calculated from 1 January of the year following the corresponding indicated event.

(Article 1142 amended and supplemented by HO-29 of 7 February 2000, edited by HO-143-N of 15 June 2006)

Article 1143 Legal regulation of relations pertaining to related rights

Relations pertaining to related rights shall be regulated by this Code and the Law of the Republic of Armenia "On copyright and related rights".

The Law of the Republic of Armenia "On copyright and related rights" shall apply to the relations not regulated by this Chapter.

(Article 1143 amended by HO-143-N of 15 June 2006).

CHAPTER 65

RIGHT TO AN INVENTION, UTILITY MODEL, INDUSTRIAL DESIGN

Article 1144 Conditions on legal protection of an invention, utility model, industrial design

1. The rights to an invention, utility model, and industrial design shall be protected in case a patent has been issued.

2. Legal protection shall be granted to the following — applicable in industry:

(1) invention, which is new and is at an inventive level;

(2) utility model considered as the structural performance of production means and consumer items;

(3) an industrial design defining the external appearance of the product and considered as a new, original and artistic-design solution.

3. Requirements for invention, utility model, industrial design, in case of which the right to receive a patent arises, as well as the procedure for issuing a patent by an authorised body shall be established by the Law of the Republic of Armenia "On inventions, utility models, industrial models".

The Law of the Republic of Armenia "On inventions, utility models, industrial models" shall apply to the relations pertaining to legal protection of invention, utility model, industrial design and not regulated by this Chapter.

(Article 1144 supplemented and amended by HO-29 of 7 February 2000, amended by HO-141-N of 24 November 2004, supplemented by HO-143-N of 5 June 2006, amended by HO-112-N of 10 June 2008)

Article 1145 Right to use invention, utility model, industrial design

1. The exclusive right to use at his or her discretion the invention, utility model, industrial design protected by patent shall be vested with the patent holder.

2. Other persons shall not have the right to use the invention, utility model, industrial design without the permission of the patent holder, with the exception of cases when such use in accordance with the Law of the Republic of Armenia "On inventions, utility models, and industrial designs" does not constitute a violation of the rights of the patent holder.

(Article 1145 amended by HO-112-N of 10 June 2008)

Article 1146 Disposing of the right to a patent

The right to receive a patent, the rights deriving from registration of an application, the right to possess a patent, and the rights deriving from a patent may be transferred in whole or in part to another person.

Article 1147 Rights to an invention, utility model, industrial design

1. The right of authorship to an invention, utility model, industrial design, as well as the right of naming an invention, utility model, industrial design shall be vested with the author of the invention, utility model, industrial design.

2. The right of authorship of and other personal rights to an invention, utility model, industrial design shall arise from the moment of arising of the rights based on the patent.

3. A person indicated in the application as an author of an invention, utility model and industrial design shall be deemed to be the author, unless otherwise proved.

Article 1148 Co-authors of an invention, utility model, industrial design

1. Relations between co-authors of an invention, utility model, industrial design shall be defined upon the agreement reached thereby.

2. Assistance of a non-creative nature provided for the creation of an invention, utility model, industrial design (technical or organisational assistance, assistance in registration of rights, etc.) shall not entail co-authorship.

Article 1149 Service inventions, utility models, industrial designs

The right to receive a patent for invention, utility model, industrial design (service invention) created by the employee in the course of performing official duties or the assignment of the employer, shall be vested with the employer where it is envisaged in the contract concluded between them.

Article 1150 Right of the author of service invention, utility model, industrial design to remuneration

The amount of, conditions and payment procedure for remuneration of the author of service invention, utility model, industrial design shall be determined upon the agreement reached between the author and employer, whereas in case of absence thereof, it shall be determined by a court judgment.

Article 1151 Effect of the patent in the territory of the Republic of Armenia

1. Patents for invention, utility model and industrial design issued by the authorised body of the Republic of Armenia shall have effect in the territory of the Republic of Armenia.

2. Patents issued by a foreign state or international organisation shall have effect in the territory of the Republic of Armenia in the cases provided for by the international treaties of the Republic of Armenia.

3. Foreign citizens and legal persons or the legal successors thereof shall have the right to receive patents for invention, utility model, industrial design in the Republic of Armenia, where the solution filed in a prescribed manner complies with the requirements for inventions, utility models and industrial designs — provided for in the Law of the Republic of Armenia "On inventions, utility models, industrial designs".

(Article 1151 amended by HO-141-N of 24 November 2004, by HO-112-N of 10 June 2008)

Article 1152 Validity term of the patent

The validity term of the patent shall be defined by the Law of the Republic of Armenia "On inventions, utility models, industrial designs".

(Article 1152 amended by HO-112-N of 10 June 2008)

Article 1153 Form of a contract on the transfer of the right to patent and registration of rights deriving therefrom

1. A contract on surrender of the patent must be concluded in writing, whereas the rights arising from the contract shall be registered by the authorised body.

2. Failure to maintain the written form or registration requirement shall entail invalidity of the contract.

(Article 1153 amended by HO-141-N of 24 November 2004)

Article 1154 Form of licensing and sublicensing contracts and registration of the rights arising therefrom

1. Licensing and sublicensing contracts shall be concluded in writing, whereas the rights arising from these contracts shall be registered by the authorised body.

2. Failure to maintain the written form or registration requirement shall entail invalidity of the contract.

(Article 1154 amended by HO-141-N of 24 November 2004)

Article 1155 Liability for violating the patent

Upon the request of the patent holder, the violation must be terminated, whereas the offender must be obliged to compensate the damages caused to the patent holder.

Article 1156 Restriction of rights of patent holder

Grounds for restriction of the rights of a patent holder, conditions on termination (revocation) of the patent, declaring it as invalid, issuing compulsory licences shall be established by the Law of the Republic of Armenia "On inventions, utility models, industrial designs".

The patent may be alienated for the needs of the society and State in the cases provided for by the Constitution of the Republic of Armenia and as prescribed by law.

(Article 1156 edited by HO-187-N of 27 November 2006, amended by HO-112-N of 10 June 2008)

CHAPTER 66

RIGHTS TO NEW PLANT SPECIES AND NEW ANIMAL BREEDS

Article 1157 Conditions for the protection of rights to new plant species and new animal breeds

1. Rights to new plant species and new animal breeds (selection achievements) shall be protected in case a patent has been issued.

2. Selection achievement in cultivation of plants shall be considered as a plant species obtained artificially or through a selection and having one or several distinctive economic features that distinguish it from the existing plant species.

3. A selection achievement in animal breeding shall be considered as an animal breed created by a human and having a genealogical structure and sufficient quantitative features enabling to distinguish it from the animals of the same breed and to be reproduced under a single breed, that is, multiple group of animals having common origin.

4. The requirements whereon depend the arising of the right to patent and the procedure for issuing a patent for selection achievements shall be established by law.

5. The rules of Articles 1146-1151, 1153-1156 of this Code shall apply to relations pertaining to the rights to selection achievements and the protection thereof, unless otherwise provided for by the rules of this Chapter and the Law of the Republic of Armenia "On the protection of selection achievements".

In this case, the rights and duties of an authorised body shall be carried out by the state body responsible for testing and protection of selection achievements.

(Article 1157 amended by HO-29 of 7 February 2000, HO-141-N of 24 November 2004)

Article 1158 Author's right to name the selection achievement

1. The author of selection achievement shall have the right to determine the name thereof, which should comply with the requirements prescribed by the Law of the Republic of Armenia "On the protection of selection achievements".

2. In the cases of production, reproduction, offer for sales and other types of marketing of the protected selection achievements, the use of the names registered for selection achievements shall be deemed to be compulsory.

Granting of a name, other than the registered one, to the produced and/or sold seeds or pedigree substances shall not be permitted.

3. Granting the name of a registered selection achievement to the produced and/or sold seeds and pedigree substances not relating thereto shall be deemed to be a violation of the rights of the patent holder and breeder.

Article 1159 Rights of the patent holder of selection achievement

The exclusive right to use a selection achievement shall, to the extent referred to in the Law of the Republic of Armenia "On the protection of selection achievements", be vested with the patent holder of a selection achievement.

Article 1160 Duties of the patent holder of selection achievement

The patent holder of a selection achievement shall be obliged to maintain the respective plant species or respective animal breed during the validity period of the patent so as to maintain the features indicated in the description drawn up in the course of registration of the plant species and animal breed.

Article 1161 Validity period of a patent on a selection achievement

The patent on a selection achievement shall take effect from the date of registration of the achievement in the state register of protected selection achievements and that of issuing a patent.

The validity period of a patent shall be defined by the Law of the Republic of Armenia "On the protection of selection achievements".

Article 1162 Authorisation for the use of selection achievements

(sentence deleted by HO-29 of 7 February 2000)

Granting legal protection to a selection achievement shall not constitute a ground for authorising the use thereof.

2. Registration of varieties of plant species and animal breeds, authorised for use, in the state register of selection achievements shall be carried out by the state body exercising testing and protection of selection achievements — based on the results of public testing for the economic utility thereof.

3. An application on authorisation for use of plant species and animal breeds shall be submitted to the state body exercising testing and protection of selection achievements.

(Article 1162 amended by HO-29 of 7 February 2000)

CHAPTER 67

RIGHT TO INTEGRATED CIRCUIT TOPOGRAPHIES

Article 1163 Conditions for the protection of rights to integrated circuit topographies

1. Legal protection shall be granted to an integrated circuit topography upon the registration thereof.

Registration of an integrated circuit topography shall be carried out by an authorised body.

Registration certificate shall be issued on the basis of registration of the integrated circuit topography.

2. The procedure and conditions for registering an integrated circuit topography and issuing a certificate shall be established by the Law of the Republic of Armenia "On legal protection of integrated circuit topographies".

3. Relations pertaining to integrated circuit topographies shall be regulated by this Code and the Law of the Republic of Armenia "On legal protection of integrated circuit topographies".

The Law of the Republic of Armenia "On legal protection of integrated circuit topographies" shall apply to relations pertaining to legal protection of integrated circuit topographies and not regulated by this Chapter.

(Article 1163 amended by HO-413-N of 25 September 2002, HO-141-N of 24 November 2004, supplemented by HO-143-N of 15 June 2006).

CHAPTER 68

RIGHT TO PROTECTION OF UNDISCLOSED INFORMATION FROM UNLAWFUL USE

Article 1164 Conditions for legal protection of undisclosed information

1. A person lawfully possessing technical, organisational or commercial information, including production secrets (know-how), which are not known to third persons (undisclosed information), shall have the right to protect this information from unlawful use, where the conditions prescribed in point 1 of Article 141 of this Code are observed.

2. The right to protection of undisclosed information from unlawful use shall arise, irrespective of the fulfilment of any formalities (registration, receipt of a certificate, etc.) with regard to this information.

3. The rules on the protection of undisclosed information shall not apply to the information which, in accordance with law, may not constitute an official, commercial or banking secret (information on legal persons, on state registration of rights to property, on state statistical report, etc.).

4. The right to protection of undisclosed information shall have effect in so far as the conditions provided for in point 1 of Article 141 of this Code are observed.

Article 1165 Liability for unlawful use of undisclosed information

1. A person having unlawfully received, disseminated or used undisclosed information, shall be obliged to compensate to the lawful owner of this information the damages caused by the unlawful use thereof.

2. Where a person using unlawfully undisclosed information has received it from a person not having the right to disseminate it, about which he or she did not know and was not obliged to know (good faith acquirer), the lawful possessor of undisclosed information shall have the right to require from the good faith acquirer compensation for the damages caused by the unlawful use of undisclosed information starting from the moment when the good faith acquirer has learnt about the unlawful use thereof.

3. A person lawfully possessing undisclosed information shall have the right to require from the unlawful user to immediately terminate the use thereof.

However, the court, taking into account the expenses covered by the good faith acquirer on the use of undisclosed information, may authorise its further use under the conditions of refundable non-exclusive licence.

4. A person having independently and lawfully received information with a content of undisclosed information shall have the right to use this information, irrespective of the rights of the possessor of relevant undisclosed information and shall not bear responsibility before the latter for the use thereof.

Article 1166 Transfer of the right to protection of undisclosed information from unlawful use

1. A person possessing undisclosed information may transfer the information constituting the content of that information to another person, in full or in part, under a licensing contract (Article 1106).

2. The licensee shall be obliged to take appropriate measures for the protection of confidential nature of the information received under the contract and shall, equally to the licensor, have the right to the protection thereof from unlawful use by third persons.

Unless otherwise provided for by the contract, the licensee shall bear the responsibility for keeping the confidential nature of the information also after termination of the licensing contract where the relevant information remains as undisclosed information.

Article 1166.1. Trade name

1. A trade name shall be deemed to be the name under which a commercial organisation carries out its activities and is distinguished from other legal persons.

2. A trade name must contain words defining the organisational and legal form of a legal person and at least one distinctive name — a proper name (a personal name, a name of a location or a symbolic name), a common or fictitious name or a sequence of letters.

3. The trade name of an economic partnership must contain the words “general partnership” or “limited partnership” and the names of all the participants (general partners) of the partnership or the name of at least one of the participants (general partners) of the partnership, added by the words “and partners” and “general partnership” or “limited partnership”.

4. A commercial organisation shall be obliged to use in its name also relevant words provided for by law.

5. The trade name of a commercial cooperative must contain an indication on the basic purpose of the activities thereof.

6. The trade name of a legal person shall be determined when establishing or reorganising the legal person and shall be registered (changed) as prescribed by law.

(Article 1166.1 supplemented by HO-130-N of 19 March 2012)

CHAPTER 69

IDENTIFICATION MEANS OF THE PARTICIPANTS OF CIVIL PRACTICES, GOODS AND SERVICES

§ 1. TRADE NAME

Article 1167. Exclusive right to a trade name

(title edited by HO-130-N of 19 March 2012)

1. The exclusive right to the trade name shall arise from the date of state registration of the legal person with the given name or from the date of making a record in the unified state register of legal persons in respect of a change in the trade name of a registered legal person, and shall be vested with the given legal person (hereinafter referred to as "the rightholder of a trade name").

2. The rightholder of a trade name shall have an exclusive right to:

(1) use its trade name;

(2) forbid third persons to use its trade name or a name confusingly similar thereto or a trademark confusingly similar to its trade name where this may mislead the consumer and constitute a reason for assuming a link between them, taking into account that this may cause harm to the rightholder of the trade name.

3. In case of unlawful use of a trade name by other legal and natural persons, including where they acquire rights and obligations under the given trade name, the legal person may protect its rights through judicial procedure.

(Article 1167 supplemented by HO-29 of 7 February 2000, edited by HO-130-N of 19 March 2012)

Article 1168. Use of trademark

(title edited by HO-130-N of 19 March 2012)

1. The use of a trade name shall be deemed to be the acquisition of rights and obligations by a legal person under that name, production of goods, provision of services and carrying out of financial operations.

2. The use of a trade name shall be deemed to be also the use of the trade name on posters, letterheads, prospectuses, goods, and packages thereof for the purposes of indicating the given legal person, as well as other applications not prohibited by law.

3. Separate subdivisions of a legal person shall use the trade name of a legal person by adding words specifying the nature of the activities of the subdivision or the name of the location thereof.

4. A trade name shall be used only in the way as it was registered, provided that it is not perceived by consumers as a trademark.

5. A trade name or the distinctive name thereof may be used for the purposes of identification of the goods and/or services of the given legal person only in the case where it has been registered as a trademark with regard to the given goods/services as prescribed by law or has been included and has been granted protection as an element of such trademark.

6. Foreign translations of a trade name may be also used together with it.

In that case, the distinctive name contained in the trade name shall not be translated.

7. In the distinctive names within trade names, the words “an Armenian”, “Armenia”, “Armenian” and the translations thereof, the names of administrative-territorial units of the Republic of Armenia, as well as the full or short name of a well-known person in trade names — in case of his or her death or absence of the heirs thereof — may be used only as prescribed by the Government of the Republic of Armenia.

8. The use of a name as a trade name shall be prohibited where the distinctive name thereof:

(1) has come into general use as a name of a certain type of goods, services or establishments;

(2) is a universally recognised symbol or term;

(3) indicates the type, quality, quantity, features, value, the purpose of creation of the goods or services, or advertises them;

(4) reproduces the full or short name of international organisations, protected in compliance with the international treaties of the Republic of Armenia, or is confusingly similar thereto.

A name confusingly similar to the full or short name of an international organisation may be used as a trade name only upon the consent of the given organisation;

(5) constitutes or contains false or misleading information;

(6) contradicts the interests of the society, the principles of humanity and morality, is incompatible with national and spiritual values, causes or may cause an act of unfair competition.

9. The names may not be used as trade names where:

(1) they are identical or confusingly similar to the trade name of another legal person, protected in the Republic of Armenia in accordance with this Law;

(2) they are identical or confusingly similar to a trademark of an earlier priority protected in the Republic of Armenia, provided that the use of the mentioned trade name may mislead the consumer and constitute a reason for assuming a link between them, taking into account that this may cause harm to the rightholder of the trademark;

(3) they contain words, names provided for by law, for the use whereof a relevant status, licence, authorisation or another ground is required, where such grounds are not available.

10. Trade names shall be deemed to be confusingly similar where their distinctive names are identical or confusingly similar.

11. A trade name shall be deemed to be confusingly similar to a trademark where its distinctive name coincides with or is confusingly similar to the trademark or a lexical or sound element constituting a part thereof.

(Article 1168 edited by HO-130-N of 19 March 2012)

Article 1169. Effect of the right to a trade name

1. The exclusive right to a trade name registered in the Republic of Armenia as the name of a legal person, shall have effect in the territory of the Republic of Armenia.

2. The exclusive right to the name registered in a foreign state or generally recognised name, shall have effect in the territory of the Republic of Armenia in the cases provided for by law.

3. The registration of a trade name shall terminate, and the legal person shall be deprived of the exclusive right to a trade name where:

(1) it has been prohibited to use the given trade name upon a court decision;

(2) the court has declared the registration of the trade name as invalid;

(3) the legal person has changed its trade name;

(4) the legal person has been liquidated.

(Article 1169 edited by HO-130-N of 19 March 2012)

Article 1170. Transfer of the right to a trade name

The right of a legal person to a trade name shall be permitted to transfer only in case of the reorganisation thereof.

§ 2.TRADEMARK

Article 1171. Conditions for legal protection of trademark (service mark)

1. Trademark and service mark (hereinafter referred to as " the trademark") shall be deemed to be the sign used to distinguish the goods and/or services of any person from the goods and/or services of another person.

2. A trademark shall be granted legal protection:

(1) on the basis of state registration thereof as prescribed by law;

(2) on the basis of recognising the trademark as generally known in the Republic of Armenia, as prescribed by law;

(3) on the basis of international registration, in compliance with the international treaties of the Republic of Armenia.

3. The fact of registration of a trademark and the right to it shall be certified by a certificate.

4. Types of trademarks, the signs not registered as trademarks, procedure for the registration, revocation of registration and declaring it as invalid, as well as the cases of granting legal protection to unregistered trademarks shall be prescribed by law.

The Law of the Republic of Armenia "On trademarks" shall apply to relations pertaining to legal protection of trademarks and not regulated by this Paragraph.

(Article 1171 edited, amended and supplemented by HO-29 of 7 February 2000, edited by HO-413-N of 25 September 2002, supplemented by HO-143-N of 15 June 2006, edited and amended by HO-61-N of 29 April 2010)

Article 1172. Exclusive right to trademark and using the trademark

1. The rightholder of a trademark shall have the exclusive right to possess, use and dispose of the trademark, as well as authorise or prohibit other persons to use it.

2. The rightholder of a registered trademark shall have the exclusive right to prohibit third persons to use during commercial activities, without the authorisation thereof, any mark which:

(1) is identical to the registered trademark and is used for goods and/or services for which the trademark is registered;

(2) is identical or similar to the registered trademark and is used for goods and/or services which are identical or similar to goods and/or services for which the trademark is registered, where the use of that mark involves a risk of creating confusion among consumers, including the combination with the registered trademark;

(3) is identical or similar to the trademark registered for other goods and/or services, where the latter is reputed (well-known) in the Republic of Armenia, and the use of this mark will result in unreasonable advantages or will undermine the distinctive nature or reputation (being well known) of the trademark;

3. The use of a trademark shall be deemed to be:

(1) placing of the trademark on goods or the packages thereof, as well as the use thereof as packaging for these goods in case of a three-dimensional trademark;

(2) offering the sales of goods marked with this trademark, the sales thereof or warehousing for that purpose, or providing or offering services under this trademark;

(3) importing or exporting goods marked with this trademark;

(4) using this mark on documents or for advertisement purposes;

(5) using the trademark on the Internet or within other global computer telecommunication networks, in particular, in any means of addressing, including in domain names;

(6) reproduction, warehousing or selling of the trademark for the purposes referred to in points 1-4 of this Point.

4. ***(point repealed by HO-61-N of 29 April 2010)***

(Article 1172 edited by HO-143-N of 15 June 2006, amended and edited by HO-61-N of 29 April 2010)

Article 1173. Legal protection of a trademark in the territory of the Republic of Armenia

Legal protection in the territory of the Republic of Armenia shall be granted to a trademark registered by the authorised body of the Republic of Armenia or by an international organisation — by virtue of an international treaty of the Republic of Armenia.

(Article 1173 amended by HO-141-N of 24 November 2004)

Article 1174. Validity period of registration of trademark

The validity period of registration of a trademark shall be defined by the Law of the Republic of Armenia "On trademarks".

(Article 1174 amended by HO-61-N of 29 April 2010)

Article 1175. Transfer of the right to a trademark

1. The rightholder of a trademark may, under a contract, transfer to another person the right to a trademark for all types of goods and services or a part thereof indicated in the certificate.

2. Transfer of the right to a trademark, including under a contract or by way of legal succession, must be registered by the authorised body.

(Article 1175 amended by HO-141-N of 24 November 2004, amended by HO-61-N of 29 April 2010)

Article 1176. Authorisation to use a trademark

1. The rightholder of a trademark may, under a licensing contract (Article 1106), grant to another person the right to use a trademark for all types of goods and services or a part thereof indicated in the certificate.

2. A licensing contract on the use of a trademark must contain a condition as of which the quality of the goods or services of the licensee shall be not lower than the quality of the goods or services of the licensor, and that the licensor shall have the right to supervise fulfilment of this condition.

3. Upon the termination of registration of a trademark, the licensing contract shall also terminate.

4. The transfer of the right to a trademark to another person shall not constitute a ground for termination of the licensing contract.

(Article 1176 amended by HO-61-N of 29 April 2010)

Article 1177. Form of contracts on the transfer of the right to a trademark or on issuance of a licence and the registration of the transfer of rights deriving therefrom

1. A contract on the transfer of the right to a trademark or on issuance of a licence must be concluded in writing, whereas the transfer of rights deriving therefrom must be registered by the authorised body.

2. Failure to observe the written form and registration requirements shall entail invalidity of a contract.

(Article 1177 amended by HO-141-N of 24 November 2004)

Article 1178. Liability for violation of the right to a trademark

1. The person unlawfully using a trademark shall be obliged to terminate the violation and compensate to the rightholder of a trademark the damages caused (Article 17).

2. A person unlawfully using a trademark shall be obliged to destroy the prepared images of the trademark, to remove from the goods or the packaging thereof the unlawfully used trademark or a mark confusingly similar thereto.

3. In case of impossibility of fulfilment of the requirements referred to in point 2 of this Article, the respective goods shall be subject to destruction as prescribed by law.

(Article 1178 supplemented by HO-29 of 7 February 2000, amended by HO-61-N of 29 April 2010)

§ 3. GEOGRAPHICAL INDICATION, APPELLATION OF ORIGIN AND TRADITIONAL SPECIALITY GUARANTEED

(title edited by HO-413-N of 25 September 2002, HO-61-N of 29 April 2010)

Article 1179. Legal protection of appellation of origin

(title amended by HO-61-N of 29 April 2010)

1. Appellation of origin shall be considered as the name of the area (settlement), particular locality or, in exclusive cases — geographical name of the country, that serves to indicate a product having originated from the given area, particular locality or country, and the particular quality or other specific aspects whereof are mainly or exclusively conditioned by geographical natural conditions (including natural and human factors) and the production, processing and preparation whereof take place in the given geographical area.

2. Legal protection of appellation of origin shall be granted based on the registration thereof. Appellation of origin shall be registered by the authorised body.

A certificate on the right to use an appellation of origin shall be issued on the basis of the registration.

3. The procedure and conditions for issuing certificates, declaring the registration and certificates as invalid and terminating the registration and withdrawing the certificates shall be determined by the Law of the Republic of Armenia "On geographical indications".

The Law of the Republic of Armenia "On geographical indications" shall apply to relations pertaining to legal protection of appellation of origin and not regulated by this Paragraph.

(Article 1179 amended by HO-141-N of 24 November 2004, supplemented by HO-143-N of 15 June 2006, amended and edited by HO-61-N of 29 April 2010)

Article 1179.1. Legal protection of geographical indications

1. Geographical indication shall be considered as the name of the area (settlement), particular locality or, in exclusive cases — the name of the country, that serves to indicate a product having originated from the given area, particular locality or country, and the particular quality, reputation or other specific aspects whereof are mainly determined by geographical origin, which was produced and/or processed and/or made in the given geographical area.

2. Legal protection of the geographical indication shall be granted on the basis of the registration thereof.

A certificate on the use of the geographical name shall be issued on the basis of the registration.

3. The procedure and conditions for registering a geographical indication, issuing a certificate on use, declaring the registration and certificates as invalid and terminating the registration and withdrawing certificates shall be determined by the Law of the Republic of Armenia "On geographical indications".

4. The Law of the Republic of Armenia "On geographical indications" shall apply to relations pertaining to the legal protection of geographical indications and not regulated by this Paragraph.

(Article 1179.1 supplemented by HO-61-N of 29 April 2010)

Article 1179.2. Legal protection of traditional speciality guaranteed

1. Traditional speciality guaranteed shall be considered as an agricultural product or foodstuff the specific aspects whereof are recognised, and which is registered as prescribed by law.

2. Traditional speciality guaranteed shall be granted legal protection based on the registration thereof.

3. The procedure and conditions for registration of the traditional speciality guaranteed, arising of the right to use, termination thereof shall be determined by the Law of the Republic of Armenia "On geographical indications".

4. The Law of the Republic of Armenia "On geographical indications" shall apply to relations pertaining to the legal protection of the traditional speciality guaranteed and not regulated by this Paragraph.

(Article 1179.2 supplemented by HO-61-N of 29 April 2010)

Article 1180. Right to use the geographical indication, appellation of origin and the name of traditional speciality guaranteed

(title edited by HO-61-N of 29 April 2010)

1. Registered geographical indication and appellation of origin may be used by persons having obtained permission for the use thereof as prescribed by the Law of the Republic of Armenia "On geographical indications".

2. The name of traditional speciality guaranteed may be used by any person, unless it is in conflict with the provisions of the Law of the Republic of Armenia "On geographical indications".

3. The person having the right to use the geographical indication, appellation of origin and name of the traditional speciality guaranteed may place that indication or name on the relevant product, the packaging thereof, advertisements, prospectuses and bills or use it in any other way, with regard to introducing it into civil practices.

(Article 1180 edited by HO-61-N of 29 April 2010)

Article 1181. The field of legal protection of the geographical indication, appellation of origin and traditional speciality guaranteed

(title edited by HO-61-N of 29 April 2010)

1. Legal protection in the Republic of Armenia shall be granted to the geographical indication and appellation of origin originating in the Republic of Armenia, as well as to traditional speciality guaranteed produced within the Republic of Armenia.

2. Legal protection in the Republic of Armenia shall be granted to the geographical indication and appellation of origin originating in another state, as well as traditional speciality guaranteed produced in another state in the cases and under the procedure provided for by law.

(Article 1181 edited by HO-61-N of 29 April 2010)

Article 1182. Validity period of the certificate on the right to use the geographical indication, appellation of origin and the name of traditional speciality guaranteed

(title edited by HO-61-N of 29 April 2010)

1. Validity periods of certificates on the right to use registered geographical indication and appellation of origin shall be defined by the Law of the Republic of Armenia "On geographical indications".

2. The right to use the name of the registered traditional speciality guaranteed shall have effect for an unlimited term — until the termination of registration.

(Article 1182 edited by HO-61-N of 29 April 2010)

Article 1182[1]. Legal protection of geographical indication

(Article repealed by HO-61-N of 29 April 2010)

Article 1183. Liability for illegal use of geographical indication, appellation of origin and the name of traditional speciality guaranteed

(title edited by HO-61-N of 29 April 2010)

The person having the right to use geographical indication, appellation of origin and the name of traditional speciality guaranteed, as well as any natural and legal person, may require from the person illegally using that geographical indication, appellation of origin and the name of traditional speciality guaranteed to terminate the use thereof, or of indication or name confusingly similar thereto, remove them from the product, the packaging thereof, advertisements, prospectuses, bills and other accompanying documents, whereas in case of impossibility thereof — to require confiscation and destruction of the packaging or the product as prescribed by law.

(Article 1183 edited by HO-413-N of 25 September 2002, HO-61-N of 29 April 2010)

ELEVENTH SECTION

SUCCESSION LAW

CHAPTER 70

GENERAL PROVISIONS ON SUCCESSION

Article 1184. Concept of succession

1. In case of succession, the property (succession) of the deceased shall pass to other persons (universal succession) in unaltered form as an inseparable whole, unless otherwise provided for by the rules of this Code.

2. Succession shall be regulated by this Code, and in the cases provided for thereby — also by other laws.

3. Specific aspects of succession of cumulative pension assets and cumulative pension shall be established by law.

(Article 1184 supplemented by HO-253-N of 22 December 2010)

Article 1185. Grounds for succession

1. Succession shall be carried out either by will or by law.

2. Succession by law shall be carried out when a will does not exist or the fate of all the succession is not determined therein, as well as in the other cases established by this Code.

Article 1186. Composition of succession

1. Composition of succession shall include the property belonging to a testator as of the day of opening the succession, including money, securities, property rights and duties.

2. Composition of succession shall not include rights and duties inherently and inseparably connected with the testator, in particular:

(1) rights and duties with regard to alimony obligations;

(2) right to compensate for the damage caused to the life or health of a citizen;

(3) personal non-property rights and other intangible assets;

(4) rights and duties, the passing by succession whereof is prohibited by this Code and other laws.

Article 1187. Opening the succession

1. Succession shall be opened after the death of a citizen.

2. Declaration by a court of a citizen as dead shall give rise to the same legal consequences as those of the death of a citizen.

Article 1188. Time of opening the succession

1. The time of opening the succession shall be the day of death of a citizen, and in case of declaring him as dead — the day of entry into force of the court judgment thereon, unless another day is defined in this judgment.

2. Where persons, who had the right to succession by law, have died on the same day, they shall be declared as having died simultaneously.

The succession shall be opened after each of them, and the heirs of each of them shall be called upon to inherit.

Article 1189. Place of opening the succession

1. The place of opening the succession shall be the last place of residence of a testator.

2. Where the last place of residence of a testator is abroad or is unknown, the place of opening the succession shall be considered as the place of location of the immovable property included in the succession or its more valuable part and, in case of absence of immovable property— the place of location of the movable property or its more valuable part.

Article 1190. Heirs

1. Citizens alive on the day of opening of the succession, as well as those conceived during the lifetime of the deceased and born alive after opening of the succession may be heirs by will and heirs by law.

2. Legal persons existing on the day of opening of the succession, the Republic of Armenia and communities, as well as foreign states and international organisations may be heirs by will.

3. ***(part repealed by HO-16-N of 22 December 2010)***

(Article 1190 supplemented by HO-54-N of 25 December 2006, amended by HO-16-N of 22 December 2010)

Article 1191. Exclusion of unworthy heirs from succession

1. Persons, who have deliberately hindered the realisation of the last will of a testator, have deliberately deprived the testator or any of the possible heirs of life or who have committed an attempted murder against them, shall be excluded from succession by will or succession by law.

Exception shall be made for the persons with respect to whom a testator made a will after the attempt.

2. In case of succession by law, parents deprived of parental rights and whose parental rights have not been reinstated at the time of opening of the succession, shall be excluded from succession.

3. Court judgment and/or judgment that has entered into legal force shall be a ground for exclusion of unworthy heirs from succession.

Those persons shall be entitled to apply to court with the claim for exclusion of an unworthy heir from succession, for whom such exclusion may give rise to property consequences related to succession.

4. The rules of this Article shall extend to heirs having the right to a compulsory portion in the succession.

5. The rules of points 1 and 3 of this Article shall apply also to testamentary trusts.

CHAPTER 71

SUCCESSION BY WILL

Article 1192. General provisions

1. A will shall be considered as the expression of a wish of a citizen on the disposition of his or her property in case of death.

2. In case of death, the property may be disposed of only through the will.

3. A will may be made by a citizen having active legal capacity.

4. A will shall be made in person.

It shall not be permitted to make a will through a representative.

5. A will may contain orders only of one person.

6. It shall not be permitted to make a will by two or more persons.

7. A will is a unilateral transaction, the validity of which is determined at the moment of opening of the succession.

Article 1193. Freedom of making a will

1. A citizen shall, at his or her discretion, have the right to bequeath any property to any person, to determine the heirs' portions in the succession in any manner, to deprive the heirs by law of succession, to include in the will other orders provided for by the rules on succession of this Code, to revoke, amend, or supplement the composed will.

2. A citizen shall not be obliged to inform anybody on making, amending or revoking a will.

3. Freedom of making a will shall be limited only by the rules on compulsory portion in a succession.

Article 1194. Right to compulsory portion in a succession

1. A compulsory portion shall be considered as the right of an heir to inherit, regardless of the content of the will, at least half of the portion which would have been allotted to him or her in case of succession by law.

2. At the time of opening the succession, minor children, as well as children, the spouse, and parents of a testator who have been declared as disabled or having no active legal capacity as prescribed by law or have attained the age of 60, shall have the right to compulsory portion.

3. When determining the amount of compulsory portion, everything that the heir having the right to such portion receives from the succession on any ground, including the value of the testamentary trust established for the benefit of such an heir shall be taken into account.

Article 1195. Designation of heirs

1. A citizen shall have the right to inherit all of his or her property or the part thereof to both the heirs by law, as well as to one or several other persons.

2. A testator shall not have the right to impose, by will, an obligation on the heirs designated thereby, in order for the latter to dispose, in their turn, the property bequeathed to them in a specific way, in case of their death.

Article 1196. Portions of heirs in bequeathed property

Property bequeathed to two or several heirs shall be considered as bequeathed to heirs in equal portions, where the portions are not indicated in the will and there is no

instruction therein on the belonging of property or right included in the composition of the succession to any one of the heirs.

Article 1197. Conditional will

1. A testator shall have the right to make the receipt of a succession conditional under a certain lawful condition with respect to the nature of the conduct of the heir.

2. Unlawful conditions included in an order on designation of an heir or deprivation of the right of succession shall be invalid.

3. The condition included in a will, that the heir may not fulfil by virtue of health condition or other objective reasons, may be declared as invalid by the claim of the heir.

Article 1198. Designation of secondary heirs

1. A testator may indicate in the will another heir (secondary heir), if the heir designated thereby dies before opening of the succession, renounces succession, is excluded from succession as an unworthy heir, or does not fulfil lawful conditions of the testator.

2. A secondary heir may be any person who, in accordance with Article 1190 of this Code, may be an heir.

3. Renouncement of an heir by will from succession to the detriment of another heir shall not be permitted.

Article 1199. Right to bequeath any property

1. A testator shall have the right to make any will including the one containing an order on property to be acquired in the future.

2. Succession shall be opened with respect to only such property which belonged to the heir at the day of opening of the succession.

3. A testator may make a will with regard to the entire property, the part thereof or separate property or rights.

Article 1200. Inheriting the unbequeathed part of the property

Unbequeathed part of the property of a testator shall be distributed among the heirs by law called upon to the succession, as prescribed by Chapter 72 of this Code.

Among these heirs are also such heirs by law to whom another part of the property has been bequeathed by will.

Article 1201. Deprivation of succession

1. A testator shall have the right, without explanation of the reasons, to deprive one, several or all the heirs by law of succession.

2. Where a testator has deprived a person of succession who, on the day of opening of the succession, has the right to a compulsory portion, the will in the respective part shall be declared as invalid.

Article 1202. Revoking, amending and supplementing a will

1. A testator shall have the right, at any time after making a will, to revoke, amend, or supplement his or her will; moreover, he or she shall not be obliged to indicate the reasons of revoking, amending or supplementing a will.

2. A testator shall have the right by a new will:

(1) to entirely revoke the previous will;

(2) to amend the previous will by revoking, amending, or supplementing the individual testamentary disposition contained therein or by supplementing the will with new dispositions.

3. A will made later and not containing direct indications on the revocation of a previous will or of its individual dispositions, shall revoke the previous will in the part contradicting it.

4. In case a later will, which has revoked or amended the will, is declared as invalid, the will made earlier shall be considered as valid.

5. The will wholly or partially revoked by a further will shall not be recovered, where a testator has revoked also the further will in whole or for the respective part.

6. Statement on revoking, amending or supplementing a will should be made in the form provided for by this Code for making a will.

(Article 1202 amended by HO-181-N of 19 October 2016)

Article 1203. Form of a will

1. A will shall be made in writing, indicating the place and time of its making, personally signed by a testator, and certified by a notary public.

2. Failure to maintain the rules of point 1 of this Article shall entail invalidity of a will.

Article 1204. Will equated to a will signed in person

Where a testator cannot personally sign the will by reason of physical disabilities, disease, or illiteracy, another citizen may sign the will upon request of a testator, in the presence of a notary public or other person certifying a will in accordance with law, by indicating the reasons by virtue of which the testator has not been able to

personally sign the will. The name and place of residence of that citizen should be indicated in the will.

Article 1205. Notary certification of a will

1. A will shall be certified by a notary public, as prescribed by the law on notaries.

2. A will certified by a notary public should be written by a testator or written down from his or her spoken words by a notary public.

When writing or writing down the will, technical means (computer, typewriter, etc.) may be used.

3. A will written down by a notary public from the spoken words of a testator should be read in full by a testator in the presence of a notary public, before signing the will.

Where a testator is not able to read the will personally, by reason of physical disabilities, disease, or illiteracy, the text shall be pronounced by the notary public in the presence of a witness, and a note thereon shall be made in the will with an indication of the reasons by virtue of which the testator has not been able to personally read the will.

4. At the wish of a testator, a witness may be present while making the will and certifying it by a notary public. Where a testator is not able to personally read the will, the presence of a witness shall be obligatory.

Where the will is made and certified at the presence of a witness, it should be signed by a witness. The name and place of residence of a witness should be indicated in the will.

5. A notary public shall be obliged to warn the witness and the person signing the will instead of the testator about the necessity of keeping secrecy of the will.

6. When certifying the will, a notary public shall be obliged to explain to the testator the right to compulsory portion in the succession.

7. Where the right to make notarial actions is reserved by law to officials of consular institutions of the Republic of Armenia, the will shall be certified by the appropriate official, instead of a notary public, observing the rules of this Code on the form of a will and the procedure for its notary certification.

Article 1206. Closed will

1. At the wish of a testator, a notary public shall certify the will without getting acquainted with its content (closed will).

2. The closed will shall be written and signed personally by a testator.

3. Testator shall transfer the closed will in a closed (glued) envelope to a notary public in the presence of two witnesses who shall put their signatures on the envelope.

The notary public shall put the envelope signed by the witnesses into another envelope in their presence, close (glue) it and make a certifying inscription.

Certifying inscription should contain information on the testator from whom the notary public has received the closed will, on the place, day, month, date of receiving the closed will and the name and place of residence of each of the witnesses.

4. When receiving the envelope with a will from the testator, the notary public shall be obliged to explain to the testator the right to compulsory portion in the succession.

5. Failure to comply with the rules of this Article shall entail the invalidity of the will, about which the notary public shall be obliged to warn the testator.

Article 1207. Wills equated to wills certified by a notary

1. The following shall be equated to wills certified by a notary public:

(1) wills of citizens undergoing medical treatment in hospitals, military hospitals, other inpatient care institutions or residing in the homes for the elderly and homes for

persons with disabilities — certified by senior physicians, deputy senior physicians in charge of medical work or physicians on duty at these hospitals, military hospitals and other inpatient care institutions as well as by the chiefs of the military hospitals, directors or chief physicians of homes for the elderly and homes for persons with disabilities;

(2) wills of military servicemen, and in home stations of military units where there are no notaries, also wills of civilians working in these units, of the members of their families and of members of families of military servicemen — certified by the command officers of military units;

(3) wills of persons living in remote settlements where there is no notary public — certified by the head of the community;

(4) wills of citizens in geological or other similar expeditions — certified by the heads of these expeditions;

(5) wills of citizens who are on the ships sailing under the flag of the Republic of Armenia — certified by the captains of these ships;

(6) wills of persons kept at imprisonment facilities — certified by the chiefs of the imprisonment facilities.

2. The wills referred to in point 1 of this Article should be signed by the testator in the presence of a witness who shall also sign the will.

The rules of Article 1205 of this Code shall apply correspondingly to such wills

3. The will certified in accordance with this Article shall be, as soon as possible, sent by the person who has certified the will to the notary public of the place of residence of the testator.

Article 1208. Persons who may not be a witness and sign a will instead of a testator

Where, in accordance with this Code, witnesses should be present during making, signing, or certifying a will, the following may not be such witnesses, as well as may not sign the will instead of a testator:

(1) a notary public or other person certifying the will;

(2) a person for whose benefit a will is made or a testamentary trust is made, the spouse of this person, children, parents;

(3) a citizen not having full active legal capacity;

(4) illiterates and persons unable to read the will;

(5) persons not sufficiently mastering the language in which the will is made, except for the case when a closed will is made;

(6) persons having a criminal record for false testimony.

Article 1209. Secrecy of a will

1. A notary public, another person certifying a will, witnesses, as well as the citizens who have signed the will instead of a testator shall not have the right to disclose information on the content of the will, its making, revoking, amending or supplementing, before opening of the succession.

2. Secrecy of the will shall be protected by the means provided for by this Code and other laws.

Article 1210. Interpretation of a will

1. When interpreting a will, a notary public, the executor of the will, or the court shall proceed from the literal meaning of the words and expressions contained therein.

2. Where the literal meaning of any provision of the will is not clear, it shall be determined by comparing this provision with other provisions of the will and the sense of the will as a whole.

Article 1211. Invalidity of a will

1. A will may be declared as invalid by a court upon a claim of a person whose rights or interests are violated by that will.

2. A will may not be challenged before the opening of the succession.

3. A will shall be declared as invalid as a result of violation of rules on the form of a will or other provisions of this Code on the invalidity of transactions.

4. Slips of the pen of the will and other insignificant violations of the procedure for making, signing, or certifying it shall not be ground for declaring the will invalid where it is proven that they cannot affect the understanding of the expression of a testator's will.

5. Both a will as a whole and the individual testamentary dispositions contained therein may be declared as invalid.

Invalidity of individual testamentary dispositions shall not entail invalidity of the remaining part of the will.

6. Invalidity of a will shall not deprive the persons indicated therein as heirs or beneficiaries of the right to succession based on succession by law or another valid will.

Article 1212. Execution of a will. Executor of a will

1. Testator may delegate the execution of a will to a person indicated in the will — executor of a will.

The consent of that person to act as an executor of a will shall be expressed through his or her personal signature put in the will or in a statement attached thereto.

2. Heirs may, upon their agreement, delegate the execution of the will to one of them or to another person.

In case of the absence of such an agreement, executor of a will may be designated by a court upon the request of one or several heirs.

3. Executor of a will shall have the right, at any time, to refuse to perform his or her obligations, giving prior notice thereon to heirs by will.

Executor may be exempt from the performance of his or her obligations by a court decision, on the basis of application by heirs.

4. Executor shall be obliged to:

(1) take measures, as prescribed by Chapter 76 of this Code, for the preservation of the succession and the management thereof;

(2) inform all the heirs and beneficiaries on the opening of the succession and on testamentary trusts for their benefit;

(3) receive money and other property due to the testator;

(4) cover the debts related to the succession in the order established by Article 1242 of this Code;

(5) ensure that the heirs receive the property due to them, in accordance with the will of testator and the law.

(6) fulfil the testamentary trust or require from the heirs by will the fulfilment of the testamentary trust.

5. Testator shall have the right to conduct in his or her own name judicial and other cases related to the preservation, management of the succession and the execution of the will.

6. Executor of a will shall exercise his or her functions during the term required for the levy of execution of money due to the testator, clearing the succession from debts and possessing of the succession by all heirs.

7. Upon request of heirs, executor of a will shall be obliged to submit a report to them on the execution of the will.

8. Executor of a will shall have the right to compensation from the succession for the expenses incurred as a result of preservation of succession, the management thereof and execution of a will, as well as the right to remuneration. A will may provide for the remuneration of executor of a will from the succession.

Article 1213. Testamentary trust

1. Testator shall have the right to delegate to one or several heirs by will to fulfil an obligation on the account of the succession (testamentary trust), for the benefit of one or several persons (beneficiaries) who has the right to claim the fulfilment of the obligation.

Testator may impose such an obligation on executor of a will, by separating part of the property for his or her performance of a testamentary trust.

2. General provisions on obligations shall apply to the relations between a beneficiary (creditor) and an heir whose right to a succession is burdened with a testamentary trust (the debtor), unless otherwise follows from the rules of this Code and the essence of a testamentary trust.

3. A testamentary trust should be established in the will.

4. Beneficiaries may be both heirs by will and other persons. The right of a beneficiary shall be inalienable and shall not pass to other persons. A secondary beneficiary may be designated, in a will, to a beneficiary.

5. Subject matter of a testamentary trust may be the transfer to the beneficiary, by the right of ownership or use, of the property included in the composition of the succession, the transfer to him or her of a property right included in the composition of the succession, the acquisition and transfer to him or her of other property, the performance for him or her of certain work, or providing to him or her certain services.

Subject matter of a testamentary trust may also be the keeping of animals belonging to a testator and care for them.

6. Testator shall have the right to impose on an heir to whom the residential house (apartment) passes, the obligation to provide the house or a certain part thereof to another person (persons) to use for life. In case of the transfer of the right of ownership with regard to the residential house (apartment), the right of use thereof for life shall remain in force.

7. The right to use residential house (apartment) for life shall be inalienable and non-transferable, and shall not pass to heirs of a beneficiary.

8. The right of use for life of a residential house provided to the beneficiary shall not be a basis for the residing of members of his or her family in that house, unless otherwise provided for in the will.

Article 1214. Execution of a testamentary trust

1. An heir, on whom a testator vested the execution of a testamentary trust, shall execute it within the limits of the value of the property he or she inherits.

2. Where an heir, upon whom execution of a testamentary trust is vested, has the right to a compulsory portion in the succession, his or her duty to execute the testamentary trust shall be limited to the value of succession, passed to him or her, exceeding the amount of his or her compulsory portion.

3. Where execution of a testamentary trust is vested upon several heirs, it shall burden the right of each of them to the succession in proportion to their portion in the succession, unless otherwise provided for by the will.

4. In case of death of an heir on whom execution of a testamentary trust has been vested or his or her non-acceptance of the succession, the testamentary trust shall be executed by other heirs who have received his or her portion.

5. Executor of a will, heirs, as well as interested persons shall have the right to apply to court with a claim to execute the testamentary trust.

CHAPTER 72

SUCCESSION BY LAW

Article 1215. General provisions

1. Heirs by law shall be called upon to succession by the order of priority established by Articles 1216-1219 of this Code.

2. Heirs of each next priority shall acquire the right of succession in case of absence of the previous priority heirs, their exclusion from the succession, non-acceptance of the succession by them or renunciation from the succession.

3. Heirs of the same priority shall inherit in equal portions.

Article 1216. First priority heirs

First priority heirs shall be the children, spouse and parents of a testator.

Grandchildren of a testator shall inherit by right of representation.

Article 1217. Second priority heirs

Second priority heirs shall be siblings of the whole blood of a testator.

Children of siblings of a testator shall inherit by the right of representation.

(Article 1217 edited by HO-34-N of 8 February 2011)

Article 1218. Third priority heirs

Third priority heirs shall be both paternal and maternal grandfather and grandmother of a testator.

Article 1219. Fourth priority heirs

Fourth priority heirs shall be siblings of the parents of a testator (uncles and aunts).

Children of uncles and aunts of a testator shall inherit by the right of representation.

Article 1220. Persons under the custody of a testator without capacity to work

Heirs by law shall include such persons without capacity to work, who have been under the custody of a testator for at least one year before his or her death.

In case of existence of other heirs by law, they shall inherit together with the heirs of the priority which is called upon to succession.

Article 1221. Succession by the right of representation

1. The portion of the heir by law, who has died before opening of the succession, shall pass to his or her children (succession by the right of representation) and shall be distributed among them equally.

2. Children of the heir by law who has been excluded from succession or deprived of succession by a testator may not inherit by the right of representation.

Article 1222. Rights of a spouse in case of succession

Right of succession vested with a spouse of a testator, either by virtue of will or law, shall not relate to his or her right to that part of the property, which has been obtained jointly with a testator during marriage and is their common ownership.

The portion of a deceased spouse in this property shall be determined in accordance with Article 201 of this Code and shall be included in the composition of the succession.

Article 1223. Succession of adopted children and adoptive parents

1. In case of succession by law, adopted child and his or her children, of the one part , and adoptive parent and his or her relatives, on the other part, shall be equated to relatives by origin (blood relatives).

2. Adopted child and his or her children shall not inherit, by law, after death of parents of an adopted child, and his or her other relatives by origin.

Parents of an adopted child and his or her other relatives by origin shall not inherit, by law, after death of an adopted child and his or her children.

Article 1224. Disposition of escheat

1. Where there are no heirs either by will or law or they have renounced the succession or have been excluded from the succession, the inherited property shall be declared as escheat.

2. Escheat property shall pass to the ownership of the community of the place of opening of the succession.

CHAPTER 73

ACCEPTANCE OF SUCCESSION

Article 1225. Procedure for acceptance of succession

1. To acquire the succession, an heir must accept it.

2. It is not permitted to accept the succession under a condition or with reservations.

3. Acceptance of a portion of succession by an heir shall mean the acceptance of the whole succession due to him or her, regardless whatever the nature and the whereabouts thereof.

4. Acceptance of succession by one or several heirs shall not mean the acceptance of succession by the remaining heirs.

5. Accepted succession shall be considered as belonging to an heir from the time of opening of the succession, regardless of state registration of the right of an heir to this property, where such a right is subject to registration.

6. Non-acceptance of succession by an heir shall give rise to the same consequences as renunciation from the succession without indicating the person to whose benefit he or she has renounced the succession, unless otherwise provided for by this Code.

7. Where an heir has been declared as bankrupt as prescribed by law, non-acceptance of the succession by him or her shall not be considered as renunciation from the succession.

(Article 1225 supplemented by HO-54-N of 25 December 2006)

Article 1226. Ways of acceptance of succession

1. Succession shall be accepted by submitting to the notary public of the place of opening of the succession of an application of the heir on the acceptance of succession or on receiving the certificate of succession.

2. Where an heir fails to submit the application to the notary public in person, the signature of the heir on such application shall be certified by a notary public or by the official authorised to conduct notarial actions.

Acceptance of succession through a representative shall be possible, where the power of accepting it is specifically provided for in the letter of attorney.

3. Unless otherwise is proven, succession shall be considered as accepted by an heir where he or she starts to actually possess or manage the inherited property, including when an heir:

(1) has taken measures for preservation of the property and protecting it against encroachments or claims of third persons;

(2) has incurred expenses on his or her account for preservation of the property;

(3) has paid the testator's debts on his or her account or received from third persons money due to the testator.

Article 1227. Term for accepting the succession

1. Succession may be accepted within six months after the day of opening of the succession.

2. Where the right of succession arises for other persons in case the heir renounces the succession, they may accept the succession within the remaining term referred to in point 1 of this Article, and where it is less than three months, they may accept it within three months.

3. Persons whose right of succession arises only in case another heir does not accept succession, may accept the succession within three months after expiry of the term referred to in point 1 of this Article.

Article 1228. Acceptance of succession upon expiry of the prescribed term

1. Heir may accept succession after expiry of the term established for the acceptance without applying to court, where there is the consent of all remaining heirs having accepted the succession. Heir’s signature on the documents containing such consent should be certified as prescribed by point 2 of Article 1226 of this Code. Such consent of heirs shall be a ground for the annulment by a notary public of a previously issued certificate of succession and the issuance of a new certificate.

2. Upon application by the heir who has missed the term for acceptance of succession, the court may declare him or her as having accepted the succession, considering the reasons of missing the term to be justifiable, where it turns out that

the reason for missing the term has become the circumstance the heir has not known and should not have known of the opening of the succession and under the condition that the heir who has missed the term for the acceptance of the succession applies to the court during six months after elimination of the reasons for missing the term concerned.

3. The court shall, having declared an heir as having accepted the succession, settle the issues relating to the rights of other heirs to the property of succession arising from the succession, as well as declare as invalid previously issued certificate of succession. In this case, the issuance of a new certificate of succession shall not be required.

Article 1229. Transfer of the right to accept succession (transmission succession)

1. Where an heir, who has been called upon to succession by will or succession by law, dies after opening of the succession without managing to accept it, the right of accepting the succession due to him or her shall pass to his or her heirs.

2. The right of accepting the succession of the deceased heir may be exercised by his or her heirs on general grounds in accordance with Articles 1225-1228 of this Code.

3. The right of an heir to accept the compulsory portion of succession shall not pass to his or her heirs.

CHAPTER 74

RENUNCIATION FROM SUCCESSION

Article 1230. Right to renounce the succession

1. An heir shall have the right to renounce the succession within six months upon the day of opening of the succession, including in the case when he or she has already accepted the succession.

2. Renunciation from succession shall be exercised by filing an application by the heir to the notary public of the place of opening of the succession.

Where the heir does not submit the application to the notary public in person, the signature of the heir on such an application shall be certified as prescribed by point 2 of Article 1226 of this Code.

Renunciation from succession through a representative may be possible where such a power is specifically provided for in the letter of attorney.

3. Renunciation from succession shall not be abolished or withdrawn.

4. Renunciation from succession with reservation or under a condition shall not be permitted.

5. Renunciation from the portion of succession due to an heir shall not be permitted.

6. Where an heir is called upon both to succession by will and succession by law, he or she shall have the right to renounce the succession due to him or her, on one or both of these grounds.

7. An heir shall have the right to renounce the succession due to him or her, by the right of accrual, regardless of the succession of the remaining portion of the succession.

Article 1231. Renunciation from succession for the benefit of another person

1. In case of renunciation from succession, an heir shall have the right to indicate that he or she renounces it for the benefit of heirs by will or heirs by law of any priority, including those who inherit by the right of representation.

2. It shall not be permitted to renounce for the benefit of other person:

(1) the property bequeathed by will, where all the property of a testator is bequeathed to the heirs designated by him or her;

(2) of a compulsory portion in the succession;

(3) where a secondary heir is designated to the heir.

Article 1232. Accrual of the portions of succession

1. Where an heir does not accept succession, renounces succession without indicating another heir for whose benefit he or she renounces, is excluded from the succession as an unworthy heir, or as a result of declaring the will as invalid, the portion of the succession that would be due to such left out heir, shall pass to the heirs by law, called upon to the succession and shall be distributed among them in equal portions.

Where a testator has bequeathed his or her whole property to his or her designated heirs, the portion of the succession due to the heir having renounced succession or the heir left out by other reasons mentioned above shall be transferred to the remaining heirs by will and shall be distributed proportionally among them, unless otherwise provided for by the will.

2. The rules of point 1 of this Article shall not apply where:

(1) a secondary heir is designated to the heir who has renounced or been left out for other reasons;

(2) an heir has renounced the succession for the benefit of another heir.

Article 1233. Right of renunciation from a testamentary trust

1. The beneficiary shall have the right to renounce a testamentary trust.

It shall not be permitted to partially renounce a testamentary trust with reservations or under a condition, as well as renounces it for the benefit of a third person.

2. Where the beneficiary is at the same time an heir, his or her right to renounce a testamentary trust provided for in this Article shall not depend on his or her right to accept the succession or renounce it.

3. Where the beneficiary has renounced a testamentary trust, the heir, who is obliged to execute the testamentary trust, shall be exempt from the obligation to execute it.

CHAPTER 75

DIVISION OF SUCCESSION

Article 1234. Common ownership of heirs with respect to succession

1. In case of succession by will, where the property is bequeathed to two or several heirs without indicating the specific property and rights inherited by each of them, and

in case of succession by law, where the property is transferred to two or more heirs, the property shall turn into the common shared ownership of the heirs upon the day of opening of the succession.

2. The rules of Chapter 12 of this Code on common shared ownership shall apply to common ownership of the property being succeeded, unless otherwise provided for by the rules of this Code on succession.

3. Each of the heirs having accepted succession shall have the right to require division of the succession.

Article 1235. Preferential right of an heir to certain property included in the composition of succession upon its division

1. In case of division of the succession, an heir who has the right of common ownership of property together with the testator, shall have the preferential right to receive this property on the account of portion of the succession due to him or her.

2. In case of division of the succession, the heir, having the right of use of residential premises with respect to a residential house (apartment) vested with the testator, shall have the preferential right to receive, on the account of portion of the succession due to him or her, this house (apartment), as well as household ware and other items.

3. Disproportionality of the portion due to the heir having the preferential right to property and to succession shall be eliminated by giving to the remaining heirs other property from the composition of the succession or compensation, including payment of the appropriate monetary amount.

4. An heir may exercise his or her preferential right only after providing the corresponding compensation to other heirs, unless otherwise provided for upon agreement of the heirs.

Article 1236. Division of succession upon agreement of the heirs

1. Property that is included in the composition of the succession and is under common shared ownership of two or several heirs may be divided upon agreement of the heirs.

2. Agreement on the division of succession, including on the separation from it of the portion of one of the heirs, where it is entered into before the issuance of a certificate of succession and is notary certified, shall be a ground for the issuance to the heirs of certificates of succession, indicating in it the specific property and rights inherited in accordance with the agreement by each of the heirs.

3. Disproportionate division of the portions due to the heirs in the succession made upon their agreement shall not be a ground for refusal of issuance of the certificates of succession.

Article 1237. Division of succession by court

In case of absence of agreement of the heirs on the division of the succession, including on separation from it of the portion of one of the heirs, the succession shall be divided by court, in accordance with Article 197 of this Code.

Article 1238. Protection of interests of an heir conceived, but not born yet or a minor upon the division of succession

1. In case of existence of an heir conceived but not born yet, the division of the succession may be carried out only after his or her birth.

2. For the purpose of protection of the interests of minors, representative of the guardianship and curatorship body should participate in preparing the agreement on the division of the succession or in the proceedings on the division of succession.

CHAPTER 76

PRESERVATION AND MANAGEMENT OF SUCCESSION

Article 1239. Procedure for preservation and management of succession

1. For the protection of the rights of heirs, beneficiaries and other interested persons, the notary public of the place of opening of the succession shall take the measures established by Articles 1240 and 1241 of this Code and other necessary measures for the preservation and management of the succession.

2. Measures for preservation and management of the succession shall be undertaken by the notary public on the basis of application of an heir, the executor of a will, a creditor, a local self-government body or other persons acting in the interest of preservation of the property of succession.

Where appropriate, a notary public shall have the right, at his or her own initiative, to take measures for the preservation and/or management of succession.

3. For the purposes of identifying the composition of the succession and its preservation, a notary public shall have the right to request information from banks and other credit institutions on the money (currency), currency and other valuables, belonging to a testator, in their deposits, accounts or deposited with them.

4. For the purpose of notifying creditors, a notary public shall publish a communication in the press on the opening of the succession, thus inviting the creditors to submit their claims against a testator within a six month period from the day of publication of the communication.

5. Measures for preservation and management of the succession shall be exercised during the term established by a notary public, taking into account the nature and value of the succession and the time necessary for the heirs for entry into possession

of the succession, but not for more than six months, or, in the cases provided for by points 2 and 3 of Article 1227 and point 2 of Article 1229 of this Code - not for more than nine months from the day of opening of the succession.

6. Expenses for the preservation and management of the succession shall be reimbursed.

7. Where the property of succession is located in various places, the notary public of the place of opening of the succession shall send, through justice bodies, instructions, subject to compulsory enforcement, on the preservation and management of the succession to the notary public or to the official authorised to conduct such notarial actions of the place where the relevant portion of the property of succession is located.

Article 1240. Measures for preservation of the succession

1. For the protection of succession, a notary public shall make an inventory of the composition of succession.

2. Cash money (currency) included in the composition of the succession shall be placed on deposit with a notary public, and the currency, property made from precious stones and metals shall be deposited with a bank as prescribed by Chapter 43 of this Code.

3. Preservation of property included in the composition of succession which may be in circulation with special permission shall be exercised by a notary public, as prescribed by the law on the respective property.

4. Property included in the composition of the succession that is not indicated in points 2 and 3 of this Article, where it does not need management, shall be transferred by a notary public under a bailment contract to one of the heirs and in

case of impossibility of transferring it to the heirs, shall be transferred to the specialised organisation.

5. A notary public shall make an inventory of the composition of the succession and shall take measures for the preservation thereof, as prescribed by the law on notaries.

Article 1241. Measures for management of succession

1. Where there is a property (a share in the statutory (share) capital of an economic partnership or a company, securities, exclusive rights, etc.) — which needs not only preservation, but also management — in the composition of succession, a notary public as a founder of trust management shall enter into a trust management contract with respect to such property.

2. Binding and other conditions of the trust management contract on the property of succession, the procedure for concluding it and for the determination of the amount of remuneration to trust manager shall be established in accordance with the rules of Chapter 52 of this Code, unless otherwise follows from the essence of the relations of trust management of the succession.

CHAPTER 77

COMPENSATION FOR THE EXPENSES INCURRED IN RELATION TO SUCCESSION

Article 1242. Expenses compensated on the account of succession

1. Expenses related to succession shall be compensated in the following order:

Firstly, the expenses, generated as a consequence of illness of a testator prior to his or her death and required for his or her proper funeral, shall be compensated;

Secondly, the expenses, related to preservation and management of the property in the composition of succession, as well as those related to the execution of a will, shall be compensated;

Thirdly, claims of creditors for debts of a testator shall be satisfied;

Fourthly, claims of the heirs having the right to compulsory portion shall be satisfied;

Fifthly, the expenses, related to the execution of a testamentary trust, shall be compensated.

2. Claims of each order of priority shall be satisfied after completely satisfying the claims of the previous order of priority. In case of insufficiency of property in the composition of the succession, it shall be distributed among creditors of the respective order of priority in proportion to the amounts of claims subject to satisfaction.

Article 1243. Procedure for filing claims by creditors

1. Creditors shall have the right to file their claims within six months from the day of opening of the succession.

2. Until the receipt by the heirs of the certificate of succession, claims may be filed to the heir who has accepted succession or to the executor of a will, and in case of absence of these persons — to the notary public of the place of opening of the succession.

Article 1244. Liability of heirs

1. After receiving the certificate of succession, heirs shall compensate the expenses indicated in Article 1242 of this Code within the limits of the value of the property of succession that has passed to them.

2. The heir who has received succession either directly as a result of opening of the succession or as a result of transfer of the right to accept succession, shall bear liability within the limits of the value of the property of succession received on both grounds.

3. Heirs shall bear joint and several liability within the limits of the value of the succession that has passed to them.

CHAPTER 78

FORMULATION OF SUCCESSION

Article 1245. Certificate of succession

1. The certificate of succession shall be issued by the notary public of the place of opening of the succession or by the official having the right by law to conduct such notarial action.

2. The certificate of succession shall be issued on the basis of an application by an heir.

3. The certificate of succession shall be issued to each of the heirs separately.

4. Where after the issuance of the certificate of succession, such property emerges, for which the certificate was not issued, a supplementary certificate of succession shall be issued.

5. The certificate of succession of escheat property shall be sent to the appropriate local self-government body.

Article 1246. Term for issuing the certificate of succession

1. The certificate of succession shall be issued to heirs six months after the date of opening of the succession, except for the cases provided for by this Code.

2. In case of both succession by will and succession by law, the certificate of succession may be issued before the expiry of six months after opening of the succession, where there is reliable information that there are no other heirs entitled to the succession or the portion thereof besides the persons who have applied to receive the certificate.

3. In case of dispute related to ownership right to the property in the composition of the succession, issuance of the certificate of succession shall be suspended, until the court judgment enters into legal force.

CHAPTER 79

PECULARITIES OF SUCCESSION OF SPECIFIC TYPES OF PROPERTY

Article 1247. Succession of the property under common joint ownership

Death of a participant in common joint ownership shall be a basis for determining his or her share in the right to the common property and the division, as prescribed by Article 199 of this Code, of the common property or the separation of the share of the deceased participant from it. In this case, the succession shall be opened with respect to the common property due to the share of the deceased participant and in case the separation of the property in kind is impossible — with respect to the value of such share.

Article 1248. Inheriting the right to the value of the share in the statutory (share) capital of an economic partnership or a company or a corporative

1. Composition of the succession of a deceased participant in an economic partnership or a company shall include the right to the value of the share of this participant in the share capital of the partnership or statutory capital of the company, unless otherwise provided for by the statute of the partnership or the company.

2. Composition of the succession of a deceased member of a cooperative shall include the right to the value of his or her share in the cooperative, unless otherwise provided for by the statute of the cooperative.

3. A solution to the question of which of the heirs may be accepted into an economic partnership or a company or a cooperative in case when the right of a testator to the respective legal person passes to several heirs, as well as the procedure, ways, and terms for paying the amount due to the heirs who have not become participants of the respective legal persons, shall be determined by this Code, laws on economic companies, on cooperatives, as well as the statute of the respective legal person.

Article 1249. Inheriting overdue amounts of salaries, pensions, allowances, and payments of compensation for damage

1. The right to receive amounts of salaries, pensions, allowances, and payments of compensation for damage caused to life or health, which are payable but have not been paid during the lifetime of the citizen for any reason, shall belong to the members of the family of the deceased, as well as to the persons under his or her custody not having capacity to work.

2. Claims for payment of the amounts on the ground of point 1 of this Article should be filed within six months from the day of opening of the succession.

3. In case of absence of persons who have the right to receive, on the ground of point 1 of this Article, the amounts not paid to the deceased, or in case they have not filed claims for payment of these amounts in the prescribed term, the respective amounts shall be included in the composition of the succession and shall be inherited on the general grounds provided for by this Code.

Article 1250. Inheriting a property having limited circulability

1. Property belonging to a testator, which is in circulation upon special permission (arms, etc.), shall be included in the composition of the succession and be inherited on the general grounds established by this Code. For the acceptance of succession, which includes such property, special permission shall not be required.

2. A person, who has accepted such succession, shall be obliged within one month to apply to the authorised state body, to receive permission.

3. In case of rejection of the application of an heir, his or her right of ownership to the property requiring such permission shall be terminated in accordance with Article 282 of this Code.

Article 1251. Impermissibility of inheriting orders, medals and badges of honorary titles

(Title edited by HO-103-N of 21 June 2014)

Orders, medals and badges of honorary titles awarded to a citizen shall not be included in the succession.

After death of the awarded person, the legal relations pertaining to these orders, medals and badges of honorary titles shall be defined by the Law of the Republic of Armenia "On state awards and honorary titles of the Republic of Armenia".

(Article 1251 edited by HO-103-N of 21 June 2014)

Article 1252. Inheriting the collections of commemorative and other medals

Collections of commemorative and other medals owned by a testator shall be included in the composition of the succession and shall be inherited on the general grounds established by this Code.

TWELFTH SECTION

INTERNATIONAL PRIVATE LAW

CHAPTER 80

GENERAL PROVISIONS

Article 1253. Determining the law applicable to civil law relations with the participation of foreign persons

1. The law applicable by the court to civil law relations with the participation of foreign citizens, including individual entrepreneurs, foreign legal persons and organisations not considered as legal persons in accordance with foreign law, stateless

persons, as well as in cases where the object of civil rights is located abroad shall be determined on the basis of this Code, other laws of the Republic of Armenia, the international treaties of the Republic of Armenia and international customary practices recognised by the Republic of Armenia.

2. In case of impossibility of determining the applicable law in accordance with point 1 of this Article, the law most closely related to civil law relations with the participation of foreign persons shall apply.

3. Rules of this Section on determining the law applicable by the court shall be mandatory also for other bodies vested with powers to settle the issue.

Article 1254. Definition of legal concepts

1. In determining the applicable law, the court shall rely on the interpretation of the respective legal concepts of the law of the Republic of Armenia, unless otherwise prescribed by law.

2. Where legal concepts requiring legal definitions are not known to the law of the Republic of Armenia or are known under another name or with other content and may not be defined by interpretation of the law of the Republic of Armenia, the law of the foreign state shall apply in case of their legal definition.

Article 1255. Clarification of the content of norms of foreign law

1. When applying foreign law, the court shall clarify the content of its norms in accordance with their official interpretation and practice of application in the respective foreign state.

2. For the purpose of clarifying the content of norms of foreign law, the court may, in a manner prescribed, apply for the assistance of the competent bodies of the Republic of Armenia and abroad or may involve experts.

3. Persons participating in a case shall have the right to present documents attesting the content of the norms of foreign law which they invoke when substantiating their claims or objections or otherwise assist the court in clarification of the content of these norms.

4. Where the content of the norms of foreign law, despite the measures taken in accordance with this Article, is not clarified within reasonable time limits, the law of the Republic of Armenia shall apply.

Article 1256. Application of the law of a state with multiple legal systems

In the cases where the law of a state with multiple legal systems will be applied, and it is impossible to determine the legal system to be applied, the legal system whereto the given relation is most closely related shall apply.

Article 1257. Principle of reciprocity

1. The court shall apply foreign law, irrespective of the application of the law of the Republic of Armenia to similar relations by the respective foreign state, except for cases where the application of foreign law based on the principle of reciprocity is prescribed by law of the Republic of Armenia.

2. Where the application of foreign law depends on the principle of reciprocity, the existence thereof shall be assumed, unless otherwise proven.

Article 1258. Reservation in respect of public order

1. A norm of foreign law to be applied in accordance with point 1 of Article 1253 of this Code shall not apply where the consequences of the application thereof explicitly contradict the fundamentals of the law-and-order (public order) of the Republic of

Armenia. In this case, the relevant norm of the law of the Republic of Armenia shall apply, as necessary.

2. The refusal to apply a norm of foreign law may not be solely based on the fact that the legal, political or economic system of the respective foreign state differs from the legal, political or economic system of the Republic of Armenia.

Article 1259. Application of imperative norms

The rules of this Section shall not refer to the application of the imperative norms of the law of the Republic of Armenia which, by virtue of their special significance of ensuring the rights and interests of participants in civil practice, exclude the possibility of application of any other law.

Article 1260. Invoking foreign law

Any reference to foreign law in accordance with the rules of this Section must be considered as invoking substantive law and not the conflict of laws of the respective state.

Article 1261. Retorsions

The Republic of Armenia may establish reciprocal limitations (retorsions) on property and personal non-property rights of citizens and legal persons of the states where limitations exist on property and personal non-property rights of citizens and legal persons of the Republic of Armenia.

CHAPTER 81

CONFLICT OF LAWS

§ 1. LAW APPLICABLE TO CITIZENS

Article 1262. Personal law of a citizen

1. The personal law of a citizen shall be the law of the state the citizenship whereof is held by the given person. Where a person holds citizenship of two or more states, his or her personal law shall be the law of the state whereto that person is most closely related.

2. The personal law of a stateless person shall be the law of the state where he or she permanently resides.

3. The personal law of a refugee shall be the law of the state having granted asylum thereto.

Article 1263. Passive legal capacity of foreign citizens and stateless persons

Foreign citizens and stateless persons shall enjoy in the Republic of Armenia civil passive legal capacity on an equal basis with the citizens of the Republic of Armenia, except for the cases provided for by the Constitution of the Republic of Armenia, the laws of the Republic of Armenia or the international treaties of the Republic of Armenia.

Article 1264. Law determining the name of a foreign citizen and stateless person

The rights of a foreign citizen or a stateless person to his or her name, its use and protection shall be determined by his or her personal law, unless otherwise follows from the rules prescribed by the second paragraph of point 2 of Article 22 and point 4 of Article 22, and Articles 1280 and 1291 of this Code.

Article 1265. Law determining the active legal capacity of foreign citizens and stateless persons

1. The civil active legal capacity of a foreign citizen or a stateless person shall be determined by his or her personal law.

2. A party not enjoying active legal capacity under his or her personal law shall not have the right to invoke the lack of his or her active legal capacity, where he or she has active legal capacity as per the law of the place of concluding the transaction, with the exception of the cases where the other party knew or ought to have known that he or she had no active legal capacity.

3. The civil active legal capacity of a foreign citizen or a stateless person with respect to transactions concluded in the Republic of Armenia and obligations arising as a result of causing damage in the Republic of Armenia shall be determined by the law of the Republic of Armenia.

Article 1266. Law determining the right of a foreign citizen or a stateless person to engage in entrepreneurial activities

The ability of a foreign citizen or a stateless person to engage in entrepreneurial activities as an individual entrepreneur without establishing a legal person shall be

determined by the law of the state where the foreign citizen or the stateless person is registered as an individual entrepreneur.

Article 1267. Law declaring a foreign citizen or stateless person as having no or limited active legal capacity

A foreign citizen or a stateless person shall be declared as having no or limited active legal capacity by the law of the Republic of Armenia.

Article 1268. Law determining guardianship and curatorship and the applicable law

1. Guardianship or curatorship over minors, adults having no or limited active legal capacity shall be established and cancelled according to the personal law of the person with the application whereof the guardianship or curatorship is established or cancelled.

2. The obligation of the guardian (curator) to assume the guardianship (curatorship) shall be determined according to the personal law of the person appointed as a guardian (curator).

3. The relations between the guardian (curator) and the person under guardianship (curatorship) shall be regulated by the law of the state, the body whereof has appointed the guardian (curator). However, where a person under guardianship (curatorship) resides in the Republic of Armenia, the law of the Republic of Armenia shall apply if it is more favourable for the given person.

4. The guardianship (curatorship) established over citizens of the Republic of Armenia residing outside the territory of the Republic of Armenia shall be valid in the Republic of Armenia, if the respective consular institution of the Republic of Armenia does not have law-based objections against it.

Article 1269. Law declaring a foreign citizen or a stateless person as missing or dead

A foreign citizen or a stateless person shall be declared as missing or dead by the law of the Republic of Armenia.

Article 1270. Registration of civil status acts of citizens of the Republic of Armenia outside the territory of the Republic of Armenia

The consular institutions of the Republic of Armenia shall register civil status acts of the citizens of the Republic of Armenia residing outside the territory of the Republic of Armenia, by applying the laws and other legal acts of the Republic of Armenia.

Article 1271. Recognition of documents attesting civil status acts, issued by the authorities of a foreign state

Documents issued by the competent authorities of foreign states for the purpose of attesting civil status acts performed outside the territory of the Republic of Armenia, under the laws of the respective states, with respect to citizens of the Republic of Armenia, foreign citizens and stateless persons, shall be valid in the Republic of Armenia in case of a consular legalisation thereof, unless otherwise prescribed by the international treaties of the Republic of Armenia.

§ 2.LAW APPLICABLE TO LEGAL PERSONS

Article 1272. Personal law of foreign legal persons

1. The personal law of a foreign legal person shall be the law of the state where this legal person was founded.

2. On the basis of the personal law of a legal person, first the fact of whether or not being a legal person on the part of the given organisation shall be clarified, then the following shall be determined:

(1) the organisational and legal form;

(2) the requirements pertaining to the name;

(3) the establishment and termination issues;

(4) the reorganisation, including legal succession issues;

(5) the content of passive legal capacity;

(6) the procedure for acquisition of civil rights and assumption of civil obligations;

(7) the in-house relations, including the relations of the legal person with its participants;

(8) the liability.

3. A foreign legal person may not invoke a limitation on the powers of its body or representative to conclude a transaction unknown to the law of the state where that body or the representative has concluded the transaction, except for the cases where the other party of the transaction is proven to have known or explicitly ought to have known of the mentioned limitation.

Article 1273. Granting national regime for the activities of foreign legal persons in the Republic of Armenia

In the Republic of Armenia, foreign legal persons shall conduct entrepreneurial and other activities regulated by civil legislation, in accordance with the rules prescribed by legislation for such activities of the legal persons of the Republic of Armenia, unless otherwise prescribed for foreign legal persons by the law of the Republic of Armenia.

Article 1274. Personal law of foreign organisations not considered as a legal person under foreign law

The personal law of a foreign organisation not considered as a legal person under foreign law shall be the law of the state where this organisation was founded.

The rules of this Code regulating the activities of legal persons shall apply to the activities of these organisations, unless otherwise follows from law, other legal acts, or the nature of the legal relation.

Article 1275. Participation of the state in civil law relations with foreign persons

The rules of this Section shall apply to the participation of the state in civil law relations with foreign persons, unless otherwise provided for by law.

§ 3.LAW APPLICABLE TO PROPERTY RIGHTS

Article 1276. General provisions on the law applicable to property rights

1. The content of the right of ownership and other property rights over immovable and movable property, the exercise and protection thereof shall be determined by the law of the state where such property is located.

2. The classification of property as immovable or movable, as well as other legal qualification of property shall be determined by the law of the state where this property is located.

Article 1277. Law determining the arising and termination of property rights

1. The arising and termination of the right of ownership and other property rights over property shall be determined by the law of the state where this property was located at the moment of occurring of the action or other fact having served as a basis for arising or termination of the right of ownership and other property rights over it, unless otherwise provided for by the laws of the Republic of Armenia.

2. The arising and termination of the right of ownership and other property rights over property constituting the subject matter of the transaction, shall be determined by the law of the state, which is applicable to the given transaction, unless otherwise provided for by the agreement reached by the parties.

3. The arising of the right of ownership over property by virtue of acquisitive prescription shall be determined by the law of the state where the property was located at the moment of expiry of the time period for acquisitive prescription.

Article 1278. Law determining property rights over means of transportation and other property subject to state registration

The right of ownership and other property rights over means of transportation and other property subject to state registration shall be determined by the law of the state, in the state registry whereof the rights over the means of transportation or other property are recorded.

Article 1279. Law determining the right of ownership and other property rights by transaction over movable property in transit

The arising and termination of the right of ownership and other property rights by transaction over movable property in transit shall be determined by the law of the

state wherefrom such property is delivered, unless otherwise prescribed by the agreement of the parties.

§ 4.LAW APPLICABLE TO PERSONAL NON-PROPERTY RIGHTS

Article 1280. Law applicable to the protection of personal non-property rights

The law of the state, where the action or other fact having served as a basis for the claim for the protection of such rights occurred, shall be applied to personal non-property rights.

§ 5. LAW APPLICABLE TO TRANSACTIONS, REPRESENTATIONS AND STATUTE OF LIMITATIONS

Article 1281. Law determining the form of transaction

1. The form of a transaction shall be determined by the law of the state where it was concluded. However, failure to observe the form of a transaction concluded abroad shall not serve as a ground for declaring it as invalid, where the requirements of law of the Republic of Armenia were observed.

2. A foreign economic transaction wherein at least one of the participants is a citizen or legal person of the Republic of Armenia, regardless of the place of conclusion of the transaction, shall be concluded in writing.

3. The form of a transaction relating to immovable property shall be determined by the law of the state where the property is located.

Article 1282. Law determining the form and validity period of a letter of attorney

The form and validity period of a letter of attorney shall be determined by the law of the state where the letter of attorney was issued. However, failure to observe the form of a letter of attorney shall not serve as a ground for declaring it as invalid, where the requirements of law of the Republic of Armenia were observed.

Article 1283. Law determining the statute of limitations

The statute of limitations shall be determined by the law of the state, which is applied for the regulation of the respective relation.

§ 6.LAW APPLICABLE TO CONTRACTUAL OBLIGATIONS

Article 1284. Designation of law upon the agreement reached by the parties to a contract

1. The contract shall be regulated by the law of the state designated upon the agreement reached by the parties.

2. The parties to a contract may designate the law applicable both to the whole contract and to the individual parts thereof.

3. The parties to a contract, while concluding the contract and thereafter, may, at any time, designate the applicable law. The parties may also, at any time, agree on changing the law applicable to the contract.

4. The applicable law designated after conclusion of the contract shall have retroactive force and shall be valid from the moment of the conclusion thereof.

5. The agreement reached by the parties in respect of designation of the applicable law must be clearly expressed or directly follow from the conditions of the contract.

6. Where the contract includes trade terminology recognised in international practice, in the absence of other instructions in the contract, the parties shall be deemed to have agreed to apply customary business practices expressed in relevant trade terminology to their relations.

Article 1285. Law applicable to a contract in case of absence of the agreement to be reached by the parties on the designation of law

1.In case of absence of the agreement to be reached by the parties on the applicable law, the contract shall be covered by the law of the state where the following party was founded, has its residence or main place of activities:

(1) the pledgor — in a pledge contract;

(2) the surety — in a suretyship contract;

(3) the seller — in a purchase and sales contract;

(4) the donor — in a gift contract;

(5) the lessor — in a lease contract;

(6) the lender — in a gratuitous use contract;

(7) the contractor — in a contractor agreement;

(8) the delegator — in a delegation contract;

(9) the commissioner — in a commission contract;

(10) the agent — in an agency contract;

(11) the bailor — in a bail contract;

(12) the carrier — in a carriage contract;

(13) the freight forwarder — in a freight forwarding contract;

(14) the creditor — in a loan or other credit contract;

(15) the financial agent — in a factoring agreement;

(16) the bank — in a bank deposit contract and bank account contract;

(17) the franchisor — in a franchise contract;

(18) the insurer — in an insurance contract;

(19) the licensor — in a licence contract for the use of exclusive rights.

2. Regardless of the provisions of point 1 of this Article, in case of absence of the agreement reached by the parties to the contract on the applicable law:

(1) the contract the subject matter whereof is immovable property, as well as the contract on trust management of property shall be covered by the law of the state where the property is located;

(2) the construction contracting agreement and the contract on design and exploration works shall be covered by the law of the state where the results provided for by the contract are created;

(3) the joint venture contract shall be covered by the law of the state where such venture is carried out;

(4) the contract concluded under auction or tender shall be covered by the law of the state where the auction or tender was conducted.

3. In case of absence of the agreement reached by the parties on the applicable law, the contracts not listed in points 1 and 2 of this Article shall be covered by the law of the state where the party — which fulfils the condition having decisive significance

for the content of such contract — was founded, has its residence or main place of activities.

In case it is impossible to determine the condition having decisive significance for the content of the contract, the law of the state whereto the contract is most closely related shall apply.

Article 1286. Law applicable to a contract on the creation of a legal person with foreign participation

The contract on the creation of a legal person with foreign participation shall be covered by the law of the state where the legal person is to be founded according to that contract.

Article 1287. Scope of issues settled through applicable law

The law applicable to a contract by virtue of the provisions of this Paragraph shall include the rights and obligations of the parties, as well as:

(1) the interpretation of the contract;

(2) the execution of the contract;

(3) the consequences of failure to execute or improper execution of the contract;

(4) the termination of the contract;

(5) the consequences of the contract being null and void or invalid;

(6) the surrender of claim and the transfer of debt related to the contract.

§ 7.LAW APPLICABLE TO THE OBLIGATIONS ARISING FROM UNILATERAL ACTIONS

Article 1288. Law applicable to the obligations arising from unilateral transactions

The law of the state where the transaction was made shall apply to the obligations arising from unilateral transactions.

§ 8.LAW APPLICABLE TO THE OBLIGATIONS ARISING AS A RESULT OF CAUSING DAMAGE AND UNJUST ENRICHMENT

Article 1289. Law applicable to the obligations arising as a result of causing damage

Obligations arising as a result of causing damage shall be covered by the law of the state where the action or fact—having served as a ground for the claim for compensation of the damage—occurred, unless otherwise agreed by the parties.

Article 1290. Law applicable to the obligations arising as a result of unjust enrichment

The law of the state where unjust enrichment has occurred shall apply to the obligations arising as a result of unjust enrichment, unless otherwise agreed by the parties.

§ 9.LAW APPLICABLE TO INTELLECTUAL PROPERTY

Article 1291. Law applicable to objects of intellectual property

1. The law of the state where protection of rights is sought shall apply to the objects of intellectual property.

2. The law determined in accordance with the provisions of this Section on contractual obligations shall apply to the contracts on the transfer or use of rights over the objects of intellectual property.

§ 10.LAW APPLICABLE TO INHERITANCE

Article 1292. Law applicable to inheritance by will

1. Inheritance shall be covered by the law of the state where the testator had the last place of residence, unless the testator designated in the will the law of the state the citizenship whereof he or she holds.

2. The ability of a person to make and revoke a will, as well as the form of a will and of the act on its revocation shall be determined by the law of the state where the testator had his or her place of residence at the moment of making the will or drawing up the act on its revocation.

However, failure to observe the form shall not serve as a ground for declaring the will or the act on its revocation as invalid, where the will or the act on its revocation meets the legal requirements of the place of drawing it up or the legal requirements of the Republic of Armenia.

Article 1293. Law determining the inheritance of immovable property

The inheritance of immovable property shall be determined by the law of the state where the property is located.

President
of the Republic of Armenia **R. Kocharyan**

Yerevan

28 July 1998

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