Legal 500
Country Comparative Guides 2025

Armenia
Investing In

Contributor

Concern Dialog
Law Firm

Lilit Karapetyan

Partner, Attorney | lilit.karapetyan@dialog.am

Ani Mkrtumyan

Associate, Attorney | ani.mkrtumyan@dialog.am

Kima Davoyan

Junior Associate | kima.davoyan@dialog.am

This country-specific Q&A provides an overview of investing in laws and regulations applicable in Armenia.

For a full list of jurisdictional Q&As visit **legal500.com/guides**

Armenia: Investing In

1. Please briefly describe the current investment climate in the country and the average volume of foreign direct investments (by value in US dollars and by deal number) over the last three years.

The Republic of Armenia (hereinafter RA) declares and implements an “open door” policy towards foreign investments, and the RA investment field is considered one of the most open of the CIS countries. The government's focus on digitization and regulatory efficiency has positioned the country as an emerging hub for sectors such as IT, energy, and manufacturing.

Over the past several years, Armenia has received consistently respectable rankings in international indices that review country business environments and investment climates

As of 2024, Armenia ranks **64.9** in the **Index of Economic Freedom**, placing it 47th globally. This moderate ranking reflects a balance of regulatory efficiency, market openness, and a commitment to the rule of law.

Armenia has implemented a **Business Entry One-Stop Shop**, streamlining the process for company registration, name reservation, and tax identification number (TIN) issuance. These services can be completed in a single location within two working days. Entrepreneurs with electronic signatures can also register online through the government portal www.e-register.am. This system enhances efficiency and accessibility for both domestic and foreign investors.

Country has demonstrated a strong track record in attracting foreign direct investments, with notable increases in inflows over recent years. According to **UNCTAD's World Investment Reports**, the key trends are:

- **2021**: foreign direct investments (hereinafter FDI) inflows reached **USD 366 million**, with the total FDI stock estimated at **USD 5.629 billion**. Greenfield investment projects numbered **8**.
- **2022**: FDI surged to **USD 998 million**, almost tripling the previous year's level. The total FDI stock was valued at **USD 7.124 billion**, representing **5% of the country's GDP**. Greenfield investments increased to **24** projects.
- **2023**: FDI inflows decreased to **USD 442.6 million**, with the total stock of FDI growing to **USD 7.499 billion**. This indicates stabilization after the exceptional growth in 2022.

While 2024 data has not yet been released, ongoing policy improvements and infrastructure developments are expected to sustain Armenia's appeal to investors. The country's geopolitical position as a bridge between Europe and Asia further reinforces its strategic value.

2. What are the typical forms of Foreign Direct Investments (FDI) in the country: a) greenfield or brownfield projects to build new facilities by foreign companies, b) acquisition of businesses (in asset or stock transactions), c) acquisition of minority interests in existing companies, d) joint ventures, e) other?

Foreign Direct Investment in Armenia does not follow a single dominant form, as investors typically choose the approach that best aligns with their business needs and the specific circumstances of their projects. Below is an overview of typical FDI forms in Armenia:

- **Greenfield or Brownfield Projects**: The choice between greenfield or brownfield investments depends heavily on the sector and the availability of suitable facilities. In industries with limited existing infrastructure, greenfield projects are more common, while in sectors with underutilized facilities, brownfield investments may be preferred.
- **Acquisition of Businesses**: This is a relatively common form of FDI in Armenia, particularly in cases where attractive local businesses are available for acquisition. These transactions often involve asset or stock purchases and are seen in sectors like technology, manufacturing, and services.
- **Acquisition of Minority Interests in Existing Companies**: Foreign investors sometimes acquire minority stakes in Armenian companies to test the market or collaborate with local partners without assuming full control of the business.
- **Joint Ventures**: While joint ventures do occur, they are less common in Armenia compared to other forms of investment. Foreign investors typically pursue other routes unless a local partnership offers significant strategic advantages.
- **Other Forms**: Other FDI forms, such as franchising,

licensing, or venture capital investments, are present but tend to represent a smaller share of the overall FDI landscape.

According to the RA Law "On Foreign Investments" foreign investors have the right to invest in the following ways

a) by establishing departments, branches and representative offices of enterprises wholly owned by foreign investments, as well as by foreign legal entities, or by acquiring existing enterprises as property,

b) by establishing new enterprises with the participation of legal entities of the Republic of Armenia, enterprises without legal entity status or citizens of the Republic of Armenia, or by acquiring shares in existing enterprises,

c) by acquiring shares, bonds and other securities defined by the legislation of the Republic of Armenia within the framework of the legislation of the Republic of Armenia,

d) by acquiring land use rights and concessions for the use of natural resources in the territory of the Republic of Armenia independently or with the participation of legal entities of the Republic of Armenia or enterprises without legal entity status, as well as citizens of the Republic of Armenia,

e) by acquiring other property rights,

f) In other ways not prohibited by the legislation of the Republic of Armenia, in particular, on the basis of contracts concluded with legal entities of the Republic of Armenia or enterprises without legal entity status, as well as with citizens of the Republic of Armenia.

Respectively, the investors have large discretion in choosing their investment form depending on the specific needs of their project.

3. Are foreign investors allowed to own 100% of a domestic company or business? If not, what is the maximum percentage that a foreign investor can own?

As a general remark, Armenian legislation has very minor limitations related to foreign investment. Among other things, there is **generally** no limitation to foreign ownership in local companies. In the meantime, in certain specific sectors such limitations are indeed provided. For example, under the RA Law "On Audiovisual Media" foreign entities or residents may hold only up to 49% of voting shares of broadcasters and private multiplex operators.

4. Are foreign investors allowed to invest and hold the same class of stock or other equity securities as domestic shareholders? Is it true for both public and private companies?

The legislation of the Republic of Armenia does not provide for restrictions on foreign investors acquiring only a certain class of shares or other equity securities and respectively foreign investors can equally acquire the same class of stock or other equity securities with domestic companies, based on the principle of equality of legal regime of activities of RA enterprises and foreign investors.

5. Are domestic businesses organized and managed through domestic companies or primarily offshore companies?

According to the data received from the Statistical Committee the main flows of money (to Armenia and out of Armenia) went to offshore destinations in 2024 According to the results of the first quarter of 2024, the outflow of investments from Armenia to the British Virgin Islands amounted to 31.4 billion AMD, to the United Arab Emirates – 17.8 billion AMD, to Cyprus – 14 billion AMD.

6. What are the forms of domestic companies? Briefly describe the differences. Which form is preferred by domestic shareholders? Which form is preferred by foreign investors/shareholders? What are the reasons for foreign shareholders preferring one form over the other?

Companies are broadly classified as **commercial** and **non-commercial** organizations. This response focuses exclusively on commercial organizations, the most common forms of which are **Limited Liability Companies (LLCs)** and **Closed Joint-Stock Companies (CJSCs)**. Both types share some fundamental similarities, including limited liability for participants, no minimum charter capital requirement, and obligations to disclose their Ultimate Beneficial Owners (However, **LLCs** have greater transparency in ownership, as their shareholder lists are publicly accessible, whereas the shareholder list of a CJSC is private). However, there are certain notable distinctions between the two forms.

LLCs are favored for simpler ownership structures, such as those involving a single founder or a straightforward Special Purpose Vehicle (SPV). They are easier to establish and manage. CJSCs are better suited for more complex ownership and governance structures. They

provide greater flexibility for regulating shareholder relationships, accommodating governance mechanisms such as a board of directors. CJSCs offer better adaptability for integrating shareholder agreements, option agreements, SAFE agreements, and other complex contractual arrangements. This is particularly important in situations requiring detailed regulation of shareholder relationships.

Additionally, the participant of an LLC has the right to exit the company at any time and require compensation for their shares in the amount calculated based on accounting records of the company. Such right does not exist for CJSCs.

7. What are the requirements for forming a company? Which governmental entities have to give approvals? What is the process for forming/incorporating a domestic company? What is a required capitalization for forming/incorporating a company? How long does it take to form a domestic company? How many shareholders is the company required to have? Is the list of shareholders publicly available?

In Armenia, the registry of legal entities is maintained by the State Register of Legal Entities under the Ministry of Justice. However, Closed Joint-Stock Companies are subject to an additional requirement: they must keep a registry of their shares through private registrars licensed by the Central Depository. This distinguishes CJSCs from Limited Liability Companies, which do not have such obligations.

The establishment of a company, whether an LLC or a CJSC, is initiated by the decision of its founder(s). This decision includes the approval of the company's charter, the indication of its charter capital, and the appointment of its executive body. Once all necessary documents are prepared and submitted to the State Register, the registration process typically takes 1-2 working days. However, the preparation of required documentation, such as apostilled documents for foreign founders, signed decisions, and other relevant papers, often requires delivery to Armenia, which can extend the overall timeframe.

Both LLCs and CJSCs can have between 1 and 49 shareholders. The shareholder lists of LLCs are accessible to third parties, ensuring a high degree of transparency. In contrast, CJSCs provide more privacy, as their shareholder lists are not publicly available. Despite this difference, both types of companies are required to disclose their Ultimate Beneficial Owners (UBOs). The UBO information is published on the State Register's website and is accessible to the public, ensuring compliance with transparency regulations.

8. What are the requirements and necessary governmental approvals for a foreign investor acquiring shares in a private company? What about for an acquisition of assets?

Overall, no governmental approvals are necessary specifically for foreign investors when acquiring shares or assets. In specific circumstances such approvals indeed may be applicable irrespective of the nationality of the parties, i.e. approvals by the Commission for Protection of Competition and regulators of the specific sectors.

9. Does a foreign investor need approval to acquire shares in a public company on a domestic stock market? What about acquiring shares of a public company in a direct (private) transaction from another shareholder?

The legislation does not specify a specific procedure for the acquisition of shares from public companies by foreign investors.

10. Is there a requirement for a mandatory tender offer if an investor acquired a certain percentage of shares of a public company?

According to Article 152 of the RA Law “On Securities Market", every person who becomes the owner of more than 75 percent of the securities of a given class as a result of one or more transactions with the issuer's equity securities, is obliged to make an offer to transfer all the securities of the given class to them. In that case, the person is obliged to submit the declaration of the offer to transfer the securities to the Central Bank within 10 working days following the execution of the relevant transaction, as a result of which the person became the owner of more than 75 percent of the securities of the given class. According to Article 148 of the same law, this regulation applies to the offer of share securities registered in the territory of the Republic of Armenia (except for investment funds) for the transfer of equity securities that are allowed to be traded in the regulated market operating in the territory of the Republic of Armenia. According to part 4 of the same article, the mentioned requirement does not apply to the cases

when:

1) the person became the owner of more than 75 percent of the securities of the given class as a result of the reduction of the authorized capital of the given company;

2) the person became the owner of more than 75 percent of the securities of the given class as a result of his non-binding offer to surrender the securities for all the securities of the given class in accordance with the procedure established by this chapter;

3) the securities were purchased by a person providing investment services for the purpose of placement;

4) the person alienates the part exceeding 75 percent of the securities of the given class, within 10 working days from the date of their acquisition, to the person who is not considered to be a person who has agreed to act jointly, according to.

In this case, there are no special regulations related to foreign investors.

11. What is the approval process for building a new facility in the country (in a greenfield or brownfield project)?

The main approval process relates to urban development licenses (construction and related permits).The company can carry out construction activities based on the construction permit. According to the RA Law “On Urban Development", the construction permit is a document that confirms the developer's right to carry out certain construction activities both on the plot of land provided for the purpose of new construction and in the existing buildings and structures.

On the basis of the permit, any construction and parallel work can be carried out exclusively on the basis of the mandatory conditions, requirements and restrictions established by the architectural design task, developed, agreed and approved in the prescribed manner, in accordance with the legislation of the Republic of Armenia and the requirements of the normative-technical documents of the plot of land provided for the given object within limits.

The permission for construction (demolition) within the administrative boundaries of the community is given to the developer by the head of the community, in the areas outside the administrative boundaries of the community – by the governor, in the city of Yerevan – by the mayor of Yerevan.

Developers are obliged to carry out construction in accordance with the law, in accordance with the approved architectural design, on the basis of the construction permit, before starting construction, as well as during the construction, to reach an agreement with the entities suffering losses as a result of the construction, regarding the compensation of the damages to be caused.

Urban planning documents are subject to examination before their agreement and approval in the prescribed manner. Exceptions are the design documents of objects classified as low-risk and medium-risk. Furthermore, those urban planning documents, including program documents, which, in addition to the need for compliance with urban planning norms, are subject to state comprehensive examination, which, in addition to the need for compliance with urban planning norms, also require the impact on environmental protection, preservation of historical and cultural monuments, prevention of emergency situations, communication systems, transportation. Provision of expert or professional opinion or agreement related to the provision of energy and other engineering infrastructures, industrial safety, efficient use of soil, technological and sanitary requirements the conclusion of the urban development state complex examination is given by the presence of the state examination conclusion of the environmental impact examination.

For the organization of current repair, interior decoration, current maintenance and improvement works in common areas, a survey of buildings and structures can be done, an act of defects, a list of works and, if necessary, an estimate can be drawn up.

The completion of the construction works of the built building (including rebuilt, restored, strengthened, modernized, expanded) and, according to the operational purpose, the acceptance of operation are documented by the completion act (operation permit), after the implementation of all construction and installation works required by the construction permit provided by the approved project and after the contractor has handed over the completed construction object to the developer in accordance with the requirements set by law and the developer has accepted it. The result of the work performed under the construction contract of the objects with the highest risk level classification is accepted by the acceptance committee established by that decision.

Additionally, depending on the nature of the infrastructure, there may be a requirement for the relevant project to undergo Environmental impact assessment and/or examination.

12. Can an investor do a transaction in the country in any currency or only in domestic currency? a) Is there an approval requirement (e.g. through Central Bank or another governmental agency) to use foreign currency in the country to pay: i. in an acquisition, or, ii. to pay to contractors, or, iii. to pay salaries of employees? b) Is there a limit on the amount of foreign currency in any transaction or series of related transactions? i. Is there an approval requirement and a limit on how much foreign currency a foreign investor can transfer into the country? ii. Is there an approval requirement and a limit on how much domestic currency a foreign investor can buy in the country? iii. Can an investor buy domestic currency outside of the country and transfer it into the country to pay for an acquisition or to third parties for goods or services or to pay salaries of employees?

The general rule under Armenian law is that all transactions in the country must be carried out in local currency – Armenian drams. In the meantime there are certain exceptions that may apply to foreign investors.

Particularly, under the RA Law "On Currency Regulation and Currency Control:

1. Price quotations in and payments under contracts (provided that the payment is made non-cash) can be made in foreign currency, if these contracts were concluded between a resident legal entity or an individual entrepreneur and **a non-resident** legal entity or an individual entrepreneur.
2. Price quotations in and payments under contracts in the free economic zone created in the territory of the Republic of Armenia, as well as quotations or non-cash payments for transactions between the operators of the free economic zone and legal entities (individual entrepreneurs) who are residents of the Republic of Armenia, regardless of their amount, can also be made in freely convertible foreign currency.

In the meantime, in accordance with Article 6, Part 3 of the RA Law "On Currency Regulation and Currency Control", monetary investments in the statutory and share capital of legal entities in the Republic of Armenia are carried out **in Armenian drams only**.

There are no approval requirements (through Central Bank or another governmental agency) to use foreign currency in the country to pay in an acquisition or to contractors. At the same time, the law directly stipulates that salaries in Armenia are paid exclusively in AMD.

Is there a limit on the amount of foreign currency in any transaction or series of related transactions?

Is there an approval requirement and a limit on how much foreign currency a foreign investor can transfer into the country?

Is there an approval requirement and a limit on how much domestic currency a foreign investor can buy in the country?

Can an investor buy domestic currency outside of the country and transfer it into the country to pay for an acquisition or to third parties for goods or services or to pay salaries of employees?

There are no approval requirements and limits on how much foreign currency a foreign investor can transfer into the country and how much domestic currency a foreign investor can buy in the country.

Armenian legislation does not provide for regulations related to the acquisition of AMD in other countries. Such regulations should be provided for by the domestic legislation of each country. However, there are countries that provide for the possibility of buying AMD in their country. As for the transfer to Armenia to pay for an acquisition or to third parties for goods or services or to pay salaries of employees, as mentioned above, there are exceptions in the law for transactions between resident and non-resident businesses and for certain transactions involving goods traded at world market prices. However, salaries are paid in AMD.

13. Are there approval requirements for a foreign investor for transferring domestic currency or foreign currency out of the country? Whose approval is required? How long does it take to get the approval? Are there limitations on the amount of foreign or domestic currency that can be transferred out of the country? Is the approval required for each transfer or can it be granted for all future transfers?

There are no approval requirements for a foreign investor for transferring domestic currency or foreign currency out of the country.

Note that according to the Law on "Combating Money Laundering and Terrorist Financing", non-cash

transactions with an amount equal to or exceeding AMD 20 million, as well as cash-related transactions with an amount equal to or exceeding AMD 5 million, are subject to compulsory settlement by financial institutions. However, as we see, such notification is placed on the financial organization through which the transaction is carried out The information must be provided to the Central Bank

Depending on which financial organization services a person uses, the latter's internal statutes may stipulate transfer limits However, the law does not expressly provide for transfer limits

14. Is there a tax or duty on foreign currency conversion?

Non-commercial conversion of own cash, that is when individuals convert their own cash (e.g., exchanging foreign currency into Armenian drams for personal use), the transaction is tax-neutral. This is because no payment or other form of cash outflow occurs in a commercial sense.

However, if foreign currency transactions are conducted as part of a business activity—that is, in an organized, continuous manner with the goal of generating profit (subject to licensing under Armenian legislation)—they may have tax consequences, including:

- Profit Tax: Earnings from currency trading would be subject to the standard profit tax rate (18%).
- Accounting Obligations: Businesses engaging in currency trading must comply with tax and financial reporting requirements, including keeping detailed records of transactions.

Regarding VAT, foreign currency conversion is exempt from VAT.

15. Is there a tax or duty on bringing foreign or domestic currency into the country?

There is no tax or duty on bringing foreign or domestic currency into Armenia.

However, in accordance with anti-money laundering and counter-terrorism financing regulations and under the Customs Code of the Eurasian Economic Union (EAEU), any person entering or exiting the EAEU territory must declare cash if the total amount exceeds USD 10,000 (or its equivalent in another currency). This declaration must be submitted in writing as a foreign exchange declaration at the customs checkpoint.

16. Is there a difference in tax treatment between acquisition of assets or shares (e.g. a stamp duty)?

Under the regulations of the Armenian legislation, the tax treatment between acquisition of assets and shares is different.

Particularly, in case of real estate-asset alienation, the transaction may be subject to taxation. The applicable tax (profit tax, income tax) may depend on the parties of the transaction, as well as their tax regime.

- In case both parties of the transaction are physical persons, then no tax will be calculated (including VAT).
- In case the seller is a physical person, and the buyer is a legal entity, then no VAT will be calculated, however the transaction will be subject to income taxation (the income tax may be calculated and paid by the buyer as a tax agent of the physical person seller).
- In case the buyer is a physical person, and the seller is a legal entity, then the transaction will be subject to VAT, and profit tax or circulation tax depending on the tax regime of the seller.
- In case both parties to a transaction are legal entities, then the transaction will be subject to VAT and profit tax or circulation tax depending on the tax regime of the seller.

At the same, as a general rule the alienation of the right of ownership over a share or unit in the authorized or share capital of the organization is exempt from VAT. In addition, for the purpose of determining the tax base the income generated from the participation in the organization's authorized or share capital (stock, share, unit) or generated from the alienation of other securities proving investment, exchange with other securities or other similar transactions shall be considered **deducted incomes.**

However, where the income is received from the alienation of the participation (stock, share, unit) in the authorized or share capital through building, apartment, private house or other construction (including unfinished (semi-constructed)) or other securities proving investment, where that alienation is carried out within the tax year or within three tax years following it that includes the day of acquiring that participation (stock, share, unit) in the authorized or share capital.

In this second case, the applicable rate of income tax is 10 percent.

17. When is a stamp duty required to be paid?

There are no stamp duties or capital taxes or duties in the Republic of Armenia.

However, there is a tax for keeping real estate which is real estate tax, which is a local tax paid to the budgets of communities of the RA. The calculation may vary, depending on the designated purpose of the land, size of area, the presence of buildings and structures on it, etc.

In case of alienation of immovable property, the certificate proving the absence of any tax obligations related to the real estate tax should be presented to the state cadastre for the registration of the ownership right.

18. Are shares in private domestic companies easily transferable? Can the shares be held outside of the home jurisdiction? What approval does a foreign investor need to transfer shares to another foreign or domestic shareholder? Are changes in shareholding publicly reported or publicly available?

Generally, the shares of the limited liability companies or joint stock companies are considered to be easily transferable given the simplified procedure of the share transfer established under Armenian legislation. First of all, the Armenian legislation does not provide restriction or prohibition on the shareholding of commercial organizations outside of home jurisdiction. Nevertheless, such restrictions exist in the limited field, particularly in the field of media, which provide that foreign shareholding should not be equal or over 50 percent of the authorized capital of the media organization.

Regarding the requested approvals, the necessity of corporate approvals within the company depends on the charter, or shareholder agreements of the company (e.g. the decision of the company on the refusal of preemption right). Particularly, regarding the exercise of preemption right, it should be noted that in the case of LLC and CJSC companies, shareholders have the right of first refusal to acquire shares being sold by other shareholders of the company. If none of the shareholders exercises their right of first refusal within the period specified in the company's charter, the company itself has the right to acquire those shares at a price agreed upon with the owner. If the company declines to acquire the shares or if an agreement on the price cannot be reached, the shares may be sold to a third party.

In addition, the share transfer in the LLC or JSC may be subject to the approval of Competition protection commission of the RA as a concentration subject to declaration, as under Armenian law, certain transactions require prior approval and consent from the Commission for Protection of Competition (the CPC) if specific conditions are met. For further details please refer to question 19.

Furthermore, regarding the registration of the transfer, as mentioned above, in case of LLC's the change of the participants should be registered in the Agency regardless of the percentage of shareholding. In addition, it should be highlighted that the information on the LLC's participants is publicly available information.

Meanwhile, in case of the CJSC, the changes in their shareholding are not being reported to Agency, taking into account that the transfer of shares is effected through a securities account held in the Central Depository of the RA or an intermediary account operator. In addition, such information is not of public knowledge.

However, notwithstanding the above, the changes in shareholding over the 20 percent of the charter capital of the commercial organizations (directly or indirectly) are subject to mandatory declaration though UBO declaration. Changes in UBOs need to be registered and an annual update needs to be filed, even if no change has taken place. Otherwise, the transfer of shares from Armenian to foreign shareholders and vice-versa is not limited.

19. Is there a mandatory FDI filing? With which agency is it required to be made? How long does it take to obtain an FDI approval? Under what circumstances is the mandatory FDI filing required to be made? If a mandatory filing is not required, can a transaction be reviewed by a governmental authority and be blocked? If a transaction is outside of the home jurisdiction (e.g. a global transaction where shares of a foreign incorporated parent company are being bought by another foreign company, but the parent company that's been acquired has a subsidiary in your jurisdiction), could such a transaction trigger a mandatory FDI filing in your jurisdiction? Can a governmental authority in such a transaction prohibit the indirect transfer of control of the subsidiary?

The share transfer / or asset acquisition transaction,

known as concentrations, may be subject to declaration before the Competition Protection commission (Competition Protection Commission), provided that the following threshold is met:

– The value of assets or revenue is more than 4 billion AMD total or 3 billion AMD for one party (at the moment of submitting the declaration or as of preceding last financial year).

– Total revenue of newly established companies is more than 4 billion AMD total or 3 billion AMD for one party as of preceding last financial year.

– A party has a dominant market position.

The following is considered to be concentration under the definition of the law:

- absorption between economic entities registered in the RA;
- consolidation of economic entities registered in the RA;
- acquisition by an economic entity of the assets of another economic entity registered in the RA where, as of the moment of filing the declaration of concentration, their value per se or in sum with the value of the assets acquired from the given economic entity within three years preceding the transaction constitutes 20 percent or more of the assets of the economic entity selling the asset;
- acquisition by an economic entity of the unit share of another economic entity registered in the RA, where it per se constitutes at least 20 percent of the authorized capital (share capital) of such economic entity and where in sum with the value of the unit share already belonging to the acquirer constitutes 20 percent or more of the authorized capital (share capital) of such economic entity;
- acquisition of the right to use the object of intellectual property, may have an impact on the including means of identification, as a result of which the economic entity competitive situation in a goods market in the RA;
- any transaction, action, reorganization or conduct of economic entities due to which the economic entity may directly or indirectly influence the adoption of decisions or the competitiveness of another economic entity, or may directly or indirectly influence the adoption of decisions or the competitiveness of another person or may have an impact on the competitive situation in a goods market in the RA;
- establishment of a legal person in the RA by more than one economic entity, which will act as an independent economic entity.

If the concentration is subject to declaration, the parties to concentration should submit to the CPC concentration declaration, after receiving the declaration of concentration, the administrative proceedings are being initiated for the assessment of the concentration, the term of which is generally 3 months, however, such term may be extended once by a 3-month period based on the decision of the CPC. In the case of simplified proceedings, the term may be 1 month.

Even if no declaration has been submitted to the CPC, it has the authority to review the transaction and further block it provided that the transaction is a concentration subject to declaration and was not declared and was recognized as subject to prohibition by the CPC. Particularly, the concentration may be prohibited in the following cases:

- according to the results of studies of the Commission, the concentration would result in prevention, restriction, blocking or otherwise worsening of the economic competition in the relevant goods market; or
- according to the results of studies of the Commission, the concentration would result in establishment or strengthening of a dominant position; or
- according to the results of examination of the Commission, the concentration would harm the consumer interests; or
- a party to the concentration does not submit information considered by the Commission essential for assessing the impact of the concentration in the relevant goods market, and it is impossible to obtain that information from other sources; or
- a party to the concentration has submitted false information about the concentration in the relevant goods considered by the Commission essential for assessing the impact of the market, which has had a negative impact on the progress and results of the study conducted by the Commission.

Regarding the indirect transfer of control of the Armenian company, the analysis of applicable Armenian legislation and CPC decisions indicates that the indirect transfer of control over an Armenian company is also considered a concentration subject to declaration and CPC approval if the minimum thresholds are met, as such a transaction could impact the competitive situation in Armenia. Furthermore, in this case, the CPC is authorized to impose liability for non-declaration of the concentration and even to prohibit concentration.

Liability for non-declaring the concentration is fine up to 5 million AMD, meanwhile the amount of a fine imposed for executing a prohibited concentration shall constitute

up to 10 percent of the revenue of the economic entity for the year preceding the offence.

Depending on the sphere of activity of the company, other approvals may be needed, e.g. the approval of the Central banks in case of the transfer of shares of banks, or financial institutions, or the consent of the Public Services Regulatory Commission in the case of companies operating in the field of energy.

20. What are typical exit transactions for foreign companies?

The most common form of exit transaction for foreign companies in Armenia involves the sale of a business, typically achieved through the transfer of shares or assets. The structure of the exit depends on various factors, including the company's legal form, its articles of association, shareholders' agreements, and applicable laws and regulations. These considerations apply equally to foreign and domestic companies.

Other common options may include the rights of first refusal, tag-along and drag-along rights, put options, safe (Simple Agreement for Future Equity) mechanism, or in some cases depending on the companies, the IPO's. Hence, the choice of exit mechanism depends on the business context, industry, and the preferences of the parties involved.

21. Do private companies prefer to pursue an IPO? i. on a domestic stock market, or ii. on a foreign stock market? iii. If foreign, which one?

In recent years, pursuing an IPO has become increasingly common in Armenia, primarily on the domestic stock market. This trend is particularly noticeable in sectors such as finance and telecommunications. For example, large Armenian banks like ACBA Bank, EvocaBank, and ArmeconomBank have started to pursue an IPO. Similarly, some major telecommunications companies have also opted for IPOs. In these cases, IPO has been pursued on a domestic stock market and the main investors were pension funds.

The domestic stock market is generally preferred due to familiarity with local regulatory frameworks, access to Armenian institutional investors, and the growing role of pension funds, which have been key investors in these IPOs, however, pursuing an IPO on a foreign stock market is not limited.

22. Do M&A/Investment/JV agreements typically provide for dispute resolution in domestic courts or through international arbitration?

The choice of dispute resolution mechanism in M&A, investment, and joint venture (JV) agreements in Armenia often depends on the nature of the transaction and the involvement of foreign parties.

For agreements involving limited foreign participation, dispute resolution in domestic courts is more common. However, in agreements involving substantial foreign investment or international parties, arbitration is often preferred. Arbitration clauses are especially common in the financial sector and in cross-border agreements.

In the context of M&A, investment, and JV agreements, arbitration is frequently a key point of negotiation, particularly when foreign parties are involved. Such agreements typically provide for dispute resolution through international arbitration institutions, ensuring impartiality and enforceability across jurisdictions.

23. How long does a typical contract dispute case take in domestic courts for a final resolution?

The duration of a typical contract dispute in Armenian domestic courts generally ranges from 3 to 5 years, depending on the complexity of the case. However, it is important to note that the timeline can vary based on factors such as the specifics of the dispute, the workload of the courts, and procedural delays.

According to the 2023 World Bank Report on Supporting Judicial Reforms in Armenia, the average disposition times for civil cases (as of 2021) are as follows:

- Court of First Instance: 181 days (approximately 6 months).
- Civil Court of Appeal: 71 days (approximately 2.5 months).
- Court of Cassation: 482 days (approximately 16 months).

It is worth noting that these statistics reflect the average disposition time for all civil cases, not specifically for contract disputes. Therefore, while the report provides a general overview of case timelines, it does not allow for precise conclusions about the duration of contract-related disputes.

Overall, the resolution time for contract disputes in Armenia's courts depends on the case's complexity and

progression through multiple judicial levels.

24. Are domestic courts reliable in enforcing foreign investors rights under agreements and under the law?

Domestic courts provide a fair and impartial forum for resolving disputes without inherent bias toward domestic claimants or defendants. Judicial protection is available to all parties, regardless of nationality, and courts adhere to the principle of equality before the law.

Court proceedings are conducted in accordance with the principles of adversarial justice, ensuring that all parties have the opportunity to present their arguments and evidence. The judiciary is committed to upholding the rule of law, ensuring that foreign investors receive equitable treatment and that their rights under applicable agreements and domestic legislation are effectively protected.

In addition to domestic judicial remedies, foreign investors can also rely on Armenia's adherence to international arbitration mechanisms, such as ICSID and the New York Convention, as alternative means for resolving disputes.

25. Are there instances of abuse of foreign investors? How are cases of investor abuse handled?

Currently, based on the public information published on ICSID's database, there have been five cases initiated against Armenia, three of which have been completed and two are still pending. It is most likely that there are arbitration proceedings in other instances as well, the information of which is not publicly available. Resolution of large investment disputes through ICSID is one of the main available mechanisms in the alleged abuse of investors' rights. Under the RA Law on Foreign investment, it is also possible to bring a claim before the Armenian courts with claims of breach of the said law.

26. Are international arbitral awards recognized and enforced in your country?

As a signatory to the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards (1958), Armenia applies the streamlined procedures established by the Convention to recognize and enforce arbitral awards made in the territory of another member state.

For arbitral awards rendered in non-member states of the New York Convention, recognition and enforcement are governed by the principle of reciprocity. Unless proven otherwise, reciprocity is presumed to exist.

The grounds for refusing recognition and enforcement of a foreign arbitral award are strictly limited and align with the provisions of Article V of the New York Convention. These grounds are reflected in the RA Law on Commercial Arbitration, which provides that a court may deny recognition or enforcement only for specific reasons, such as public policy violations, or lack of arbitrability of the dispute under Armenian law, etc.

This framework ensures that Armenia maintains a consistent and arbitration-friendly approach to the recognition and enforcement of international arbitral awards.

27. Are there foreign investment protection treaties in place between your country and major other countries?

Armenia is a member of the International Centre for Settlement of Investment Disputes (ICSID) and has ratified the 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards, which facilitates the enforcement of international arbitral awards.

Additionally, Armenia is a party to two regional agreements that include provisions on investment protection:

- The Treaty on the Eurasian Economic Union (EAEU).
- The Convention on the Protection of Investors' Rights within the Commonwealth of Independent States (CIS).

Armenia is also na party to the Energy Charter Treaty, which provides comprehensive protection for foreign investments in the energy sector and ensures access to investor-state dispute settlement mechanisms.

Concerning Bilateral Investment Treaties (BITs), Armenia has entered into 42 such treaties, including agreements with major countries. These include, but are not limited to:

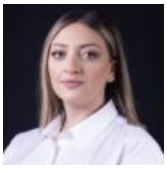
1. France: Agreement on the Promotion and Reciprocal Protection of Investments (signed November 4, 1995).
2. Italy: Agreement on the Promotion and Protection of Investments (signed July 23, 1998).
3. Germany: Treaty on the Promotion and Mutual

Protection of Investments (signed December 21, 1995).
4. United Kingdom: Agreement on the Promotion and Protection of Investments (signed May 27, 1996).
5. United States:
    - Agreement on the Promotion of Investments (signed April 2, 1992, effective upon signing).
    - Agreement on the Mutual Encouragement and Protection of Investments (signed September 23, 1992, entered into force March 29, 1996).
6. Egypt:
    - Agreement on the Promotion and Protection of Investments (signed June 9, 1996).
    - Memorandum of Understanding on Investments (signed November 10, 2009).
7. China: Agreement on the Mutual Promotion and Protection of Investments (signed July 4, 1992).
8. Cyprus: Agreement on the Promotion and Protection of Investments (signed January 18, 1995).

These agreements demonstrate Armenia's commitment to creating a secure and favorable environment for foreign investors by providing guarantees against expropriation, ensuring fair and equitable treatment, and offering dispute resolution mechanisms.

Contributors

Lilit Karapetyan
Partner, Attorney
lilit.karapetyan@dialog.am



Ani Mkrtumyan
Associate, Attorney
ani.mkrtumyan@dialog.am

Kima Davoyan
Junior Associate
kima.davoyan@dialog.am