
CHAMBERS GLOBAL PRACTICE GUIDES

Aviation: Financing & Leasing 2025

Definitive global law guides offering
comparative analysis from top-ranked lawyers

Armenia: Law and Practice

Narine Beglaryan, Arianna Adamyan
and Anahit Aloyan
Concern Dialog



ARMENIA



Law and Practice

Contributed by:

Narine Beglaryan, Arianna Adamyan and Anahit Aloyan

Concern Dialog

Contents

1. Aircraft and Engine Purchase and Sale p.4

- 1.1 Sales Agreements p.4
- 1.2 Transfer of Ownership p.4

2. Aircraft and Engine Leasing p.5

- 2.1 Overview p.5
- 2.2 Lease Terms p.6
- 2.3 Lease Registration p.7
- 2.4 Lessor's Liabilities p.8
- 2.5 Insurance and Reinsurance p.10
- 2.6 Lease Enforcement p.10
- 2.7 Lease Assignment/Novation p.13
- 2.8 Aircraft Deregistration and Export p.14
- 2.9 Insolvency Proceedings p.16
- 2.10 Cape Town Convention and Others p.19

3. Aircraft Debt Finance p.19

- 3.1 Structuring p.19
- 3.2 Security p.20
- 3.3 Liens p.22
- 3.4 Enforcement p.23

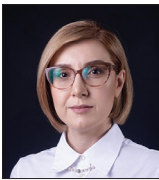
4. Other Issues of Note p.24

- 4.1 Issues Relevant to Domestic Purchase, Sale, Lease or Debt Finance of Aircraft p.24
- 4.2 Current Legislative Proposals p.24

Concern Dialog is a top-tier, full-service law firm, headquartered in Yerevan, Armenia. It has been a trusted partner for businesses and individuals seeking legal counsel and representation since 1998. The firm is renowned for its work in the areas of corporate law, labour law, competition law, tax law, contract law, family law (including child abduction cases), and regulatory issues. Concern Dialog has extensive ex-

perience in regulatory matters across the TMT, mining, energy, utilities, banking and finance, medical services, real estate, and not-for-profit sectors. In addition to its renowned consulting and transaction practice, the firm's litigation practice is regarded as one of the leaders in Armenia for landmark litigation and arbitration cases. Concern Dialog's a member of TagLaw and Nextlaw.

Authors



Narine Beglaryan is an attorney and a senior partner who leads Concern Dialogue's corporate law and M&A area of practice, as well as banking law and capital markets, data protection and privacy practices. Her role encompasses providing expert legal advice and litigating on behalf of clients. Narine Beglaryan has been a licensed attorney since 2012. Joined the Concern Dialog team in 2013. With over 15 years of experience, her expertise is recognised internationally, as evidenced by her inclusion in the main ranking lists, such as the prestigious Chambers Global and Chambers Europe. Prior to joining the Concern Dialog team, she worked for seven years in banking and the telecommunications sector (in-house counsel).



Arianna Adamyan is an associate at Concern Dialog who specialises in corporate law, M&A, and contract law. She is involved in providing expert advice in these fields. Having previously worked at a business consulting firm and with experience working at a notary office, she joined Concern Dialogue's team in 2023.



Anahit Aloyan is a newly graduated lawyer and an associate at Concern Dialog who specialises in civil law. She joined Concern Dialog's team in 2023.

Concern Dialog Law Firm

1 Charents Street
Office 207
Yerevan, 0025
Armenia

Tel: +374 6027 8888
Email: info@dialog.am
Web: www.dialog.am



1. Aircraft and Engine Purchase and Sale

1.1 Sales Agreements

1.1.1 Taxes/Duties Payable Upon Execution of the Sales Agreement

Generally, the transfer of ownership upon completion of the sale agreement is relevant for income/profit tax and VAT purposes. The execution of an aircraft or engine sale agreement, including the sale of an ownership interest in an entity owning an aircraft or engine, does not, in itself, create an obligation to pay tax in Armenia, irrespective of the location of the asset or the seller's domicile.

1.1.2 Enforceability Against Domestic Parties

Under Armenian law, it is not required for an aircraft sale agreement to be translated, certified, notarised, or legalised in order to be enforceable against a domestic party. However, if legal proceedings are initiated before Armenian courts, any documents in a foreign language must be translated into Armenian in order to be admissible as evidence in such proceedings.

1.2 Transfer of Ownership

1.2.1 Transferring Title

In Armenia, the title to an aircraft is transferred through a valid written agreement between the seller and the buyer. Although the owner or operator must record the transfer, such registration is declaratory only and does not, in itself, affect the transfer of title. The transfer of title extends to all parts of the aircraft included in the agreement, such as auxiliary power units (APUs).

The sale of ownership interests in an entity that owns an aircraft or engine does not, in itself, constitute a transfer of title to the aircraft or engine. In such cases, the legal owner of the aircraft remains the entity, notwithstanding any changes in the ownership structure of that entity.

1.2.2 Sales Governed by English or New York Law

Under Armenian conflict of law rules, the ownership rights and other proprietary rights over means of transportation and other property subject to state registration are governed by the law of the state in whose public register the rights over such transportation means or property are recorded. Accordingly,

if the recognition of title concerns an aircraft that is already registered, this rule would apply.

Where the recognition of title concerns an aircraft that is yet to be registered, the emergence and termination of ownership rights and other proprietary rights over the property that is the subject of the transaction shall be governed by the law chosen by the parties.

While Armenian law does not establish specific statutory requirements for the form of a bill of sale, to evidence the transfer of title in accordance with the essential elements of a sale and purchase agreement, the bill of sale must include:

- a complete description of the aircraft sufficient for identification purposes (including quantity, if applicable);
- a clear statement evidencing the full transfer of ownership; and
- identification of the parties to the transaction.

1.2.3 Enforceability Against Domestic Parties

A bill of sale does not need to be translated, certified, notarised or legalised in order to be enforceable against a domestic party under Armenian law. Translation may be required by competent state authorities only for purposes of filing or record-keeping. If the document is submitted as evidence before an Armenian court, an Armenian translation would be required for admissibility purposes (see **1.1.2 Enforceability Against Domestic Parties**).

1.2.4 Registration, Filing and/or Consent From Government Entities

An aircraft may be registered in the Republic of Armenia if:

- the owner and/or operator is:
 - (a) the Republic of Armenia;
 - (b) a municipality of the Republic of Armenia;
 - (c) a citizen of the Republic of Armenia; or
 - (d) a legal entity registered in the Republic of Armenia; and
- the aircraft has the aircraft type certificate issued or recognised by the Civil Aviation Committee; or
- the aircraft is not registered in another country.

The aircraft registered in Armenia and sold abroad may be deregistered from the Armenian register. The list of documents is determined subject to submission to the Civil Aviation Committee in order to register or deregister an aircraft. No requirement for prior consent of the Civil Aviation Committee is established.

Government consent may be required as a prerequisite to the execution of a bill of sale if the transaction involves the transfer of an ownership interest in an entity (rather than the aircraft itself), and such transaction results in a concentration subject to declaration to the Competition Protection Commission of the Republic of Armenia (CPC). In such a case, the CPC will assess the concentration and either approve or prohibit it. The concentration assessment process is initiated by submitting an application and notification in the prescribed form.

1.2.5 Taxes/Duties Payable Upon Execution of a Bill of Sale

Under the Armenian Tax Code, there are no special provisions regarding the sale of shares in an Armenian company based on whether the entity owns an aircraft or not. The following rules apply:

Resident Legal Entities

For resident legal persons, income derived from the alienation (sale or transfer) of shares, interests, or units in another organisation is not subject to profit tax, provided the alienation occurs after two full tax years following the tax year in which the shares, interests, or units were acquired.

Non-Resident Legal Entities

Non-resident legal entities are subject to a profit tax of 18% on capital gains from the sale of shares, interests, or units in another organisation.

Individuals

Income obtained from selling or exchanging shares, interests, units, or other securities representing investments in the authorised capital of an organisation is generally considered to be non-taxable income.

However, this exemption does not apply if the income is derived from the alienation of shares, interests, or other securities representing an investment in real

estate – such as a building, apartment, mansion, or other structure (including unfinished or partially constructed property) – and the alienation occurs within the same tax year as the acquisition or within the three tax years following the acquisition of such shares or interests.

2. Aircraft and Engine Leasing

2.1 Overview

2.1.1 Non-Permissible Leases

There are no express limitations under Armenian law based on the type of lease. In general, operating leases, wet leases, finance leases, and leases concerning only engines or parts are permissible and recognised. However, it is worth noting that due to the absence of aircraft manufacturing in Armenia, the demand for aircraft lease agreements is limited. As a result, there is no well-established market practice for entering into aircraft lease agreements; instead, parties commonly conclude bank loan arrangements or tenancy agreements.

Under the Armenian Civil Code, operating and finance leases may be structured to provide that the leased property either transfers into the ownership of the lessee upon or after the expiry of the lease term, or remains with the lessor. Wet leases are comparable to contracts on the rent of transportation means with crew (time charter), as regulated by the Armenian Civil Code. Additionally, the Civil Code provides for a separate type of contract for the rent of transportation means without the provision of management and technical operation services.

2.1.2 Application of Foreign Laws

As a matter of general rule, a lease involving a domestic party can be governed by a foreign law. Parties to a contract may not exclude or alter the applicability of Armenian public law, including currency regulations, taxes, and rules related to the registration and operation of an aircraft.

2.1.3 Restrictions Concerning Payments in US Dollars

According to the Armenian law on Currency regulation and currency control, the quotation of contract price and its payment may be in foreign currency only when:

- the payment is made via wire transfer; and
- the parties to the contracts are Armenian resident legal entities or private entrepreneurs, on one side, and the non-resident legal entities or private entrepreneurs, on the other side.

2.1.4 Exchange Controls

Under Armenian law, there are no exchange control restrictions that would prevent a domestic lessee from making rent payments under a lease to a foreign lessor or that would prevent the repatriation of realisation proceeds if a foreign lessor enforces such a lease.

2.1.5 Taxes/Duties Payable for Physical Execution of a Lease

The execution of a lease agreement within the Republic of Armenia, as well as the presence of the original or a copy of such an agreement in Armenia, whether in physical or electronic form, does not automatically create any tax or duty obligations for the parties involved.

State duty obligations may only arise if the parties choose not to notarise the lease agreement. However, it's important to note that notarisation is not a mandatory requirement under Armenian law for aircraft lease agreements.

It should also be noted that the operator's information must be registered in the Armenian aircraft registry. Consequently, any change relating to the operator, including based on the execution of a lease agreement, must be reflected in the official registry documents, such as the aircraft registration certificate, the issuance of which requires the payment of a state duty.

2.1.6 Licensing/Qualification of Lessors

As a matter of general rule, no special license or permission is required to be or become the owner of an aircraft, as well as to lease (rent) that aircraft.

Meanwhile, according to the Armenian Civil Code, leasing operations themselves may only be carried out by banks or specialised entities that have obtained the relevant permission (licence) from the Central Bank to conduct financial operations, such as leasing operations. This means that the lessor, under the special type of financial tool specified in the Civil Code of Armenia as a leasing contract, needs to have a special license to finance the lease.

2.2 Lease Terms

2.2.1 Mandatory Terms for Leases Governed by English or New York Law

If a contract is governed by foreign law and permitted under Armenian law, no mandatory terms are required in a lease under the latter. However, compliance with Armenian public order must be considered for any terms of contract or judgments to be enforced in Armenia. This is because both the recognition and enforcement of foreign court orders and foreign arbitration awards may be rejected if the underlying claim is based on a rule or principle that contradicts Armenia's public order.

2.2.2 Tax and Withholding Gross-Up Provisions

Under Armenian law, tax and other withholding gross-up provisions are permissible and enforceable.

2.2.3 Parts Installed or Replaced After a Lease's Execution

Under Armenian law, while leased property is generally deemed to include its accessories unless otherwise agreed, parts installed or replaced on an aircraft or engine after the execution of the lease agreement may not automatically fall within the scope of the lease. Therefore, to ensure such parts are captured under the lease, it is advisable to include an express provision in the lease agreement or to execute a subsequent written agreement that extends the lease to cover such components.

Improvements or modifications made during the lease term are subject to Article 626 of the Armenian Civil Code, which distinguishes between separable and inseparable improvements. Separable improvements typically belong to the lessee unless otherwise agreed. Inseparable improvements made with the lessor's consent entitle the lessee to compensation

upon lease termination unless otherwise agreed, while improvements made without consent are generally not compensated. Improvements made at the expense of amortisation funds belong to the lessor.

2.2.4 Risk of Title Annexation

Armenian law does not contain specific provisions governing title to aircraft engines as distinct from the airframe. As a result, there may be a risk of title annexation in respect of aircraft engines installed on an airframe, particularly in the absence of clear contractual terms to the contrary.

Under the Armenian Civil Code, if elements of different types form a unified whole intended for joint use, they may be treated as a single item of composite property. Any transaction involving such composite property will typically apply to all of its components, unless otherwise stipulated by agreement. Additionally, accessory property is deemed to follow the legal fate of the principal property, unless a different arrangement is specified in the contract.

2.2.5 Recognition of the Concepts of Trust/Trustee

The concepts of a common law trust and an owner-trustee under a common law trust structure are not recognised under Armenian law.

Nonetheless, Armenian law does provide for property trust management agreements. Under such agreements, the owner (trustor) retains legal title to the property, while a trust manager is authorised to manage the property in the interest of the owner or a designated third-party beneficiary. Importantly, this arrangement does not involve a transfer of ownership to the manager, who remains an agent acting on behalf of the owner, rather than holding title in trust.

2.3 Lease Registration

2.3.1 Notation of Owner's/Lessor's Interests on Aircraft Register

Under Armenian law, the aircraft register maintained by the Civil Aviation Committee (Committee) records the identity of the legal owner of the aircraft, as well as the operator, if different from the owner.

The register serves primarily to establish the nationality of the aircraft in accordance with Part I, Chapter III

of the Chicago Convention and has only a declarative (evidentiary) effect. It reflects the ownership interest as notified to the Committee but does not create or confirm legal title. Consequently, the registration of a person as the owner does not constitute proof of ownership as a matter of substantive property law. Any changes in ownership or operator must be reported to the Committee and registered accordingly, which results in the issuance of a new certificate of registration.

2.3.2 Registration If the Owner Is Different From the Operator

Under Armenian law, the application for aircraft registration must be submitted by the legal owner or their authorised representative. Accordingly, although the name of the aircraft operator will also be recorded in the register, an aircraft may not be registered in the name of the operator unless the operator is also the legal owner of said aircraft.

2.3.3 Aircraft/Engine-Specific Registers

There is no specific register in Armenia dedicated to leases concerning aircraft or engines.

However, lease arrangements related to aircraft may be reflected indirectly in the aircraft register maintained by the Committee, to the extent that the operator's rights are based on a lease agreement. That said, the aircraft register only records information about ownership and the operator; it does not constitute a lease register, nor does it establish or confirm legal rights under the lease itself.

Regarding aircraft engines, there is no specific register, and engine-related information is recorded only as part of the aircraft's airworthiness certification documents or the aircraft noise certificate, as applicable.

2.3.4 Registration of Leases With the Domestic Aircraft Registry

Under Armenian law, leases are not subject to mandatory registration in the domestic aircraft registry, nor is prior consent or approval from a governmental authority required for the execution or delivery of a lease concerning an aircraft registered in Armenia or an engine. Likewise, no governmental applications or

consents are required as a prerequisite to the execution and delivery of such lease agreements.

However, where an aircraft is registered in a foreign jurisdiction but operated by an Armenian operator under a rent or other contractual arrangement, the Armenian operator is required to notify the Committee and submit the relevant documentation, including the rent agreement. The Committee keeps a separate list of foreign-registered aircraft operated by Armenian entities. In these cases, the Committee may establish contractual agreements with the civil aviation authority of the aircraft's country of registration to delegate oversight functions related to the aircraft. These agreements must be registered with the ICAO Council in accordance with the Chicago Convention.

2.3.5 Requirements for a Lease to Be Valid and Registrable

The only mandatory requirement for a lease agreement under Armenian law is that it must be concluded in writing. However, to be valid and registrable (if the title of the owner or operator arises from the lease agreement as explained in **2.3.3 Aircraft/Engine-Specific Registers**), the lease does not need to be in a specific form or translated, served, certified, notarised, or legalised to be valid and registrable in the Armenian aircraft register.

2.3.6 Taxes/Duties Payable for Registering a Lease

As explained in **2.3.4 Registration of Leases With the Domestic Aircraft Registry** leases themselves are not subject to registration, however, if the execution of the lease results in a change of the recorded owner or operator and consequently requires the issuance of a new aircraft registration certificate, a state duty of AMD50,000 is payable for the issuance of the new certificate.

2.3.7 Registration of Aircraft in Alternative Countries

Seemingly, the two most popular alternative countries, in which aircraft habitually based in Armenia may typically be registered, are the Russian Federation and Hungary.

2.3.8 Requirements for Documents Concerning Registration

For the initial registration of an aircraft in Armenia, the Civil Aviation Committee requires the submission of an application along with supporting documents, some of which must be submitted in original form. Specifically, the following documents must be provided as originals:

- document evidencing legal ownership of the aircraft;
- certificate of airworthiness and technical condition inspection;
- original lease agreement, if the owner is not also the operator; and
- original maintenance agreement, if maintenance is not performed (or only partially performed) by the operator.

In addition, a copy of the aircraft type certificate, the deregistration certificate from the previous state of registration (if applicable), and the operational and technical manuals of the aircraft must be submitted; however, submission in original form is not required.

Original documents submitted to the Committee are returned to the owner after being copied for filing purposes.

Armenian law does not specifically require that documents be notarised or legalised if they are executed in Armenia. However, foreign documents issued by state authorities may require legalisation or an apostille to be accepted. Translations into Armenian may also be required, but only for filing and record-keeping purposes, not as a condition for the validity of the documents.

2.4 Lessor's Liabilities

2.4.1 Tax Requirements for a Foreign Lessor

While the mere act of leasing an aircraft or engine to a domestic lessee does not automatically trigger taxation in Armenia, if the foreign lessor derives income as a result of enforcing or performing the lease agreement and that income is considered Armenian-sourced, it may be subject to Armenian profit tax or income tax, as well as value-added tax (VAT).

In most cases, VAT is accounted for by the Armenian lessee under the reverse charge mechanism, meaning the lessee reports and pays the VAT on behalf of the foreign lessor.

If the lease payments are subject to withholding tax, the Armenian lessee acts as the tax agent and is obligated to withhold the applicable tax from the payments and remit it to the Armenian tax authorities. If the lessee fails to withhold and remit the required tax, the Armenian tax authorities may seek to collect the unpaid tax from the lessee and, in certain cases, from the foreign lessor as well.

2.4.2 Effects of Leasing on the Residence of a Foreign Lessor

Under Armenian tax law, a foreign lessor will not be deemed to be resident or domiciled in Armenia merely by entering into, or enforcing, a lease agreement with an Armenian lessee. However, if the foreign lessor derives income from the lease that is considered to have an Armenian source under Armenian tax law, the foreign lessor may become subject to Armenian taxation with respect to such income, subject also to the provisions of any applicable double taxation treaty.

2.4.3 Engine Maintenance and Operations

Under Armenian law, the lessee is generally responsible for the maintenance, preservation, and both major and current repairs of the leased property, including aircraft or engines, unless otherwise agreed in the lease agreement. Consequently, liabilities related to maintenance and operation are typically imposed on the lessee, not the foreign lessor, unless the lease agreement provides otherwise.

Responsibility for maintaining the airworthiness of an aircraft rests with the owner or the operator, depending on who is operating the aircraft at the time. Since a foreign lessor typically does not operate the aircraft, they are generally not responsible for these obligations by default.

As a result, a foreign lessor will not usually face liabilities related to aircraft or engine maintenance and operations solely by being a party to the lease, unless specific terms in the lease agreement assign these obligations to the lessor.

2.4.4 Damage or Loss Caused by an Asset

Under Armenian law, a foreign aircraft or engine owner or lessor under a lease is generally not held strictly liable for damage or loss caused by the leased asset, unless there is fault or specific contractual liability.

As a general rule, the lessor does not bear responsibility for the selection of the asset or the seller, particularly where the lessee identifies the asset and the seller. This reflects the principle that the lessor's liability is limited when the lessee directs the acquisition of the goods.

However, the lease agreement may provide that the lessor selects the asset and/or the seller. In such cases, the lessor assumes greater responsibility. Specifically, unless otherwise stated in the lease, the lessor is not liable to the lessee for the seller's failure to fulfil obligations under the sale agreement, except where the lessor was responsible for selecting the seller. In that scenario, the lessee may bring claims against both the seller and the lessor, who will be jointly and severally liable.

Accordingly, liability for damage or loss caused by the aircraft or engine generally rests with the lessee or operator, who possesses and controls the asset, and not with the foreign lessor or financier (unless the lessor is expressly made responsible under the agreement or is at fault, such as by selecting a defective asset or negligent seller).

2.4.5 Attachment by Creditors

Under Armenian law, creditors of a domestic lessee generally may not attach or seize an aircraft leased to the lessee but owned by a different entity, as ownership remains with the lessor. Creditors are limited to enforcing claims against the debtor-lessee's assets, not property belonging to third parties.

The leased aircraft also does not form part of the lessee's bankruptcy estate and is not subject to enforcement proceedings, provided that the lessor's ownership rights are clearly documented.

In this context, proper registration of the owner and operator in the Armenian aircraft register can serve an important evidentiary function in demonstrating own-

ership and preventing third-party enforcement against the leased asset.

2.4.6 Priority of Third Parties' Rights

Under Armenian law, the rights of certain third parties can take precedence over a lessor's rights under an aircraft lease, regardless of whether the lease or the lessor's interest is registered in the national aircraft register.

For instance, creditors may assert retention rights related to repair and maintenance costs, warehousing and storage fees, preservation expenses, and judicial costs. These rights enable these third parties to make priority claims on the aircraft, even in the presence of the lessor's ownership or lease rights.

2.5 Insurance and Reinsurance

2.5.1 Requirement to Engage Domestic Insurance Companies

Under Armenian law, there is no mandatory requirement that any part of the insurance for an aircraft or engine lease be placed with domestic insurance companies.

Parties may arrange insurance with either foreign or domestic insurers, provided that the insurance complies with applicable Armenian legal and aviation requirements.

2.5.2 Mandatory Insurance Coverage Requirements

Under Armenian law, mandatory insurance coverage requirements apply to aircraft operators conducting flights to, from, or within the territory of Armenia. Operators must maintain valid insurance covering liability for:

- passenger injury or death;
- third-party damage; and
- crew liability.

The minimum coverage levels are set by Armenian law and the 1999 Montreal Convention, which Armenia has ratified. Operators must provide proof of such insurance to the Committee as part of the certification and oversight process.

2.5.3 Placement of Insurance Outside of Jurisdiction

Reinsurance can be placed outside of Armenia for up to 100% coverage, as long as the reinsurers are deemed reliable and not prohibited by the Central Bank of Armenia. The Central Bank regulates and may restrict the use of reinsurers that are financially unstable or pose risks to insured parties.

2.5.4 Enforceability of "Cut-Through" Clauses

Regarding cut-through clauses in insurance contracts, no known regulatory or judicial restrictions exist to their enforceability.

2.5.5 Assignment of Insurance/Reinsurance

There are no prohibitions regarding the assignment of insurance or reinsurance under Armenian law.

2.6 Lease Enforcement

2.6.1 Restrictions on Lessors' Abilities

Under Armenian law, a lessor may unilaterally terminate the lease if:

- the lessee uses the leased aircraft inconsistently with the lease terms or intended purpose;
- the lessee obstructs the lessor's control over the leased asset; and
- the lessee repeatedly fails to pay lease fees within the agreed deadlines (usually more than twice consecutively), unless otherwise agreed in the contract.

If the lease is terminated on these grounds, the lessee bears all costs related to the return of the aircraft, including disassembly, insurance, and transportation.

The lease agreement may also specify additional grounds for early termination by either party.

In general, there are no restrictions under Armenian law on a lessor's ability to export an aircraft from Armenia following lease termination, except for cases involving exports to countries subject to sanctions or restrictions. Additionally, if the aircraft contains dual-use components (ie, parts with potential military applications), an export license may be required under Armenia's export control regulations.

The lessor, as the legal owner of the aircraft, retains the right to dispose of it, including selling it, even during the term of the lease. Armenian law does not limit this right, as ownership rights remain with the lessor throughout the lease period. If, following lease termination or a subsequent sale, the aircraft is no longer owned by an Armenia-registered company, the aircraft's registration with Armenian aviation authorities will be subject to cancellation.

Under Armenian law, there is no specific requirement for an aircraft to be physically present in Armenia at the time of its termination, re-export, or sale. However, the ability to enforce rights, such as repossession, may depend on the aircraft's actual location and the legal and procedural framework in the jurisdiction where the aircraft is located.

2.6.2 Lessor Taking Possession of the Aircraft

Under Armenian law, a lessor may unilaterally terminate an aircraft lease on specific statutory or contractual grounds as specified in **2.6.1 Restrictions on Lessors' Abilities**. In such cases, the lessee is obligated to return the aircraft and cover all associated return costs (eg, disassembly, insurance, transport).

However, while the law permits unilateral termination of the lease without court involvement, it does not specifically regulate the procedure for repossessing the aircraft. If the lessee refuses to return the plane voluntarily, the lessor would likely need to initiate judicial proceedings to enforce repossession. Therefore, although a court order is not required for termination itself, it may be required in practice for the physical recovery of the aircraft if the lessee does not cooperate.

2.6.3 Specific Courts for Aviation Disputes

In Armenia, there are no specialised courts designated exclusively for aviation disputes. However, such disputes are adjudicated by the general courts of civil jurisdiction, which have subject-matter competence over contractual and property-related matters, including those arising from aircraft lease agreements, financing arrangements, or damages.

Where the dispute involves administrative or regulatory issues (eg, decisions by the Committee), the

administrative courts may have jurisdiction. In matters related to the insolvency or restructuring of an airline or lessee, the bankruptcy court will handle such proceedings.

Importantly, the jurisdiction of Armenian courts is not affected by the nationality of the parties. Both Armenian and foreign entities have equal access to the courts and may bring or defend claims before them in accordance with Armenian procedural law.

2.6.4 Summary Judgment or Other Relief

Under Armenian law, the concept of summary judgment in the common law sense does not exist. However, a lessor may seek interim injunctive relief (interim measures) to secure its claims, either before or during judicial proceedings. The court may grant such relief if failure to do so would make enforcement of the final decision impossible or difficult, alter the legal or factual status of the disputed asset, or cause significant harm to the claimant.

Applications for preliminary interim relief are reviewed without a hearing within three days of submission. Applications for interim relief during proceedings are reviewed no later than the day following their submission.

Additionally, if the case meets the criteria under the Civil Procedure Code, the court may apply simplified or accelerated proceedings. In simplified proceedings, as per the Civil Procedural Code, the final judgment must be issued within three to four months from the decision to apply the procedure. In accelerated proceedings, the Civil Procedural Code required that the final decision be rendered within one month from the relevant court decision.

2.6.5 Domestic Courts' Approach to Foreign Laws and Judgments

While Armenian courts are legally empowered to adjudicate disputes under foreign substantive law, the practical implementation of this principle may present challenges. Armenian judges possess expertise in Armenian law and are prohibited from applying foreign law solely based on expert testimony. Additionally, obtaining consultative opinions from foreign courts may prove problematic. An Armenian court

shall not re-examine the applicable law to a contract if a foreign court or arbitration has previously resolved the dispute, unless the decision or award subject to recognition and enforcement in Armenia, contravenes Armenian public order.

Armenian courts respect valid agreements between parties to submit disputes to a foreign jurisdiction, as long as such a choice does not violate mandatory jurisdictional rules or Armenian public policy.

In circumstances provided for by law, Armenian courts will uphold a waiver of judicial immunity by a foreign state. Specifically, under Armenian legislation, filing a claim against a foreign state, involving it as a third party, imposing attachment on its property located in Armenia, or enforcing a judgment against it is permitted only with the consent of the competent authorities of that state, unless otherwise provided by an international treaty of the Republic of Armenia.

However, a foreign state is deemed to have waived its judicial immunity in the following cases:

- when it files a claim before an Armenian court and, on its own initiative, participates in the proceedings as a party; or
- when it submits a counterclaim in a case (and conversely, it is considered to have waived immunity with respect to counterclaims when it has itself initiated a claim in that case).

2.6.6 Domestic Courts' Recognition of Foreign Judgments/Awards

Armenian courts recognise and enforce final foreign court judgments and arbitral awards without reconsidering the merits of the case.

For foreign court judgments, recognition and enforcement are permitted if:

- there is an international treaty between Armenia and a foreign state; or
- a basis for reciprocity exists.

The reviewing court does not reassess the substance of the dispute but only verifies whether the judgment

meets the formal requirements under Armenian legislation and applicable treaties.

The same general rules apply to the enforcement of foreign arbitral awards, particularly under the 1958 New York Convention, to which Armenia is a party.

2.6.7 Judgments in Foreign Currencies

Under Armenian law, a lessor cannot obtain a judgment strictly denominated in a foreign currency. However, courts may award a monetary sum equivalent to a specified foreign currency amount, expressed in Armenian drams (AMD) and may reference the foreign currency in the judgment.

When filing a claim, the claimant must specify the exact amount requested in AMD and provide its precise calculation. The final judgment will be issued in AMD, regardless of whether a foreign currency is used as a reference point.

2.6.8 Limitations on Lessors' Actions Following Termination

Under Armenian law, a lessor's remedies following termination of a lease due to default are primarily governed by the Civil Code of the Republic of Armenia, which follows the general principle of full compensation for damages. This allows the lessor to recover both actual losses and lost profits caused by the lessee's breach.

If no specific default interest is provided for in the lease agreement, Article 411 of the Civil Code permits the recovery of default interest on overdue monetary obligations at a rate determined by the Central Bank's refinancing rate, unless otherwise agreed upon or provided by law (however, interest rates must not exceed statutory limits).

Following termination of the lease, additional rent (such as holdover rent or continued lease payments) cannot be charged. If the lessee fails to return the aircraft after termination, the lessor may claim compensation under mechanisms such as unlawful possession, unjust enrichment, or tort-based damages.

2.6.9 Lessor's Requirement to Pay Taxes/Fees

A lessor enforcing an aircraft lease in Armenia is not subject to any specific taxes solely because of the lease enforcement. However, depending on the method of enforcement used, state duties (court fees) and enforcement service fees may apply. These fees are considered procedural and administrative costs, rather than tax obligations.

2.6.10 Mandatory Notice Periods

Movable property lease (rent) agreements with an indefinite term can be terminated out of court with one month's prior notice.

For fixed-term movable property rental agreements lacking a clause on renunciation, judicial termination for valid reasons is necessary, requiring at least thirty days' prior notice.

Leasing agreements can be terminated out of court, provided notice is given according to the terms mutually agreed upon by the parties.

2.6.11 Lessees' Entitlement to Claim Immunity

For the answer, please see **2.6.5 Domestic Courts' Approach to Foreign Laws and Judgments**.

2.6.12 Enforcement of Foreign Arbitral Decisions

Armenia is a party to the 1958 Convention on the Recognition and Enforcement of Foreign Arbitral Awards (New York Convention) and this, its courts recognise and enforce foreign arbitral awards in accordance with the Convention and the relevant provisions of the Civil Procedure Code and Law on Commercial Arbitration.

There is a well-established practice of Armenian courts enforcing foreign arbitral awards (provided none of the limited grounds for refusal apply). The civil courts of general jurisdiction handle enforcement proceedings.

2.6.13 Other Relevant Issues

No other significant lease enforcement issues are currently affecting Armenia.

2.7 Lease Assignment/Novation

2.7.1 Recognition of the Concepts of Contractual Assignment and Novation

Armenian law recognises both contractual assignment and novation, as outlined in the Civil Code of the Republic of Armenia.

Contractual assignment allows a creditor to assign their claim to another person, unless such assignment is prohibited by law, other legal acts, or the underlying contract.

An obligation may be terminated by novation, which means replacing the original obligation between the same parties with a new obligation that has either a different subject matter or a different method of performance. Unless otherwise agreed, novation also terminates any ancillary obligations, such as guarantees or pledges, related to the original obligation.

2.7.2 Assignment/Novation of Leases Under Foreign Laws

Under Armenian law, the assignment of rights by the lessor does not require the lessee's consent, unless the identity of the creditor is of material importance to the lessee. However, the lessee must be notified of the assignment. In the context of an aircraft lease, this exception generally does not apply, as the identity of the party receiving payments is typically not considered materially important to the lessee.

In case of novation, it is required that the conclusion of the new agreement by the parties substitutes the previous obligation with a new one.

Armenian law does not impose any specific mandatory terms to be included in assignment or novation agreements. However, there are formal requirements relating to the assignment's form, and depending on the nature of the novated contract, certain formalities may also be required. Failure to comply with these may be considered contrary to Armenian public policy and overriding mandatory principles as established under Armenian conflict of law rules.

2.7.3 Enforceability of Lease Assignments/Novations

It is not strictly necessary for an aircraft or engine lease assignment, assumption, or novation agreement to be translated, certified, notarised, or legalised to be enforceable against a domestic party. However, such formalities may be required for registration purposes and to be used as evidence in judicial proceedings (see **1.1.2 Enforceability Against Domestic Parties**, **1.2.3 Enforceability Against Domestic Parties**, **2.3.5 Requirements for a Lease to Be Valid and Registrable**, and **2.3.8 Requirements for Documents Concerning Registration** for further details).

2.7.4 Filing/Registration of Lease Assignments/Novations

The aircraft lease assignment or novation can and must be registered if it results in a change of ownership or operator of a registered aircraft. In such cases, notification to the Committee is mandatory, and corresponding filings are required to effectuate the registration. Under Armenian law, the registration of an aircraft or engine lease assignment, assumption, or novation is not constitutive in nature; that is, legal rights under such agreements arise from the contract itself, not from registration. However, where the underlying transaction involves a change in ownership or operational rights, registration becomes a practical prerequisite for regulatory recognition and enforcement.

In particular, following a change in the owner or operator of an aircraft, the Committee issues a new registration certificate, and the prior certificate must be returned. Hence, registration is declarative and thus, its absence effectively hinders the enforcement of rights arising from the assignment or novation before the aviation authority.

- As for the formalities required for registration see **1.2.4 Registration, Filing and/or Consent From Government Entities** and **2.3.8 Requirements for Documents Concerning Registration**.
- As for government approvals, Armenian law does not generally require prior consent from any government body for the execution or delivery of an aircraft or engine lease assignment or novation (for possible exceptions and practical considerations,

see **1.2.4 Registration, Filing and/or Consent From Government Entities**).

2.7.5 Taxes/Duties Payable on Assignment/Novation

An agreement involving the assignment of a claim or a novation may give rise to tax liabilities, depending on the specific terms of the transaction. If a party derives a profit (for example, a positive difference between the value of the claim or obligation assigned or novated and the consideration received or paid), such profit is treated as taxable income.

The mere presence or exchange of the original or a copy of such an agreement within the jurisdiction of Armenia, whether in physical or electronic form, does not, in itself, affect taxation.

2.7.6 Recognition of Transfer of Ownership Interests

When the ownership interest of an entity, or the beneficial interest in a trust, owning an aircraft is transferred, no filing with the Committee is required, because the entity will remain the registered legal owner of the aircraft. However, consideration in the light of competition law as outlined in **1.2.4 Registration, Filing and/or Consent From Government Entities** may apply.

2.8 Aircraft Deregistration and Export

2.8.1 Deregistering Aircraft in This Jurisdiction

In Armenia, an aircraft may be deregistered from the State Register of Civil Aircraft by its owner or the owner's authorised representative, who must submit an official application to the Civil Aviation Committee. Deregistration may occur voluntarily at the owner's request, including for export purposes, or ex officio in cases where the aircraft is dismantled, permanently withdrawn from use, or has been without a certificate of airworthiness for over three years.

To achieve deregistration, the owner must submit the aircraft's registration certificate and its certificate of airworthiness. If the aircraft is to be exported and registered in another country, the application must also include a request for a certificate of deregistration, as well as, if necessary, a permit for flight and an export certificate of airworthiness to facilitate the ferrying of the aircraft. Once the aircraft is registered in a foreign

jurisdiction or reaches the end of its permit validity, the Armenian-issued export certificate ceases to be effective.

2.8.2 Lessee's/Operator's Consent

Under Armenian law, the aircraft owner or their authorised representative may apply for deregistration of the aircraft without needing the lessee's or operator's consent. Similarly, if the owner is also the mortgagee or lessor, they can submit the deregistration application independently. However, practical issues may arise if the aircraft is in possession of the lessee or operator.

2.8.3 Required Documentation

See 2.8.1 Deregistering Aircraft in This Jurisdiction.

2.8.4 Duration of Deregistration Process

There is no fixed statutory timeframe for the deregistration process in Armenia. The duration will typically depend on factors such as the completeness and accuracy of the submitted documents, the termination of any underlying agreements with the operator, the operator's cooperation, and the physical availability of the aircraft.

2.8.5 Aviation Authority's Assurances

The Armenian aircraft register does not provide advanced written assurances to an aircraft owner, mortgagee, or lessor regarding the prompt deregistration of an aircraft.

2.8.6 Costs, Fees and Taxes Relating to Deregistration

Under Armenian law, state duties are payable for the aircraft deregistration process and the issuance of related certificates. Specifically, a fee of AMD100,000 is charged for the deregistration itself, while the fee for issuing an export airworthiness certificate ranges from AMD60,000 to AMD100,000, depending on the size of the aircraft.

2.8.7 Deregistration Power of Attorney

The deregistration application can be submitted by the authorised representative of the aircraft owner (see 2.8.1 Deregistering Aircraft in This Jurisdiction), meaning that a power of attorney (PoA) is recognised for this purpose.

Under Armenian law, a power of attorney must be a written authorisation given by one person to another to act on their behalf before third parties. Key points have been outlined below.

- The validity period of a PoA cannot exceed three years.
- If no validity period is specified, the PoA remains effective for one year from the date it was granted. However, for PoAs intended for use abroad, notarised PoAs without an expiration date remain valid until revoked by the grantor.
- A PoA that does not indicate the year, month, and day of issuance is considered null and void.
- If the PoA is to be used later for judicial representation, it is advisable to explicitly specify the judicial actions the representative is authorised to perform, especially the ones not automatically assumed under Armenian procedural law.

To ensure enforceability in Armenia, a PoA issued abroad should be translated into Armenian, notarised, and legalised (apostilled). If the PoA is issued in Armenia but is in a foreign language, it must either be translated into Armenian or issued in both languages. Notarisation may be necessary depending on whom the PoA is given to or by whom it is issued; for instance, a PoA granted to attorneys-at-law typically does not require notarisation.

2.8.8 Documents Required to Enforce Deregistration Power of Attorney

To enforce a deregistration PoA in Armenia, you may need to provide additional documentation. This could include corporate documents that prove the authority of the individual signing the PoA on behalf of the company, such as:

- the charter;
- certificate of incorporation; or
- an extract from the commercial registry.

If applicable, board or shareholder resolutions authorising the issuance of the PoA may also be required, along with identification documents for the authorised representative.

All foreign documents must be translated into Armenian and, where necessary, notarised and legalised (apostilled). The Civil Aviation Committee may request these documents to verify the legal authority behind the deregistration request (the specific list of required documents may vary depending on whether they were issued in Armenia or abroad, as well as the legal status of the applicant).

2.8.9 Choice of Laws Governing Deregistration Power of Attorney

A PoA may be governed by foreign law, provided that it explicitly specifies the powers being granted. It must either be bilingual, with one of the languages being Armenian, or be issued in a foreign language; in this case, it must be notarised, then legalised or apostilled to include the Armenian translation with notary verification.

2.8.10 Revocation of a Deregistration Power of Attorney

Under Armenian law, a power of attorney cannot be irrevocable. The principal may revoke it at any time.

2.8.11 Owner's/Lessor's Consent

In Armenia, deregistration and export of the aircraft from the aircraft registry can only be initiated by the aircraft owner.

If the aircraft is pledged, deregistration cannot occur without the written consent of the pledgee. Should the pledgee wish to deregister and export the aircraft, a default under the secured obligation must occur first. Thereafter, the pledgee must exercise its right to enforce the pledge by realising the collateral and becoming the registered owner. Only once the register has been updated to reflect the pledgee's ownership can the aircraft be deregistered and exported by the pledgee as the owner.

The requirement for the lessee's and pledgee's consent to export the aircraft is governed by the contractual relationships between the parties. Armenian law does not provide a statutory mechanism to enforce such consent requirements; therefore, any breach of these contractual consent provisions results solely in contractual remedies as specified in the relevant agreements.

2.8.12 Aircraft Export Permits/Licences

Export airworthiness certificates for aircraft are issued in Armenia upon written request to the civil aviation authority. Standard processing is completed within 15 days of application receipt.

For the export airworthiness certificate, the owner shall submit a technical inspection report and any destination-state-specific requirements. The civil aviation authority may coordinate with foreign authorities as needed to meet the requirements. The export airworthiness certificate specifies the destination country, any agreed-upon exceptions, and its validity period. The export airworthiness certificate becomes invalid when the aircraft arrives in the destination state, upon expiry, or once it's registered abroad.

2.8.13 Costs, Fees and Taxes Concerning Export of Aircraft

No significant costs/fees/taxes are charged in respect of the export of an aircraft.

2.8.14 Practical Issues Related to Deregistration of Aircraft

If the aircraft is pledged, deregistration cannot be done without the consent of the pledgee.

To deregister the aircraft from the aircraft registry, the owner or the representative of the owner shall submit to the Committee:

- the aircraft registration certificate; and
- the aircraft airworthiness certificate.

2.9 Insolvency Proceedings

2.9.1 Overview of Relevant Laws and Statutory Regimes Governing Restructurings, Reorganisations, Insolvencies and Liquidations

The primary legal framework governing corporate reorganisation, insolvency/bankruptcy in Armenia includes the Law of the Republic of Armenia on Bankruptcy and the Civil Procedural Code.

In cases involving bankruptcy proceedings with banks, credit organisations, investment companies, investment fund managers, and insurance companies, the applicable legal framework is the Law on Bankruptcy of Banks, Credit Organisations, Investment

Companies, Investment Fund Managers, and Insurance Companies (rather than the Law on Bankruptcy).

2.9.2 Overview of Relevant Types of Voluntary and Involuntary Restructurings, Reorganisations, Insolvencies and Receivership Restructurings/Reorganisations

In Armenia, corporate reorganisations are carried out through consolidation, absorption (merger), division, separation, and restructuring of legal entities.

Both reorganisation and restructuring in Armenia can be either voluntary or involuntary. In practice, most are initiated voluntarily through corporate decisions made by the relevant governing bodies. However, involuntary restructuring may be required when the number of shareholders in a LLC or CJSC exceeds 49. In such cases, the company shall either reduce the number of participants or decide to restructure into an OJSC within one year. Otherwise, the company will be liquidated by the court decision.

Involuntary reorganisation may arise as a consequence of violations of the RA Law on Protection of Economic Competition.

In case of abusing the dominant position two or more times in a year, the Competition Protection Commission (the Commission) may adopt a decision on disaggregation (division, separation, alienation of unit shares or means), which shall be subject to enforcement by the economic entity not later than within 6 months following the entry into force of that decision.

If a concentration is carried out without prior approval from the Commission and is later determined to be prohibited, the Commission may require:

- separating the legal entity that was absorbed; and
- dividing the entities that were consolidated.

Insolvencies/Receivership

A debtor can be declared bankrupt by a court decision, either voluntarily (at the debtor's own initiative) or involuntarily (at the request of a creditor), provided the debtor is insolvent.

A court may declare a debtor bankrupt in cases of either (i) involuntary bankruptcy or (ii) voluntary bankruptcy.

Involuntary bankruptcy

- If the debtor has defaulted for 90 days or more on undisputed payment obligations exceeding 2,000 times the statutory minimum wage, and this default continues at the time of the court decision (ie, actual insolvency).

Voluntary bankruptcy

- If the debtor's obligations exceed the value of their assets by at least 2,000 times the statutory minimum wage.
- If the debtor's public-law obligations (eg, taxes) exceed the value of their assets.

The minimum wage is equal to AMD 1,000.

The institute of receivership is not recognised under Armenian law; instead, some of the duties of receivership are conducted by a bankruptcy manager.

2.9.3 Co-Ordination, Recognition or Relief in Connection With Overseas Proceedings

Decisions made by foreign courts in insolvency (bankruptcy) cases are recognised in the Republic of Armenia based on international treaties and, in their absence, on the principle of reciprocity.

The Bankruptcy Law does not provide a special procedure for recognising foreign court decisions in insolvency (bankruptcy) cases; instead, the general procedure regulated by the Civil Procedure Code applies.

The law does not contain any statutory provisions that mandate cross-border cooperation.

Armenia has not adopted the UNCITRAL Model Law on Cross-Border Insolvency.

2.9.4 Effect of Lessee's Insolvency on a Deregistration Power of Attorney

Irrevocable deregistration and export request authorisation (IDERA) is not recognised in Armenia because the country is not a party to the Cape Town Convention.

As a general rule, in the event of a company's liquidation, any previously issued power of attorney automatically terminates on the date the company is officially liquidated.

2.9.5 Other Effects of a Lessee's Insolvency

When a lessee in possession of an aircraft decides to enter into liquidation, it is required to notify all creditors of the commencement of the liquidation proceedings. Following such notification, the mutual obligations between the parties must be settled, and the aircraft is to be returned to the lessor in accordance with the terms of the lease. If, during liquidation, it is established that the debtor legal entity's assets are insufficient to fully satisfy creditors' claims, the debtor's liquidation commission (or liquidator) is obligated to file a petition with the court for the debtor to be declared bankrupt. In such a case, all further legal relations between the debtor and the lessor shall be governed by bankruptcy law.

When a lessee in possession of an aircraft enters an insolvency/bankruptcy process, the following principles generally apply:

- the lessor may apply to the court for early termination of the lease agreement and seizure of the subject of the lease in connection with the early termination of the agreement;
- the aircraft will not be treated as part of the lessee's insolvency estate, as ownership remains with the lessor; and, thus
- as a result, the liquidator or administrator cannot assert the rights of other creditors in priority to the lessor with respect to the aircraft, since it is not deemed part of the debtor's property.

However, any monetary claims the lessor may have under the lease (such as unpaid rent or damages) will be treated as unsecured claims and must be included in the relevant creditors' list in the insolvency proceedings.

2.9.6 Risks for a Lender if a Borrower, Guarantor or Security Provider Becomes Insolvent

The key risks associated with the insolvency of a borrower, guarantor or security provider have been outlined below.

In the event of the debtor's bankruptcy, if the pledge is not a first-ranking pledgee and there is no agreement with the first-ranked pledgee regarding the pro rata distribution of proceeds from the sale of the pledged property, there is a risk that the debtor's assets may be insufficient to satisfy all claims. As a result, the secured creditor may not recover the full amount of the debt.

If the pledged asset is subject to realisation through a public auction, even for a first-ranking pledge, the starting price is already set below the actual market value. Moreover, the price is subject to further reduction during the auction process, potentially resulting in the asset being sold at a value significantly lower than its market value.

In the event of the insolvency of a surety or guarantor, there is a risk that the secured creditor will not be included in the list of creditors. Specifically, if there has been no default under the principal obligation at the time of the surety's or guarantor's insolvency, the creditor's claim is not recognised as due and therefore may not be registered in the insolvency proceedings.

2.9.7 Imposition of Moratoria in Connection With Insolvency Proceedings

Armenian law provides for a moratorium (a temporary stay) in both the threat of bankruptcy and bankruptcy proceedings.

Moratorium Under the Threat of Bankruptcy Proceedings

A moratorium is imposed from the moment a court decision approving the application for threat of bankruptcy and the financial recovery (rehabilitation) program takes legal effect and remains in effect until the completion of the financial recovery program.

Moratorium in Bankruptcy Proceedings

A moratorium is imposed from the moment the court accepts the bankruptcy application for proceedings and remains in effect until the conclusion of the bankruptcy case.

2.9.8 Liquidation of Domestic Lessees

When the debtor is declared bankrupt, they have the right to submit a financial recovery plan for approval

by the creditors' meeting. If the plan is not submitted, is rejected by the creditors, or is terminated early on grounds provided by law, the court is required to issue a decision initiating liquidation proceedings against the debtor. Upon issuance of the liquidation decision, the management and control of the company are carried out by the bankruptcy manager.

2.9.9 Ipso Facto Defaults

Under Armenian law, ipso facto defaults are generally recognised; however, such a default does not automatically result in the termination of a lease agreement. If the lease agreement provides for it, the ipso facto default authorises the lessor to apply to the court for early unilateral termination of the lease (rent) or notify of out-of-court termination of the leasing agreement.

2.9.10 Impact of Domestic Lessees' Winding-Up

The leased aircraft would be regarded as the property of the owner or lessor and, therefore, would not form part of the lessee's insolvency estate.

With respect to lease rentals, any amounts unpaid at the time of the lessee's winding up, including penalties and interest arising from default under the lease, would be treated as unsecured claims. The lessor may submit a proof of claim in the insolvency proceedings for such amounts as a creditor of the debtor. The calculation of interest must cease since the announcement of the debtor's bankruptcy.

The treatment of lease security deposits depends on their contractual structure. In most cases, the lessor should be entitled to apply these deposits to satisfy the lessee's obligations in the event of an insolvency-triggered default.

Once the lessee is declared bankrupt, the performance of its obligations will be governed by the Law of Armenia on Bankruptcy.

2.10 Cape Town Convention and Others

2.10.1 Conventions in Force

The Convention and Protocol are not in force in Armenia.

2.10.2 Declarations Made Concerning Conventions

This is not applicable in Armenia.

2.10.3 Application of Article XIII of the Protocol on Matters Specific to Aircraft Equipment

This is not applicable in Armenia.

2.10.4 Enforcement of Conventions

This is not applicable in Armenia.

2.10.5 Other Conventions

Armenia is not a party to these conventions.

3. Aircraft Debt Finance

3.1 Structuring

3.1.1 Restrictions on Lending and Borrowing

Foreign lenders may finance the purchase of aircraft by Armenian residents. As such, there is no restriction on an Armenian company or a natural person obtaining funds from abroad. However, the place of financing cannot be Armenia because it may trigger the license requirements for the lenders, depending on the financial structure.

3.1.2 Effect of Exchange Controls or Government Consents

There are no exchange controls or government consents that would be material to any financing or repatriation of realisation proceeds under a loan, guarantee or security document.

3.1.3 Granting of Security to Foreign Lenders

Borrowers are permitted to grant security to foreign lenders.

3.1.4 Downstream, Upstream and Cross-Stream Guarantees

Downstream, upstream, and cross-stream guarantees are generally permitted in favour of lenders, subject to corporate approvals. No registration requirements apply.

3.1.5 Lenders' Share in Security Over Domestic SPVs

The advisability of accepting shares in a domestic SPV as collateral depends on the overall structure of the transaction. However, in transactions involving loans from financial institutions, it is both the com-

mon and recommended practice to include a share pledge as collateral.

3.1.6 Negative Pledges

Negative pledges are prohibited under Armenian law. An agreement restricting the pledgor's right to pledge property as collateral is null and void.

3.1.7 Intercreditor Arrangements

Debt Subordination

Armenian law does not explicitly regulate intercreditor agreements or the mechanisms for debt subordination. However, under the principle of freedom of contract, parties are generally free to enter into agreements that govern their mutual rights and obligations, including debt subordination arrangements.

Pledge Subordination

The Civil Code of the Republic of Armenia allows co-pledgees to enter into an agreement establishing the order of priority for the satisfaction of their claims against the debtor, including provisions for the disproportionate distribution of enforcement proceeds.

3.1.8 Syndicated Loans

Armenian legislation does not specifically regulate syndicated loan agreements. However, pursuant to the principle of freedom of contract established in Armenian civil law, parties are permitted to enter into any contract, provided that mandatory legal provisions are observed.

In practice, when a syndicated loan involves financing an Armenian entity, an Armenian bank is often appointed as a joint and several creditor, as well as the security agent for the facility and any collateral located in Armenia. In such cases, the relationships between the lenders, the agents, and the borrower are typically governed by foreign law, most commonly, English law.

Where the security package includes collateral over domestic assets registered under Armenian law, the corresponding security agreement is generally governed by Armenian law, and the Armenian bank acts as the local security agent.

3.1.9 Debt Subordination

Generally, debt may be subordinated through contractual subordination or by virtue of law, such as in the case of shareholder subordinated loans.

3.1.10 Transfer/Assignment of Debts Under Foreign Laws

The transfer or assignment by a creditor of all or part of an outstanding debt under a loan governed by English or New York law is permissible and recognised.

3.1.11 Usury/Interest Limitation Laws

At the time of entering into the loan agreement, the interest rate may not exceed twice the official bank interest rate set by the Central Bank of the Republic of Armenia.

The maximum annual amount of contractual penalties may not exceed four times the Central Bank's official interest rate.

In addition, the total amount of all penalties stipulated in the contract may not exceed the outstanding principal amount of the debt at the relevant time.

The concept of liquidated damages is not recognised under Armenian law.

3.2 Security

3.2.1 Typical Forms of Security and Recourse

In a typical domestic aviation finance transaction, the forms of security commonly granted include: an aircraft mortgage, a share pledge, an account pledge, a guarantee and a security deposit.

The choice and structure of these security instruments depend on the specifics of the transaction and the arrangements agreed upon by the parties involved.

3.2.2 Types of Security Not Available

Under Armenian law, collateral may include any property, including property rights (claims), except for:

- property withdrawn from civil circulation (ie, not legally transferable);
- claims that are inextricably linked to the identity of the creditor (eg, alimony, compensation for personal injury or harm to health);

- certain government-issued securities that are non-pledgeable under their issuance terms;
- rights that are legally non-transferable to third parties.
- Additionally, indivisible property – which is property that cannot be divided without altering its purpose – cannot be pledged in part.

Whether an engine can be pledged separately from the aircraft depends on whether the engine is legally considered indivisible from the aircraft. In cases where the engine is not used for aircraft operation, it can be subject to pledge as a separate movable property.

Under Armenian law, when an aircraft is pledged, the description of the collateral typically includes engine information.

Warranties are not considered property or property rights under Armenian law, and therefore cannot be the subject of a pledge.

Insurance proceeds may be pledged as collateral.

3.2.3 Trust/Trustee Concepts

Under Armenian law, the concept of a trust is not recognised.

In cross-border financing transactions involving both foreign lenders and Armenian security, a typical solution is for an Armenian bank to act as both a joint and several creditor and the domestic security agent.

In such cases:

- the contractual relationship between the Armenian bank (acting as agent) and the foreign lenders is usually governed by foreign law, most commonly English law; and
- The relationship between the Armenian bank and the pledgor is governed by Armenian law, in accordance with Armenian legislation requirements for creating and enforcing security interests.

3.2.4 Assignment of Rights to an Aircraft by a Borrower to a Security Trustee

Among the measures of securing the fulfilment of obligations, pledge and suretyship are traditionally recog-

nised under Armenian law as the primary forms of in rem and personal security, respectively. However, the list of available security instruments is not exhaustive.

Armenian law does not expressly regulate security assignments as a separate form of security. A security assignment is similar in structure to a pledge of claims, which is recognised under Armenian law. Due to the lack of specific legislative provisions and judicial practice, the enforceability of security assignments under Armenian law remains uncertain.

In practice, security assignments are governed by foreign law, under which they are common practice and enforceable.

3.2.5 Assignment of Rights and Benefits Without Attendant Obligations

It is possible to assign only the rights and benefits without also assigning the attendant obligations of the lessor in an aircraft lease.

3.2.6 Choice of Foreign Law

A security assignment or guarantee may generally governed by English or New York law, as long as its terms do not conflict with Armenian public policy to be enforceable in Armenia.

3.2.7 Formalities/Mandatory Terms to Create and Perfect Security Assignments

Depending on the structure of the security assignment agreement, it may be necessary to notify the third-party debtor in order to prevent the debtor from fulfilling its obligations by making payments to the assignor rather than the assignee.

In the event of judicial proceedings in Armenia, the security assignment must be translated into Armenian and may also be required to be certified, notarised, apostilled or legalised in order to be enforceable against a domestic party.

3.2.8 Domestic Law Security Instruments

Armenian law applies to the pledge agreement for an aircraft registered in Armenia, except for agreements between the parties that do not regulate the creation, transfer, or termination of ownership and other property rights to the aircraft.

Armenia has not ratified the Cape Town Convention.

3.2.9 Domestic Registration of Security Assignments Governed by Foreign Laws

Under Armenian law, only the rights arising from a pledge agreement on an aircraft registered in Armenia may be subject to registration in the Armenian aircraft registry.

3.2.10 Transfer of Security Interests Over Aircraft/Engines

The transfer of security interests over an aircraft is recognised in Armenia.

3.2.11 Effect of Changes in the Identity of Secured Parties

If the identity of the secured parties changes after a security assignment is executed, the security interests may be at risk in cases where the consent of the person providing the security was not obtained.

3.2.12 “Parallel Debt” Structures

“Parallel debt” structures are not used domestically.

3.2.13 Effect of Security Assignments on Residence of Secured Parties

A secured party under a security assignment is generally not considered to be resident, domiciled, carrying on business, or subject to taxation in Armenia merely by virtue of being a party to, or enforcing, such security assignment.

3.2.14 Perfection of Domestic Law Mortgages

The pledge can be perfected by notarising the pledge agreement, thereby allowing for extrajudicial enforcement of the pledged asset. Additional recommendations may apply depending on the transaction’s structure.

3.2.15 Differences Between Security Over Aircraft and Spare Engines

There is no difference between the form of security (or perfection) taken over an aircraft and that taken over spare engines, except that the pledge of the aircraft is subject to registration in the aircraft registry, while the pledge of the spare engine may be registered in the online register of secured rights to movable property.

3.2.16 Form and Perfection of Security Over Bank Accounts

The typical form of security over a bank account is a pledge. This pledge can be perfected by notarising the pledge agreement, which enables some additional mode of extrajudicial enforcement of the pledged asset, including by notifying the bank holding the debtor’s account about the pledge. Additionally, the pledge may be registered in the online register of secured property rights.

3.3 Liens

3.3.1 Third-Party Liens

Under Armenian law, a lien may be imposed on the debtor’s property in the following situations:

Pledge: as a security measure to secure the performance of an obligation, whether monetary or non-monetary. It is the primary contractual mechanism that allows for the enforcement of rights against a secured asset. A pledge agreement may provide for both judicial and extrajudicial procedures for the realisation of the subject of the pledge.

Retention: by virtue of law, the creditor has the right to retain (ie, not return) the debtor’s property in his possession until the debt is repaid, under threat of satisfying the claims at the expense of the value of the retained property.

Proper performance of the obligation secured by retention terminates the right of retention. In the event of non-performance by the debtor of the obligation secured by retention, the creditor may satisfy its claim from the value of the property by enforcing the retention and selling it. In this case, the value of the property, the procedure for enforcing the claim at the creditor’s request, and the procedure for sale are determined in accordance with the rules established for satisfying the claims of the pledgee at the expense of the pledged property.

The arrest may be imposed on the property of the debtor within the framework of enforcement proceedings to ensure the enforcement of acts subject to compulsory enforcement (court acts, arbitration court decisions, public legal monetary claims, etc).

3.3.2 Timeframe to Discharge a Lien or Mortgage

A distinction should be made between the termination of a pledge as a legal right and its removal from the official register. As a rule, a pledge is automatically terminated when the claim secured by it is fully satisfied or ceases to exist. However, in order to officially reflect the termination of the mortgage, it is necessary to submit an application for removal from the Armenian aircraft register.

After submitting the necessary documents, it typically takes up to 15 days for the registry to remove the information about the collateral from its records.

3.3.3 Register of Mortgages and Charges

Information regarding the pledge of an aircraft must be submitted to the Armenian aircraft register. Additionally, the pledge may also be recorded in the public registry of secured rights over movable property.

Once the pledge is registered in the Armenian aircraft register, the aircraft cannot be deregistered without the written consent of the pledgee.

3.3.4 Statutory Rights of Detention or Non-Consensual Preferential Liens

The right of retention may arise by virtue of law as described in **3.3.1 Third-Party Liens** and by virtue of the court decision:

- the arrest may be imposed on the debtor's property within the framework of enforcement proceedings.

3.3.5 Verification of an Aircraft's Freedom From Encumbrances

The information about the aircraft's pledge must be registered with the aircraft registry. A prospective buyer may send a formal enquiry to the registry to obtain details of any registered liens on the aircraft. Additionally, the online registry of secured rights over movable property can be accessed.

3.4 Enforcement

3.4.1 Differences Between Enforcing Security Assignments, Loans and Guarantees

A loan or guarantee, which represents in personam obligations, is enforced by initiating legal proceedings

against the relevant debtor or guarantor and seeking a court judgment for payment or specific performance, as applicable.

A security assignment is an in rem interest and is usually enforced by the secured party by collecting the assigned claims or, in the case of other rights, by enforcing such rights through a private sale or auction.

3.4.2 Security Trustees' Enforcement of Their Rights

Please refer to **3.2.4 Assignment of Rights to an Aircraft by a Borrower to a Security Trustee**.

3.4.3 Application of Foreign Laws

Armenian courts are generally required to apply Armenian substantive law, except in contractual disputes where the parties have agreed to apply foreign law. However, even when a foreign governing law clause is enforceable, Armenian courts often face practical difficulties in applying foreign law, which can make its use problematic or unfeasible in practice.

While foreign law may govern a pledge agreement for an aircraft registered in Armenia, particularly with respect to the rights and obligations of the parties and liability for breach, Armenian law will mandatorily apply to matters concerning property rights in the aircraft, including their creation, transfer, and termination.

Armenian courts will recognise and enforce a final foreign judgment, provided that the matter does not fall within the exclusive jurisdiction of Armenian courts.

3.4.4 Recognition and Enforcement of Foreign Judgments and Arbitral Awards

Armenian courts will recognise and enforce the final judgment of a foreign court or an arbitral award without re-examining the merits of the case. Under Armenian law, the enforcement of foreign judgments is permitted not only on the basis of an international treaty, convention, or agreement but also on the principle of reciprocity, which is presumed to exist unless proven otherwise.

3.4.5 Secured Parties' Right to Take Possession of Aircraft

A secured party may take physical possession of the aircraft to enforce a security interest without the consent of the lessee and the operator.

3.4.6 Domestic Courts Competent to Decide on Enforcement Actions

There are no specialised courts in Armenia with exclusive jurisdiction over enforcement actions arising from a security assignment or mortgage.

3.4.7 Summary Judgments or Other Relief

Armenian law does not provide for a summary judgment mechanism. However, in order to ensure the enforcement of a potential judgment, it is common in Armenia to apply for interim measures, such as freezing the defendant's assets, when filing a lawsuit. Courts may take such measures if the plaintiff proves that without them, the enforcement of the judgment may become difficult or impossible, or that significant damage may result. The threshold of proof for taking such measures is lower than for proving the claim.

3.4.8 Judgments in Foreign Currencies

Armenian court judgments are issued in AMD. However, they may specify that the amount payable is the AMD equivalent of a sum denominated in a foreign currency.

3.4.9 Taxes/Fees Payable

A tax in a non-nominal amount may arise in connection with the enforcement of a security agreement/ aircraft mortgage.

3.4.10 Other Relevant Issues

To enable the extrajudicial enforcement of the pledged asset via auction or direct transfer of ownership rights to the pledgee or the person named by the pledgee, the pledge agreement must be notarised.

4. Other Issues of Note

4.1 Issues Relevant to Domestic Purchase, Sale, Lease or Debt Finance of Aircraft

In Armenia, there are no such issues at present.

4.2 Current Legislative Proposals

There are currently no legislative proposals relating to the purchase, sale, leasing or debt financing of an aircraft in Armenia.

CHAMBERS GLOBAL PRACTICE GUIDES

Chambers Global Practice Guides bring you up-to-date, expert legal commentary on the main practice areas from around the globe. Focusing on the practical legal issues affecting businesses, the guides enable readers to compare legislation and procedure and read trend forecasts from legal experts from across key jurisdictions.

To find out more information about how we select contributors, email Rob.Thomson@chambers.com