

REPUBLIC OF ARMENIA LAW ON CURRENCY REGULATION AND CURRENCY CONTROL

Passed on November 24, 2004

CHAPTER 1. GENERAL PROVISIONS

Article 1. Subject of the Law

This Law determines procedure and terms of currency transactions; cases of ownership, holding and use of currency values, procedure and terms, and regulates other relations linked to currency regulation and currency control in the Republic of Armenia.

Article 2. Legal regulation of currency transactions and entities, performing currency transactions

Currency transactions, entities, performing currency transactions, and other relations linked to currency regulation and currency control in the Republic of Armenia shall be regulated by this Law, the Civil Code of the Republic of Armenia, the Armenian law “On the Central Bank of Armenia”, other Armenian laws, international agreements of the Republic of Armenia and other regulations for cases, stipulated by the law.

Article 3. Basic terms, used in the Law

For the context of this Law and other respective regulations:

1. Types of property as currency value include:
 - a) currency of the Republic of Armenia, i.e. dram;
 - b) payment securities, expressed in the currency of the Republic of Armenia
 - c) foreign currency
 - d) payment securities, expressed in foreign currency
 - e) bank gold
 - f) rights and obligations ensuing from currency values specified in this point, which are expressed in money.
2. The currency of the Republic of Armenia is:
 - a) legal tender in circulation, out of circulation or subject to withdrawal and exchange as banknotes and coins, issued by the Central Bank of Armenia (hereinafter – Central Bank);
 - b) assets in Armenian dram in banking accounts and deposits with Armenian banks and their branches outside Armenia;
 - c) assets in Armenian dram in accounts with banks and non-bank organizations, operating abroad based on the agreement on using the Armenian currency as legal tender concluded with relevant foreign authorities by the Armenian Government and the Central Bank;
 - d) payment documents in Armenian dram.
3. Foreign currency is:
 - a) banknotes and coins as legal tender in circulation, out of circulation or subject to withdrawal and exchange in one or a few foreign countries;

- b) assets in monetary units of foreign countries and/or in international monetary units and payment documents in banking accounts and deposits.
4. Bank gold includes golden bullions produced in refineries, which are a member of the London precious metals market association, granted an individual certificate and carrying brand of the refinery, its weight, assay and serial number. Bank gold bullions shall weight 350-450 ounces (10886-13996 gr.), have not less than 99.50 assay and carry date of manufacture.
5. Residents are:
- a) individuals (except for sole entrepreneurs) that have spent in Armenia 183 and more days in a 12-month period beginning or ending from January 1 to December 31, or whose center of key interests is the Republic of Armenia, and individuals, temporarily working in Armenian government agencies and institutions of local governing abroad;
 - b) organizations incorporated and registered in Armenia and sole entrepreneurs;
 - c) Armenian embassies, consular sections and troops, located abroad;
 - d) Armenian permanent representative offices in international organizations;
 - e) branches and representative offices of residents, specified in this point (“b”) located outside Armenia;
 - f) managers, other employees and family members of residents specified in this point (“c” and “d”), holding Armenian citizenship;
6. Non-residents are:
- a) non-resident individuals, including individuals in public service abroad in temporary work in Armenia
 - b) organizations created abroad, their branches and representative offices
 - c) foreign embassies, consular sections, troops and international organizations in Armenia and their managers, other employees and family members, not holding Armenian citizenship
 - d) branches and representative offices of residents specified in this point (“b”), located in Armenia
 - e) others not specified in this point (from “a” to “d”) and not resident.
7. Center of key interests is the place where the person’s family or economic interests are concentrated. Family or economic **interest shall be the place** where the person’s house (apartment) is, the person or his family lives and where his/her (family’s) property is or the place of basic economic (professional) activity.
8. Currency transactions are transactions related to:
- a) assignment of property rights of currency values, other property rights and use of foreign currency payment documents as instrument of payment
 - b) use of the Armenian currency in external economic activity and foreign currency as instrument of payment
 - c) transportation, import and delivery of currency values to Armenia from abroad, their transportation, export and delivery from Armenia.
9. Current currency transactions are transactions or payments between residents and non-residents irrespective of their amount (except for cases specified in this point, “c”) as follows:
- a) payments on import and export of goods and services and extension of short-term loans and borrowings
 - b) interest and dividends to be paid on loans, borrowings and investments
 - c) small values assigned to repayment of loans, borrowings and direct investments

- d) non-trade transfers to and from Armenia, including transfers of salary, pensions, inheritance, financial aid, donations.
10. Maturity of short-term loans and the limits of small value amounts shall be determined by the Central Bank normative regulations, agreed with Government authorized body.
 11. Capital movement and financial currency transactions are transactions between residents and non-residents, which are not considered as current currency transactions.
 12. Residency or non-residency of individuals shall be determined based on this article, points 5 and 6, necessary grounds and documents of non-residency, submitted by the individual. If the individual does not submit necessary grounds and documents of non-residency, he/she will be considered as resident.
 13. Specialized entities are banks, branches of foreign banks operating in Armenia, credit organizations, and foreign currency dealers licensed by the Central Bank, foreign currency traders (exchange offices), foreign currency auction organizers.

CHAPTER 2. PERFORMANCE OF CURRENT CURRENCY, CAPITAL MOVEMENT AND FINANCIAL CURRENCY TRANSACTIONS

Article 4. Performance of current currency, capital movement and financial currency transactions

1. No restriction shall be applied to current currency transactions.
2. For the prevention of instability of the financial system, circulation of criminal proceeds and terrorism financing, statistical and economic risks the Central Bank shall define procedure and terms of capital movement and financial currency transactions.
3. Residents shall perform currency transactions outside Armenia without limitations, in accordance with the law of foreign countries.
4. Investment transactions performed by non-residents on the territory of Armenia shall be regulated by the Armenian law and international agreements.

Article 5. Transportation, delivery, import and export of currency values

1. Residents and non-residents shall transport, deliver, import currency values to Armenia and transport, deliver and export currency values from Armenia without limitations and declaration, except for cases, stipulated by this article, point 2.
2. The Central Bank shall define procedure and terms of transportation, delivery, import, export and declaration of currency values by a normative regulation in agreement with Armenian Government authorized body for ensuring the stability of the financial system, preventing economic risks, circulation of criminal proceeds and terrorism financing and statistical purposes.

CHAPTER 3. PERFORMANCE OF TRANSACTIONS ON CURRENCY VALUES

Article 6. Performance of transactions in the Armenian currency in Armenia

1. Money quotations for sale of goods (inventory), rendering services and labor remuneration shall be made in the Armenian currency.
2. Money payments for sale of goods (inventory), rendering services, property use, as labor remuneration, including interest to be paid on financial operations, between residents shall be accepted and made in the Armenian currency.
3. Investments in statutory and share capital of legal entities shall be made in the Armenian currency.
4. Winnings shall be advertised and granted only in the Armenian currency.

Article 7. Performance of transactions in foreign currency in Armenia

1. Residents and non-residents have a right to purchase/sell foreign currency without limitations on immediate or inferred payment terms, assuming a right or an obligation to repurchase or convert to other currency at a certain price in a certain period or on any other terms.
2. Foreign currency purchase/sale transactions, including transactions on terms, specified in this article, point 1, shall be performed through specialized entities. Specialized entities shall determine the exchange rate and value of foreign currency purchase/sale transactions performed by them.
3. On the territory of Armenia, except for Armenian embassies and consular sections located abroad, payments against current currency transactions, capital movement and financial currency transactions shall be performed on a cash and non-cash basis in the Armenian currency, except for cases specified in this article, points 4, 5, 6, 7 and 8.
4. Non-cash payments against current currency transactions, capital movement and financial currency non-cash transactions can be performed in foreign currency as follows:
 - a) between legal entities
 - b) between sole entrepreneurs
 - c) between entities specified in this point, “a” and “b” sub-points.
5. Non-trade transactions, specified in this Law, article 9, point 9, sub-point “d”, except for salary payments, can also be performed in foreign currency both on a cash and non-cash basis.
6. Transactions on gifts and donations, inheritance between residents may be performed in foreign currency.
7. International organizations may pay for labor, service rendering in foreign currency in cases and according to procedure, agreed with the Central Bank and Government Authorized body.
8. Banks, credit organizations, settlement organizations have a right to perform financial transactions, including deposit and credit operations, empowered by law in foreign currency, except for cases specified by the law.
9. Specialized entities must provide their customers with a document, verifying foreign currency purchase/sale operations (receipt), according to the procedure, form and requisites set by the Central Bank.

Article 8. Setting of Armenian dram/foreign currency exchange rate

The Central Bank shall set the official Armenian dram/foreign currency exchange rate.

CHAPTER 4. CURRENCY CONTROL

Article 9. Currency control

1. The Central Bank shall control compliance of specialized entities to requirements of this Law and respective regulations, and licensing terms on-site and off-site, according to the procedure set by the Armenian law “On the Central Bank of Armenia”.
2. Government authorized body shall control compliance of entities not specified in this article, points 1 and 3, to requirements of this Law and other respective regulations according to the procedure set by the Armenian law “On inspections”.
3. Public finance management authority shall control compliance of entities licensed by public finance management authority to requirements of currency laws and respective regulations.

CHAPTER 5. LIABILITY FOR VIOLATIONS OF CURRENCY LAWS AND OTHER REGULATIONS

Article 10. Liability

1. For the first violation of the requirements of currency laws and other regulations by a specialized entity the Central Bank shall issue a warning with an instruction to eliminate the violation or shall impose a penalty at 50-fold of the minimum salary.
2. For the second violation of the requirements of currency laws and other regulations by a specialized entity the Central Bank shall suspend the activity license or impose a penalty at the amount of violation, or in the absence of amount, shall impose a penalty at 100-fold of the minimum salary.
For the context of this Law and respective regulations if a few violations of any requirement of currency laws and respective regulations occur, each violation shall be deemed as one.
3. For three or more violations of the requirements of currency laws and other regulations by a specialized entity the Central Bank shall impose a penalty at 500-fold of the minimum salary or revoke the activity license.
4. Public finance management authority shall apply liability measures stipulated by this article, points 1, 2 and 3, towards entities licensed by the public finance management authority.
5. For violations of the requirements of currency laws and other regulations by resident and non-resident entities not specified in this article, points 1 and 4, the Government authorized body shall apply liability measures stipulated by Armenian laws on Administrative violations.
6. If foreign currency dealers, foreign currency traders (exchange offices), foreign currency auction organizers do not provide their customers with a document verifying foreign currency purchase/sale operations (receipt), the Central Bank shall impose a penalty at 200-fold of the minimum salary or revoke the activity license.
If banks and credit organizations do not provide their customers with a receipt on foreign currency purchase/sale operations, they will be held liable under Armenian laws “On the Central Bank of Armenia”, “On banks and banking” and “On credit organizations”.

7. If foreign currency dealers, foreign currency traders (exchange offices), foreign currency auction organizers violate terms of the Central Bank licensing, the Central Bank shall apply liability measures determined by this article.

8. The Central Bank shall apply liability measures set by this article in accordance with the Armenian law “On the Central Bank of Armenia”.

9. If an entity is not violating the requirements of currency laws and respective laws during a year after it has incurred liability stipulated by this article, it shall be deemed as having incurred no liability.

For the context of this law and respective regulations incurring of liability occurs when the entity meets the requirements of the decision on applying liability measures.

10. If the activity license of foreign currency dealers, foreign currency traders (exchange offices), foreign currency auction organizers operates revoked (for violations of licensing terms or currency laws and respective regulations), the entity has no right to perform any activity of foreign currency dealing, foreign currency trading and organizing foreign currency auctions (directly or through establishing a legal entity, acquiring any participation in the statutory fund of a legal entity or an ability to predetermine decisions of a legal entity without such participation, or attracting employees from foreign currency dealers, foreign currency traders and foreign currency auction organizers) for a period of three years upon cancellation of the license.

CHAPTER 6. TRANSITIONAL PROVISIONS

Article 11. Transitional provisions

1. Upon entry of this Law into effect the Armenian law “On currency regulation and currency control” adopted on September 2, 1993 shall be annulled.

2. This Law shall enter into effect six months after its official publication.

December 21, 2004