



Legal update

March 2021



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Dear colleagues,

It is our pleasure to welcome you to PwC Armenia March 2021 Legal update. We prepared legal update of the Armenian legislation amendments effective from February 2021. The amendments are mostly related to the corporate legislation (e.g., forms and procedures for reorganisation of limited liability companies) and some procedural issues (trade unions, foundations, etc.). We hope it will be useful. For more details please do not hesitate to contact us at PwC Armenia by contact information provided at the end of this document.



1. Supplements and Amendments to the Law of the RA “On Trade Unions” in accordance with the Law of the RA N^o HO-44-N adopted on 19 January 2021 (entered into force on 26 February 2021)

Supplements and amendments to Article 9.1 of the law

Article 9.1 part 3 (amendment)
(previous edition of this Article prescribed 30 days term)

Within 10 business days after receiving the application for registration of the trade union and the required documents, the state registration body is obliged to consider the application, register the trade union or refuse to register the trade union under appropriate grounds. State registration of a trade union may be refused in the manner and under the ground prescribed by the law.

Article 9.1 supplement with part 4 as follows

Within 10 business days after receiving the application for registration of the amendments in trade union and the required documents, the state registration body is obliged to consider the application, register the change of the trade union or refuse to register the change of the trade union under appropriate grounds. State registration of a trade union change may be refused in the manner and under the ground prescribed by law.



2. Supplement to the Law of the RA “On Joint-Stock Companies” in accordance with the Law of the RA N^o HO-45-N adopted on 19 January 2021 (entered into force on 26 February 2021)

Supplement Article 26 part 3 as follows

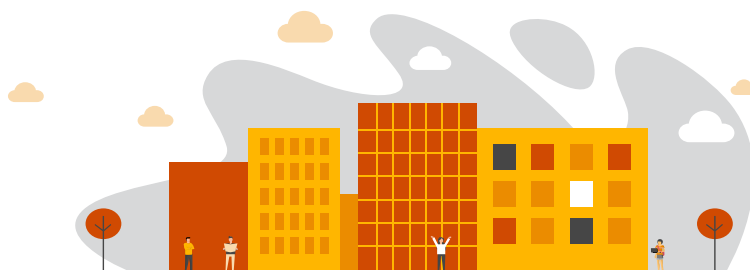
Article 26 part 3 (supplement)

Shares (stocks) of the company that was established due to reorganisation or expanded as a result of a merger shall be proportionally allocated to all participants of the legal entities that take a decision on reorganisation at the time of making a decision on reorganisation through conversion at their market price **(as of the date defined by the decision on reorganisation)**. Moreover, the conversion rate for each type (category) of shares (stocks) shall be the same. If there are 50 or more shareholders for the same type (category) of shares in one of the reorganised companies, then determination of market value of the securities of each reorganised company is obligatory by an independent appraiser.



3. Supplements and Amendments to the Law of the RA “On Foundations” in accordance with the Law of the RA № HO-43-N adopted on 19 January 2021 (entered into force on 26 February 2021)

Article 5 part 3.1	Recognized as invalid. The words “Armenian” or “Armenia” in the name of the foundation, the conjugations of those words, their translations, as well as the name of the famous person who died in the absence of an heir, may be used in accordance with the procedure established by the Government of the Republic of Armenia.
Article 13 part 1 point 2 set forth as follows	Upon making a decision on establishment of a foundation, founders should unanimously appoint the head of the executive body of the foundation (hereinafter referred to as the “manager”) or the acting head of the executive body (hereinafter referred to as the temporary manager).
Article 16 part 2 point 1 (supplement)	The foundation shall submit to the State Register of Legal Entities an application for the state registration signed by the foundation manager or temporary manager no later than 2 months after making the decision on the establishment of the foundation.
Article 17 part 1 (amendment) (previous edition of this Article prescribed 15 days term)	No later than 10 business days after submitting all the necessary documents to the State Register of Legal Entities and making an entry in the document acceptance register on the same day, the State Register of Legal Entities must make their state registration.
Article 27 part 2	Exclude the below sentence. For the first time manager can be appointed in his/her position also by the founder.
Article 28 part 1 (amendment) (previous edition of this Article prescribed that the minutes of meeting should be signed by all members of the foundation’s body participating in the given meeting)	Meetings of the foundation’s bodies are recorded. The minutes are signed by the chairman of the foundation’s body and the secretary of the given meeting .
Article 28 part 1 supplement with the following new sentence	The chairman of the foundation’s body is responsible for the accuracy of the information contained in the minutes of the meeting.
Article 28 part 4 supplement with the following new sentence	The conformity of the extract with the minutes is confirmed by the chairman or manager of the foundation’s body.
Article 28 supplement with part 5 as follows	Decisions of the foundation’s board of trustees are signed by the chairman of the foundation board of trustees.



4. Supplements and Amendments to the Law of the RA “On Limited Liability Companies” (hereinafter the “Law”) in accordance with the Law of the RA № HO-46-N adopted on 19 January 2021 (entered into force on 26 February 2021)

Article 40 part 5 set forth as follows

(new edition of this Article in comparison to the old one establishes different number of votes for the adoption of decisions mentioned in sub-clauses “b” and “j” clause 2 Article 36 of the Law)

The general meeting shall be eligible if it is attended by participants controlling more than half of the total number of votes of the company.

Decisions of the general meeting are made by the majority of the total number of votes of the participants of the company, unless the Law or the charter of the company does not provide for a higher number of votes for the adoption of the given decision.

Decisions related to the issues mentioned in sub-clause “b” clause 2 Article 36 of the Law shall be adopted by unless at least 2/3 of the total number of votes of the company’s participants, unless the charter of the company does not provide for a larger number of votes for the adoption of the given decision.

Sub-clause “b” clause 2 Article 36 of the Law - amending of the company’s charter and the amount of the statutory capital.

Decisions related to the issues mentioned in sub-clause “j” clause 2 Article 36 of the Law shall be adopted by the company’s participants unanimously.

Sub-clause “j” clause 2 Article 36 of the Law – making decision about the company’s reorganization and liquidation.

Article 50 set forth as follows

(new edition of this Article contains provisions similar to the law on joint-stock companies (Article 18))

1. Company reorganisation (merger, acquisition, division, separation, and reformation) is carried out by a decision of the general meeting.

2. Company reorganisation by means of company division or separation of one or several legal entities from the company in cases stipulated by the law shall be carried out on the basis of a court decision. Company reorganisation by means of company merger or acquisition in cases stipulated by the law may be implemented only with the permission of the authorized state body.

3. Except for reorganisation in the form of acquisition, a company is deemed reorganised from the time of state registration of the newly created legal entities. When a company is reorganised by means of acquisition by another one, they will be deemed reorganised when termination of the acquired company is registered by the state.

4. Within 30 days after making a decision to reorganise a company, the company shall provide a written notice thereon to all of its creditors. The notice shall contain information on the date the reorganisation decision was made, the form of reorganisation, the parties involved, and the legal succession of the company’s obligations.

5. A creditor of reorganised company may demand either that the company provide additional guarantees that the obligations will be met or early fulfilment or termination of obligations, as well as written notice on compensation of losses withing the following terms:

- a) 30 days of the notice in case of merger, acquisition or reformation,
- b) 60 days of the notice in case of division or separation.



Supplement the Law with Articles 50.1.- 50.9. (previous edition of the Law did not contain such provisions related to the forms of reorganisation)

Article 50.1. Companies Merger

1. Companies merger is the establishment of a new company that will obtain the rights and obligations of two or more merging companies, while the latter terminate.
2. Merging companies sign an agreement on merger. A decision on reorganisation in the form of merger shall be adopted by the general meeting of each of the merging companies, which will also approve the merger agreement, the transfer act, the procedure and terms of merger, as well as the procedure of converting the shares and other securities of each of the merging companies into shares and/or other securities of the newly created company.
3. The joint general meeting of participants of the merging companies shall be deemed the general meeting of newly created company, which will be assembled by the body and in the timeframe mentioned in the merger agreement. The charter of the legal entity created as a result of a merger is approved by the founding meeting of the newly established legal entity, which also makes decisions on other issues related to the competence of the general meeting.
4. In case of company merger rights and obligations of each of them shall be transferred to the newly created company in accordance with the transfer act.
5. To carry out state registration necessary for merger, the merger agreement, the transfer acts, and other documents required by the law shall be submitted to the body carrying out state registration of legal entities.

Article 50.2. Companies Acquisition

1. Companies acquisition is the termination of one or several companies, the rights and obligations of which are transferred to another company.
2. The companies participating in the acquisition sign an acquisition agreement. A decision on reorganisation in the form of acquisition shall be adopted by the general meeting of each of the acquired companies, which will also approve the merger agreement, the transfer act, the procedure and terms of acquisition, as well as the procedure of converting the shares and other securities of each of the acquired companies into shares and/or other securities of the acquiring company.
3. The general meeting of participants of the acquiring company (the joint general meeting of participants of the companies involved in the acquisition) shall adopt decisions on making necessary amendments and supplements to the charter of the acquiring company (due to reorganisation), on approving the charter's amendment or the charter's new edition, the acquisition agreement and transfer act, and if necessary on other issues as well.
4. In case of company acquisition rights and obligations of each of the acquired companies shall be transferred to the acquiring company in accordance with the transfer act.
5. To carry out state registration necessary for acquisition, the acquisition agreement, the transfer act (acts) and other documents required by the law shall be submitted to the body carrying out state registration of legal entities.



**Article 50.3.
Company Division**

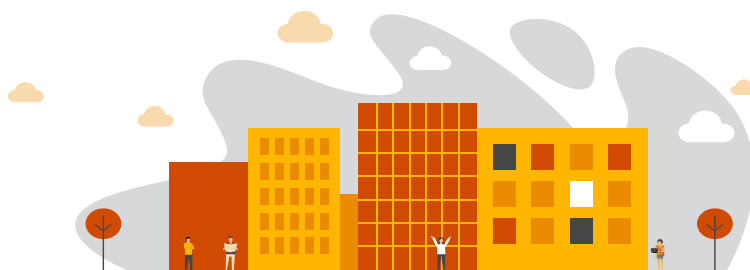
1. Company division is a company ceasing with all of its rights and obligations transferred to newly created companies.
2. A decision on reorganisation in the form of division shall be adopted by the general meeting of the divided company which will also approve the division terms and conditions, the division balance sheet, as well as the procedure of converting the shares and other securities of the company into shares and/or other securities of the newly created companies.
3. Charters of legal entities created as a result of a division are approved at the founding meetings of those legal entities, where decisions are also made on other issues related to the competence of the general meeting.
4. In case of company division rights and obligations of the company shall be transferred to the newly created companies in accordance with the division balance sheet.
5. To carry out state registration necessary for division, the division balance sheet and other documents required by law shall be submitted to the body carrying out state registration of legal entities.

**Article 50.4
Company Separation**

1. Company separation is a creation of a new company (companies) inheriting a part of the rights and obligations of the company being separated without the latter ceasing.
2. A decision on reorganisation in the form of separation shall be adopted by the general meeting of the company subject to separation, which shall also approve the separation terms and conditions, the division balance sheet, as well as the procedure of converting the shares and other securities of the company into shares and/or other securities of the newly created companies.
3. Charters of legal entities created as a result of a separation are approved at the founding meetings of those legal entities, where decisions are also made on other issues related to the competence of the general meeting.
4. In case of company separation rights and obligations of the company shall be transferred to the newly created companies in accordance with the division balance sheet.
5. To carry out state registration necessary for separation, the division (separation) balance sheet and other documents required by law shall be submitted to the body carrying out state registration of legal entities.

**Article 50.5
Company
Reformation**

1. Company reformation is the change of its organizational - legal form.
2. A company may be reformed to a joint-stock company or a commercial cooperative.
3. A decision on reformation shall be adopted by the general meeting of the company subject to reformation, which will also approve the reformation terms and conditions, the transfer act, as well as the procedure of converting the shares and other securities of the company reorganised in a form of reformation into shares and/or other securities of the newly created companies.
4. Charter of the legal entity created as a result of a reformation is approved at the founding meeting of the newly legal entity, where decisions are also made on other issues related to the competence of the general meeting.



**Article 50.6. Merger
(Acquisition)
Agreement**

5. In case of company reformation rights and obligations of the company shall be transferred to the newly created companies in accordance with the division balance sheet.

6. To carry out state registration necessary for reformation, the transfer act and other documents required by the law shall be submitted to the body carrying out state registration of legal entities.

1. The merger (acquisition) agreement approved in the manner stipulated by Articles 50.1 and 50.2 of the Law together with other documents required by law shall be submitted to the body carrying out state registration of legal entities.

2. The merger (acquisition) agreement shall be concluded between the companies involved in the merger (acquisition), signed by the head of the company's executive body and is subject to approval by the companies general meetings.

The merger (acquisition) agreement shall contain:

a) the brand name of the parties involved, their places of location, and information on their state registration;

b) the timeframe, procedure and terms of merger (acquisition);

c) the procedure (formula or other standard) used to convert the shares and other securities of the merging (acquired) company;

d) the terms and conditions of receipt of dividends for shares of the merging (acquired) companies;

e) the procedure of voting in the joint general meeting;

f) the term and procedure of preparation and implementation of the joint general meeting of the companies involved in merger (acquisition); and

g) other information at the discretion of parties involved in the merger (acquisition).

**Article 50.7.
Transfer Act and
Division Balance
Sheet**

1. The transfer act and the division (separation) balance sheet shall contain provisions on the legal succession of all the obligations of the reorganised company (companies) related to property, creditors and debtors, including disputed obligations.

2. The distribution (separation) balance shall ensure the proportional distribution of the assets and liabilities in the statutory capital of the reorganised company corresponding to the shares of the participants of the newly created legal entities, among the legal entities created as a result of reorganisation.

3. If the division (separation) balance sheet does not make it possible to determine the legal successor of the reorganised company, then the legal entities created as a result of reorganisation shall bear joint liability towards the creditors of the reorganised company in terms of the obligations of the latter.

4. State registration pertaining to reorganisation may be refused if the transfer act or the division (separation) balance sheet is not presented together with the charters or if they do not contain provisions on the legal succession of property and obligations of the reorganised company (companies) or if the property and obligations are divided disproportionately.



**Article 50.8.
Rights of participants
in case of
reorganisation**

The shares (stocks) of the participants of the company created through reorganisation or expanding as a result of a merger shall be proportionally distributed among all the participants of the legal entities that made the decision on reorganisation at the market value of shares (as of the date defined by the decision on reorganisation). Moreover, the conversion ratio should be the same for each share (stock).

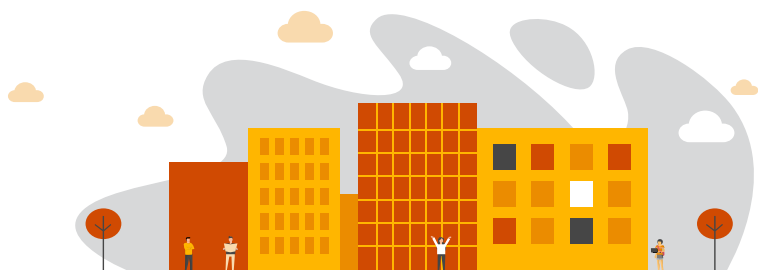
**Article 50.9.
Procedure for
determining the
market value of
company property**

1. The market price of property, including that of company shares and other securities is the price at which a seller that does not have to sell the property and is in possession of all the necessary information concerning the price of property would agree to sell the property, and a buyer that does not have to buy the property and is in possession of all the necessary information concerning the price of property would agree to buy it.

2. The market price of property shall be determined by the decision of the general meeting.

3. The market price of property shall be determined by an independent valuator in cases stipulated by the law as well as by the decision of the general meeting.

4. If the market price of company shares or other securities needs to be determined, then information periodically published in mass media concerning the acquisition, as well as supply and demand prices of such shares shall be taken into the account. When determining the market price of company shares, the company's net assets, as well as the price that a buyer fully informed of the company's property would agree to pay, as well as other factors, as the body (individual) determining the market price of company property may deem necessary shall be taken into the account. The market price of shares of the company, as determined under this clause shall not be lower than the price estimated on the basis of the company's net asset worth.





Contact us

For a deeper discussion of how this issue might affect your business, please contact us at PwC Armenia

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