

THE REPUBLIC OF ARMENIA

LAW

ON PUBLIC AUCTIONS

Adopted 08 October, 2003

CHAPTER 1

General Provisions

Article 1. Subject of the Law

1. This Law governs relations pertaining to sale through public auctions of property, property rights, results of intellectual activity and rights thereto and organization of public tenders, except for cases provided for by law.

This Law shall apply to relations pertaining to organization of closed auctions.

2. This Law shall not apply to relations pertaining to organization of auctions during privatization of public property, and organization of procurement for public and community needs, except for the cases provided for by law.

3. Peculiarities of public auctions relating to insolvency (bankruptcy) of legal entities and sole proprietors are defined by law.

4. This Law shall not apply to relations pertaining to public sale of foreign currency. Public sale of foreign currency is organized as defined by the Central Bank of the Republic of Armenia.

5. This Law shall not apply to the relations pertaining to organization of public auctions through stock and commodity exchange, and public sale of securities, except the enforced auctions.

6. This Law shall not apply to auctions organized through electronic systems, except the enforced auctions.

(Article 1 edited AL-133-N, 15.06.06)

Article 2. Main concepts used in Law

Main concepts used in this Law are as follows:

public auctions or auctions concluding contracts through auction (tender), in which any group of people meeting the requirements determined hereunder may participate;

auction form of sale in which the winner is the bidder who offers the highest quotation;

tender form of sale in which the winner is the bidder who according to tender committee opinion offers the best terms;

public auction initiator or initiator is the owner of property or holder of ownership, who does not directly organize public auctions;

public auction organizer or organizer person conducting the auction (tender), who is owner of property or property rights, or person or entity authorized by contract or law to organize public auctions;

auction (tender) regulation – document provided by the organizer of public auction, which establishes conditions defined by the organizer in accordance with law;

public auction participants or participants persons who made the prepayment in accordance with this law and expressed willingness to sign the respective contract through public tender;

auction (tender) terms terms and conditions of the contract prepared by initiator or auction organizer (tender) in accordance with law;

lot property or property rights offered through an auction or tender, provided with the respective description and other data as determined hereunder, and a starting price, in case of auction.

Lot can be work to be done or service to be rendered;

auctioneer a person directly conducting the auction;

starting price means price for sale of the lot offered to the auction participants at the start of the auction;

quotation means price offer made by bidder during the auction, which can not be less than the minimum price set by the auction organizer, unless otherwise specified hereunder;

purchase price means the final highest bid of the winner at the auction;

auction (tender) costs means costs incurred by the auction (tender) organizer for organizing and carrying out the auction (tender).

Article 3. Auction Participants

1. Participants of the auction can be individuals, legal entities and communities.
2. The auction organizer, founders (shareholders) of the legal entity organizing the auction, staff and members of the tender committee (in case of a tender) can not participate in auctions.
Auctioneer's children, parents, spouse, grandfather, grandmother, brothers and sisters, spouse's parents, grandfather, grandmother, brothers and sisters cannot participate in the auction.
3. Persons that may not have property rights over the auction lot cannot participate in the auction.

Article 4. Terms of contracting through auctions

1. Where a lot offered for sale at auction is a real estate or movable property, and the property rights thereto are subject to state registration, the right to sign a contract on buying the lot is transferred to the winner upon his registration.
2. Where a lot ensues a right, including a right to carry out work, render service or a right of use, the right to sign a contract on buying the lot is transferred to the winner upon his registration.
3. In cases defined in parts 1 and 2 of this Article, the main terms and conditions of the contract shall comply with the terms and conditions specified in the public announcement on auction.
4. During auctions payments are made in the currency of the Republic of Armenia.

CHAPTER 2

ORGANIZATION AND CARRYING OUT OF AUCTIONS

Article 5. General Conditions of Auction Organization Procedure

1. Auction may begin between 9 a.m. and 7 p.m., except for the auctions organized by the owner (legal owner), which may begin between 8 a.m. and 11 p.m.
Sale of the lot shall end on the day specified in the public announcement .
2. The public announcement shall be issued through mass media or electronically.
The auction organizer shall insert such notice onto a billboard at the venue of the auction at least a day before carrying out the auction.
3. Auction may be open for attendance by non-participants who paid entrance fee as determined by regulations of auction.
Sitting places of participants and non-participants in the auction room shall be separated.
4. Participants and non-participants may not interfere with the auction process and shall comply with the rules set forth in the auction regulations.

Article 6. Agreement on Organization of the Auction

1. Where an auction is to be organized by a person which is not the owner or property right owner, a written agreement on organization of the auction shall be signed between the initiator and the organizer.
2. The agreement shall include:
 - 1) name/title and location/domicile of the initiator and organizer;
 - 2) name of the lot to be submitted to auction;
 - 3) starting price of the lot;
 - 4) other provisions provided for hereunder.
3. Where the organizer is authorized to lower the starting price, the agreement on organization of the auction shall contain appropriate provisions specifying the reduction threshold.
4. Where the lot is handed to the organizer for safe custody, the agreement shall contain provisions concerning such custody.

Article 7. Remuneration for auction organizer

1. The terms and conditions of remuneration for the organizer are set forth in the contract on organization of the auction.
2. In the event of sale of property of the legal entity in liquidation, the amount of remuneration, as determined by the contract between the bidder and organizer, can not exceed ten percent of the starting price of the selling property.

Article 8. Public Announcement

1. The public announcement on auction shall contain information on auction as follows:
 - 1) date of the auction (year, month, day and hour);
 - 2) name/title of the organizer;
 - 3) venue/address of the auction;
 - 4) form and procedure of the auction;
 - 5) terms and conditions of the auction, including name, restrictions applied to the lot, physical condition (depreciation), and/or date of manufacture, starting price of the lot(s), and period of validity of the lot, if it implies a right title and other significant conditions;
 - 6) list of required documents for participation in the auction;
 - 7) procedure on determination of the winner at the auction;
 - 8) size of the prepayment defined by the organizer, terms and mode of payment;
 - 9) date, time and place of reviewing the lot;
 - 10) sequence of sale of the lots, in case of general auction; and
 - 11) place where information about regulations of the auction can be obtained and copy received.The organizer may request only remuneration for copying costs for providing the copy of regulations.
2. Public announcement shall be issued at least fifteen days before opening the auction.
3. Where perishable items are placed for auction, the public announcement shall be issued at least one day before opening the auction.
4. In the event of sale of property, and for other cases, law may specify a longer period for issuing the public announcement.

Article 9. Revisions in public announcement

1. Terms and conditions and information specified in the public announcement are not subject to change, except where such changes occur in respect to restrictions on the auction lot, or its physical condition, or where the possibility of introducing changes was indicated in the public announcement.
In cases provided for in this part, the auction organizer must introduce revisions to the public announcement (change in the public announcement) within three days before the auction, through the same procedure as for public announcement.
2. Where revisions in the public announcement are inconsistent with the procedure defined in part 1 of this article, the organizer shall compensate damages incurred by participants.

3. Revisions in the public announcement after it was issued are allowed, if they don't change its key terms and conditions.

Article 10. Conditions for Participation in Auction

1. Persons who want to participate in the auction shall pay prepayment in manner defined in the public announcement, in the amount not exceeding five percent of the selling lot with the highest starting price. The amount of prepayment for participation in the auction of motor vehicle plates of popular demand shall be established by the Government of the Republic of Armenia.

2. The prepayment shall be paid to the organizer of the auction. Unless otherwise specified by law, prepayment shall be paid in cash.

3. After the prepayment is made, the organizer shall provide the participant with a certificate, which indicates name of the organizer, size of the prepayment, venue/address and time of the auction.

4. The regulations may establish entrance fee for non-participants, which shall not be more than fivefold the established minimum salary.

5. Unless otherwise defined in the public announcement, the process of providing certificates to participants and selling tickets to non-participants finishes at least thirty minutes before opening the auction, .

(Amended according to AL-177-S,17.09.09)

Article 11. Review of the Lot

1. Before the start of the auction, participants shall be able to review the selling lot(s) indicated in the public announcement.

2. Terms and conditions for reviewing the lot, including information about the place where movable property is stored or the address of the real estate shall be established in the regulations.

The organizer shall enable participants to review the lot(s) from the date of issuing the auction announcement.

3. If the real estate or movable property is located outside the area of auction, the organizer shall fix days and hours for participants to visit and review them.

4. Total time allocated for reviewing the lot(s) shall not be less than forty hours for real estate, and ten hours for movable property.

5. Where a selling lot is a property right, participants shall be able to review the object of the right property right and the appropriate documents certifying the right.

Article 12. Cancellation of auction

1. Where the auction is cancelled within three days prior to its beginning, the organizer shall compensate damages incurred by the participants.

If the auction is cancelled because of the owner's fault, damages of the organizer may be compensated by its right of claim.

2. Except otherwise defined by law, the organizer must cancel the auction, if:

- 1) owner applied in writing on cancellation of the auction, unless otherwise specified in the contract on organization of the auction;
- 2) a lot or part of it is included in the property of legal entity in liquidation or physical entity in insolvency; and
- 3) there is a court decision on restricting the sale of the lot.

3. The organizer may cancel the auction, if the bidder:

- 1) failed to pay the fee as determined by the auction contract; and
- 2) interfered with reviewing the lot.

4. The notice on cancellation of auction shall be made in the same way as the public announcement.

Article 13. General Auctions

1. Common auction is the auction during which more than one lot was sold.

2. The organizer must follow the sequence of selling the lots as defined in the announcement.

Article 14. Course of Auction

1. The organizer shall register participants of auction before its start. The registration involves checking participant's identity, the authorizing documents, as well as other documents specified in the public announcement.

2. Auction opens with the announcement. The announcement specifies name, description, starting price, restrictions for the lot on sale, the form of auction including procedure on price quotation.

3. The auctioneer shall offer the lot at a starting price. Any participant is entitled to quote a new price above the previous quotation before the third strike of the hammer.

4. The participant offering the highest unchallenged quotation shall be qualified as winner, after the third strike of the hammer.

5. Where several participants simultaneously offer the same quotation, which is not succeeded by a higher quotation, the auctioneer shall determine the winner through draw.

6. Regulations of auction may provide for other procedures organization of the auction, and the organizer shall make ensure that participants read the rules before beginning of the auction.

7. After the sale of the lot(s), the winner and the organizer shall sign the minutes on the results of the auction, after which the auction of the respective lot shall be deemed finished.

Article 15. Void Auction

1. An auction is deemed void, if the lot was not sold because of the absence of participants, or if the winner and/or organizer decline to sign minutes on the results of the auction.

2. Auction of the lot shall be declared void on the next day after the aforementioned circumstances.

3. Where auction is deemed void, terms and conditions of the next auction, including starting price, may change.

4. Each subsequent auction shall be organized and carried out as defined in this law.

Article 16. Annulled auction

1. Auction of the lot can be annulled only by court.

2. Auction which was inconsistent with provisions of Articles 3-5, 8-9 and 14 of this law, may be annulled by court, as claimed by the party concerned.

3. Annulling the auction annulled shall entail suspension of the contract signed with the winner.

4. Where auction is annulled, a new auction shall be organized and carried out as defined in this law.

5. Terms and conditions of the new auction may change, if the auction was annulled based on any precondition, or if the state of the lot has changed, including change in the rights and liabilities in respect of the lot.

Article 17. Minutes on results of the auction

1. Minutes on results of the auction shall include:

- 1) place and time of the auction;
- 2) name of the lot, rights and liabilities and other restrictions in respect of the lot, physical condition (depreciation), and/or date of manufacture;
- 3) starting price of the lot;
- 4) name/title of the organizer;
- 5) name/title of the winner, and domicile/location; and
- 6) purchase price of the lot.

2. The winner and organizer shall sign minutes on the day of the auction.

3. The winner's objections, if any, shall be mentioned in minutes.

4. In case of general auction, minutes are taken during the auction. Once the lot is sold, the winner is offered to sign the minutes.

Article 18. Paying for Lot

1. Unless otherwise scheduled in the public announcement, minutes of the auction or the contract, the winner shall pay for the lot within ten days upon signing minutes on the results of auction, by offsetting the prepayment.
2. If the price formed at the auction does not exceed fifty-fold of the minimum salary, it shall be paid on the day of signing minutes.
3. Liability to pay the purchase price is not subject to off-setting.
4. The organizer who is not deemed the owner shall transfer the payment for the lot to the owner, by offsetting its expenditures as defined in the auction organization contract.
5. Unless otherwise scheduled, the organizer shall refund the prepayment to losing participants within one business day after the auction took place or was annulled.

Article 19. Auction Forms

1. The organizer shall determine the form of auction and other procedural terms and conditions, not provided for herewith.
2. The organizer shall give participants thirty minutes before the beginning of the auction in order to read the auction regulations, by posting them in a visible place.
3. Provisions of this article shall not apply on auctions carried out by enforcement.
(Article 19 amended AL-158-N, 07.07.05)

CHAPTER 3**ORGANIZATION AND CARRYING OUT OF TENDERS****Article 20. Contract on Organization of Tender**

1. Where a tender is to be organized by the organizer, a written contract shall be signed between the organizer and bidder.
2. The contract on organization of tender shall include:
 - 1) name/title and domicile/location of the bidder and organizer;
 - 2) statement indicating on whose behalf the organizer performs;
 - 3) description of the lot and/or terms of tender; and
 - 4) amount and the procedure for remuneration of the organizer, except for free tenders.
3. Fulfillment of liabilities stipulated in the tender contract can be secured by collateral, fine, prepayment, etc.

Article 21. Public Announcement on Tender

1. Unless otherwise specified by law, the organizer of tender shall issue a public announcement on the tender at least thirty days before its start,.
2. The public announcement shall provide information on auction as follows:
 - 1) name/title of the organizer;
 - 2) venue/address of the place of tender;
 - 3) deadline for accepting applications for the tender;
 - 4) form and procedure of the tender;
 - 5) description of the lot, terms and conditions of the tender;
 - 6) list of required documents for participating in the tender;
 - 7) procedure for determining the winner;
 - 8) size of the prepayment, terms and mode of payment;

- 9) procedure for use of encryptions in the tender;
- 10) day and time of opening and reviewing tender applications; and
- 11) place where tender participants can review regulations of the tender, and the procedure for giving out copies of regulations.

The organizer may request remuneration only for copying costs.

3. The day of opening the tender applications may not be sooner than three days after the last acceptance of applications.

Article 22. Revisions to public announcement

1. In case of change in tender terms, the organizer must immediately indicate the changes in the public announcement in the same manner as the public announcement was issued.

2. Where change in the public announcement was made before the day of announcing the winner, the organizer shall within thirty days compensate damages incurred by participants, unless otherwise specified by law or public announcement.

3. Change in the public announcement is acceptable, if it does not incur changes in the key terms and conditions thereto.

Article 23. Tender committee

1. Before issuing public announcement the organizer of tender shall set up tender committee, consisting at least of three members.

Persons defined by law as incapable or partly capable can not be members of the tender committee.

2. Tender committee shall approve content of the public announcement, open and evaluate tender applications and determine the winner.

3. Unless otherwise specified by tender regulations, decisions of the tender committee are taken by a simple majority of voices,

Regulations of the tender shall describe activities of the tender committee.

Article 24. Submission of Applications

1. Applications shall be submitted to the organizer in accordance with the requirements of the public announcement.

2. List of information and supporting documents of the application is determined by terms of reference and provided in the public announcement.

3. Tender applications shall be submitted in a closed, sealed or signed envelope.

The envelope shall contain the original application and number of copies as defined in the public announcement. All the documents shall have indication "original" and "copy", as appropriate.

Where provided for by tender regulations, the envelope shall indicate:

- 1) place/address where the tender application shall be delivered to;
- 2) tender encryption;
- 3) words "not open before the start of the tender".

4. Applications shall be registered in the registry per order of receipt, with indication on the envelope of registration number, date and time.

The organizer shall verify acceptance of the tender application by providing a receipt to the applicant.

5. Tender applications not meeting the requirements hereunder and tender applications being overdue shall be denied and returned to the bidder unopened.

6. Tender participants may change their applications or take them back before the submission deadline.

Change shall be made as determined hereunder, by indicating the word "change" on the envelope.

7. Applications shall be submitted to the organizer by registered letter.

Tender applications shall be returned to participants through the same procedure.

8. Participants shall pay prepayment as and when determined by the public announcement.

Article 25. Opening of Applications

1. Tender applications shall be opened during special meeting of the tender committee, as and when determined by the public announcement.
2. before opening the applications, the following information shall be announced:
 - 1) code of the bidder, or name/title of the bidder (if the bidder does not object);
 - 2) compliance of applications with the requirements defined in this law and public announcement;
 - 3) summarized data concerning on any changes in the tender application.
3. Tender participants and their representatives may be present at meetings for opening and consolidating tender applications. They may read minutes of the meetings as determined by tender regulations.
4. After consolidation of tender applications, the tender committee shall minute results of tender. Minutes shall indicate:
 - 1) venue, date and time of opening and summarizing tender applications, and names of the members of the tender committee;
 - 2) name/title and domicile/location of the tender participants;
 - 3) information on queries and responses with regard to the tender applications;
 - 4) name/title of the winner; and
 - 5) other required information.

Special opinion of the tender committee members shall be provided in writing, attached to minutes and considered as a constituent part.
5. After consolidation of the tender results and announcement of the winner , the organizer and the winner shall sign the minutes.

Article 26. Tender by auction

1. The organizer may conduct tenders by auction, suggesting that participants sell to him identical lots. The winner of the auction shall be chosen based on the price of offered or sold lot.
2. Unless the content of the tender by auction prompts otherwise, the tender by auction shall be organized and carried out in accordance with provisions of this article.

Regulations of the tender by auction shall determine other procedural terms for such tender.
3. Participants of the tender by auction shall submit their applications on selling lots in place, time and hour as defined in the public announcement.

Participant with the lowest price offered shall be declared winners.
4. Where several participants offer the same price, the winner shall be determined by draw.
5. After the winner is determined, the winner and the organizer shall sign minutes.

Article 27. Cancelled or annulled tenders

1. Tender committee shall annul the tender, if:
 - 1) applications were not submitted;
 - 2) applications do not comply with the requirements set forth in the public announcement, or this Law; and
 - 3) activities or services defined in the tender may not be carried out due to force major.
2. The tender organized and carried out with the infringement of provisions set forth in Articles 21-26 hereunder may be annulled by court.
3. Annulment of the tender annulled shall entail termination of the contract signed based on the results of the tender.

Article 28. Types of tender

1. The organizer shall determine the method for arranging the tender, and other procedural terms and conditions, which are not provided for herewith.
2. The organizer shall ensure that the participants get familiar with tender regulations, and give copy of regulations to participants as provided for herewith.

CHAPTER 4.

ENFORCED AUCTIONS

Article 29. Enforced auction

1. Enforced auction means an auction, which is carried out in accordance with the executive act.
2. Except for cases provided for by law, the enforced auction lot may be any movable or immovable property, including property rights.
3. Enforced auction is organized and carried out by the enforcement agent.
4. ***(Clause 4 repealed, AL-158-N, 07.07.05)***
(Article 29 amended, AL-158-N, 07.07.05)

Article 30. Evaluation of the Lot

1. The content and quantity of lots included in the enforced auction lot shall be defined by the enforcement agent by evaluating the value of the lot.

Evaluation of real estate, shares or equity, cultural objects and other property which is difficult to estimate shall be made by evaluator appointed by the enforcement agent. Real estate shall be evaluated by licensed experts. Terms and conditions for selection of experts shall be defined by the Republic of Armenia Government.

2. Starting price of the lot shall be equal to 75% of the evaluated price.
3. The enforcement agent shall duly notify the debtor and the creditor (creditors) about the starting price of the lot, indicating the terms and conditions with regard to the right of a party to offer higher starting price for the lot. If there are two or more executive proceedings on confiscation of assets of the same debtor, all the creditors concerned shall be duly notified thereto. The debtor and creditors may suggest a higher starting price within two weeks after receiving the notice.

In such cases the starting price of the lot is set as the highest proposed price, if the suggesting person transfers three percent of the suggested price to the deposit account of the auction enforcement service or pays it in cash. The payment invoice shall be attached to the suggested price.

Where more than one person make price offers within the established period, the starting price of the lot shall be established as the highest suggested price, while the payment made by persons suggesting lower prices shall be refunded.

Where the debtor and creditors do not suggest starting price within the period and in accordance with the established terms and conditions, the price established pursuant to part 2 of the article shall be deemed the starting price.

4. Where the auction takes place with a starting price suggested by the party of the auction, or pursuant to provisions of clause 3, part 1, article 34 hereof, the auction is annulled, the enforcement fee shall be refunded to the paying person.

Where pursuant to provisions of clauses 1 and 2, part 1, article 34 hereof, the auction is annulled, the enforcement fee is not refunded.

5. After setting the starting price in accordance with part 3 of this article, the enforcement agent shall the next day after the end of the two week deadline for the submission of offers, take a decision on carrying out enforcement auction, indicating the time and place of the auction, as well as its starting price and issue public announcement thereto in accordance with terms and conditions established in Article 31 of this law.

(Article 30 amended AL-158-N, 07.07.05, amended, AL-192-N, 25.05.2011)

Article 31. Public announcement on enforced auction

1. The public announcement on Enforced auction shall be issued at least ten days prior to the auction, as provided for in Article 8 hereinabove. The public announcement shall include information defined in clauses 1-9, part 1, Article 8, hereof.

2. In addition to information provided for hereunder, the public announcement shall indicate that the auction is compulsory.

3. Enforcement agent's decision on carrying out enforced auction, and information included in the public announcement shall be delivered to the debtor and creditors at least ten days prior to the start of the auction.

The enforcement agent shall publish the public announcement on auction in a media outlet selected through tender. Terms and conditions of the tender and the list of property subject to public disclosure shall be defined by the Republic of Armenia Government.

List of the types of property subject to public disclosure through media outlet selected by tender shall be established by the Republic of Armenia Government.

List of the types of property proposed for auction, which are not included in the list shall be at least attached in the place of enforcement and, where auction takes place in Yerevan, also in the web side of the auction enforcement service.

(Article 31 amended AL-158-N, 07.07.05)

Article 32. Organization of enforced auction

1. Persons who want to participate in the enforced auction shall apply to auction enforcement service of the Ministry of Justice of the Republic of Armenia (the Service) starting from the date of issuing public announcement till 16.00 of the day preceding the auction,.

2. Attached to the application shall be invoice on prepayment of five per cent of the starting price of the lot transferred to the account of the Service (except for cases provided for in Article 35 of this law).

3. In cases prescribed by law a lot may be withdrawn from auction before it begins.

4. Information on participants of the auction is not subject to publishing.

5. Persons who participated in the auction, but did not win, shall be refunded immediately after the auction, if payment was made on a cash basis, or within three banking days, if payment was transferred into the deposit account of the Service.

Where the auction does not take place, the prepayment shall be refunded within three days.

6. Costs incurred on reviewing, maintenance, evaluation (including by an expert), maintenance of buildings, organization and carrying out of auctions, and other costs shall comprise five per cent of the purchase price of the lot; and three per cent of the purchase price of the lot, if it exceeds the minimum salary by ten thousand times.

Article 33. Procedure of enforced auction

1. Enforced auction is conducted as determined by Article 14 (1-7) hereinabove.

2. Minimum bid rates is:

1) (Repealed AL-133-N, 15.06.06)

2) AMD 500, if the lot starting price is lower than AMD 100,000;

3) AMD 1,000, if the lot starting price is between AMD 100,001 – 500,000;

4) AMD 10,000, if the lot starting price is between AMD 500,001 – 1,000,000;

5) AMD 50,000 if the lot starting price is between AMD 1,000,001 –10,000,000;

6) AMD 100,000 if the lot starting price is over AMD 10,000,000.

3. The winner and the enforcement agent shall sign minutes on the results of the auction on the day of the auction.

Where the winner refuses to sign minutes, the prepayment is not refunded.

Where the enforcement agent refuses to sign minutes, the refund shall equal to double amount of the prepayment, in addition the winner shall be eligible for compensation of all incurred damages.

4. The winner must transfer price of the lot deposit account of the Service, or pay it in cash within three banking days after the auction, offsetting the prepayment. Where price of the lot is not transferred, the prepayment is not refunded and remains in the deposit account of the Service.

5. Within three days after transferring price of the lot is transferred to the deposit account of the Service, or paid in cash, the enforcement agent shall sign agreement of purchase and sale with the winner.

6. Proceeds on sale of the lot shall be transferred or delivered to the creditor within three days.

Article 34. Suspended and annulled enforced auction

1. The enforcement agent shall annul the enforced auction if:
 - 1) buyers were not present at the auction;
 - 2) bids were not offered;
 - 3) the winner refused to sign minutes of the auction, or failed to pay the full price of the lot.
2. Enforced auction may be annulled not later than by the next day after the aforementioned facts.
3. At the request of the affected party, enforced auctions organized and carried out with infringement of the requirements set forth in Articles 30-33 hereunder may be annulled by court.

Annulment of enforced auction shall entail a new Enforced auction, as determined by law.

(Article 34 amended AL-158-N, 07.07.05)

Article 35. Second and subsequent auctions

1. A new enforced auction shall be arranged not later than within ten days after each annulled enforced auction.

2. Where the auction was suspended due to absence of buyers or because bids were not made, during the second auction starting price of the lot shall be reduced by 10 percent of the first auction starting price, established in accordance with part 2, article 30 of this law, even if the starting price of the preceding auction was suggested by a party of the auction. If auctions are suspended for second and more times for the same reason, each time the starting price shall be reduced by 10 percent compared to the preceding auction even if the starting price of the preceding auction was suggested by a party of the auction.

If the auction was annulled because the winner failed to pay the price of the lot, or refused to sign minutes of the auction, the starting price of the lot is not reduced and prepayment fee for the next auction is set as 20 percent of the starting price of the lot.

3. Within 3 days after the auction is annulled pursuant to provisions of part 1, clause 2 of this article, debtor and creditors may submit in writing new offer as defined in article 30 hereof, suggesting higher starting price. In case of submitting justified offer, the starting price of the lot shall be set as defined in article 30 hereof.

4. Public announcement on the second or each subsequent enforced auction shall be issued at least five days prior to the auction.

5. If the lot is not sold at the second or each subsequent enforced auction, it shall be offered to the creditor at the starting price set by the enforcement agent, irrespective of bids made during the auction. The lot may be offered to creditors, which are public agencies representing the Republic of Armenia, if they are authorized to accept it. List of the public agencies authorized to accept property against the claim shall be defined by the Republic of Armenia Government.

6. Creditor may notify the Service about his consent to accept the lot not later than by 16.00 of the third day before the auction.

Where the creditor refuses to accept the lot, the auction process shall continue.

7. If there are two or more executive proceedings on confiscation of assets of the same debtor, the lot shall not be offered to the creditors.

8. If the creditor agrees to accept the property/lot, a relevant acceptance act shall be signed between him and the enforcement agent. The property/lot shall be delivered to the creditor after he has reimbursed the Service for costs incurred in the auction.

9. If the starting price of the lot exceeds the amount of debt established by the court decision, the creditor shall pay to the debtor the difference between the starting price of the lot and the value of debt, before signing the contract and accepting the lot.

10. If the lot is not sold after the fourth auction, the enforcement agent may offer it for direct sale, as defined in this law, (except for real estate, shares and equity, and cultural objects).

(Article 34 amended AL-90-N, 04.05.05; AL-158-N, 07.07.05, amended, AL-192-N, 25.05.2011)

Article 35¹. Concept and Organization of Enforced Electronic Auction

1. Enforced auctions organized by means of electronic systems (hereinafter, system) are the auctions organized through the web site of the auction enforcement service (hereinafter, web site), which are organized

and carried out by the auction enforcement service of the Republic of Armenia Ministry of Justice pursuant to the executive act.

2. Lot of the enforced electronic auction may be any movable or immovable property, including property rights, unless envisaged otherwise by law.

3. Notice on enforced electronic auction shall be placed in the web site during working hours and contain information as defined in clauses 1-9, part 1 of Article 8, hereof.

4. Decision of the enforcement agent on carrying out enforced electronic auction shall be delivered to the debtor and creditor at least ten days before publication of the notice.

5. Evaluation of the enforced electronic auction lot shall be made in accordance with parts 1 and 2 of Article 30, hereof.

6. Persons who want to participate in enforced electronic auction, shall tie up, transfer to the deposit account of the auction enforcement service, or pay in cash participation fee in the amount of the lot starting price, as defined in the notice published in the web site and are registered in the system.

Procedure on issuing electronic notice and registration of participants shall be established by the Republic of Armenia Minister of Justice.

7. Lot may be withdrawn from auction in cases provided for by law.

8. Information about auction participants is not subject to disclosure.

(Article 35¹ added AL-133-N, 15.06.06)

Article 35². Process of Enforced Electronic Auctions

1. Official closing hour of enforced electronic auction for each lot is the first working hour after 10 days from the date of publishing the notice.

Where new bids are made during the last ten minutes of the auction, the auction shall continue for additional 10 minutes from the moment of each offered bid.

2. During enforced electronic auction each participant may offer a new bid, which is higher than the bid of the previous participant at least by the established minimum rate.

Minimum increments to the starting price of the lot shall be offered in accordance with the rates established in part 2 article 33, hereof.

3. Winner of the enforced electronic auction is the participant that proposed the highest bid. The winner is determined by the system.

4. The winner of the auction shall transfer tied up prepayment to the deposit account of the auction enforcement service.

5. Prepayments made by the participants who did not win shall be untied, while banking transfers or cash payments shall be refunded within three banking days.

6. The winner must transfer price of the lot deposit account of the Service, or pay it in cash within three banking days after the auction, offsetting the prepayment.

If the winner fails to pay purchase price, the prepayment is not refunded and is kept at the deposit account of the auction enforcement center.

7. Within three days after transferring price of the lot is transferred to the deposit account of the Service, or paid in cash, the enforcement agent shall sign agreement of purchase and sale with the winner.

If within the established period contract with the winner is not signed, purchase price is refunded, while the prepayment is kept at the deposit account of the auction enforcement center

8. Proceeds on sale of the lot shall be transferred or delivered to the creditor within three days after signing the contract.

(Article 35² added AL-133-N, 15.06.06)

Article 35.³ Suspended and annulled enforced electronic auction

1. The enforced electronic auction shall annul be deemed annulled if:

- 1) Buyers were not present at the auction;
- 2) bids were not offered;
- 3) the winner refused to sign minutes of the auction, or failed to pay the full price of the lot.

2. At the request of the affected party, enforced auctions organized and carried out with infringement of the requirements set forth in Articles 35¹ and 35² hereof, may be annulled by court.

Annulment of enforced auction shall entail a new Enforced auction, as determined by law.

(Article 35³ added AL-133-N, 15.06.06)

Article 35⁴. Second and subsequent enforced electronic auctions

1. On the third working day after each annulled enforced electronic auction, a notice on the second enforced auction shall be placed on the web site.

2. Where the auction was suspended due to absence of buyers or because bids were not made, during the second auction starting price of the lot shall be reduced by 10 percent of the first auction starting price.

3. If the auction was annulled because the winner failed to pay the price of the lot, or refused to sign minutes of the auction, the starting price of the lot is not reduced.

4. If the lot is not sold at the second or each subsequent enforced auction, the creditor may within two working days accept the lot at its starting price against its claim. Public agencies representing the Republic of Armenia may accept the lot against their claim, if they are authorized to accept it. List of the public agencies authorized to accept property against the claim shall be defined by the Republic of Armenia Government.

5. The creditor may notify the Service about his consent to accept the lot not later than by the end of the second working day after the annulled auction. Where the creditor refuses to accept the lot, or if there are two or more executive proceedings on confiscation of assets of the same debtor (except confiscation of state duty), the lot shall not be offered to the creditors and the auction process continues.

6. If the creditor agrees to accept the property/lot, the creditor and the enforcement agent sign the acceptance act. If the starting price of the lot exceeds the amount of debt established by the court decision, the creditor shall pay to the debtor the difference between the starting price of the lot and the value of debt, before signing the contract and accepting the lot.

The lot shall be submitted to the creditor after the creditor pays fee for the execution of enforcement actions.

7. If the lot is not sold after the sixth auction, the enforcement agent may offer it for direct sale, as defined in this law, (except for real estate, shares and equity, and cultural objects).

8. After this law enters into effect, property under enforcement auction shall be put up to electronic enforcement auction with the last starting price.

9. The enforcement auctions defined under articles 29-35 of this law shall be arranged and carried out in cases stipulated by the Republic of Armenia Government.

(Article 35⁴ added AL-133-N, 15.06.06)

CHAPTER 5

FINAL PROVISIONS

Article 36. Liability for maintenance

The auction organizer shall register and maintain documents relating to the auction (contracts, minutes, and etc.) during three years after the end of the auction.

Article 37. Auction organizer's responsibility

1. The organizer is responsible for deficiency of the lot, of which he was or should be aware, but failed to inform the participants.

2. Unless otherwise specified in the contract on organizing the auction, the organizer is responsible for damage inflicted to the lot managed by him, and shall incur the risk for accidental loss of the lot.

3. The organizer is responsible for securing integrity of the lot in accordance with the sanitary rules and other compulsory norms prescribed by applicable law.

Article 38. Transitional provisions

Provisions and rules provided for herein shall also apply to auction procedures where public announcement on auction is issued after the entry of this Law into force.

Article 39. Entry into force

This Law shall enter into force on the tenth day after official promulgation.

President of the Republic of Armenia

ROBERT KOCHARYAN

November 4, 2003, Yerevan

AL-15-N