REPORT
COMPLIANCE EVALUATION

SECOND COUNCIL DIRECTIVE of 13 December 1976 on coordination of safeguards which, for the protection of the interests of members and others, are required by Member States of companies within the meaning of the second paragraph of Article 58 of the Treaty, in respect of the formation of public limited liability companies and the maintenance and alteration of their capital, with a view to making such safeguards equivalent (77/91/EEC)

1. Description of the EC Directive

The Second Directive of the company law coordinates the national provisions concerning establishment of public limited liability companies[1], their minimum capital requirements, the payment of dividends to shareholders as well as decrement or increment of capital.

It establishes conditions which are necessary to ensure the protection of capital to the benefit of creditors, to ensure the protection of minor shareholders, as well as it lays down a principle that the shareholders identical in their position shall be treated equally.

The Directive specifies as what kind of information must be included in the company's charter or other statutory documents (information such as the company's type, name, purpose of activity, etc.). It lists some other information which is subject to public disclosure (such as the address of state registration, types of shareholding, the capital allocated, etc.).

In the Republic of Armenia, the legal status of joint-stock companies, the procedure for their operation and termination of operation; the rights and liabilities of shareholders, as well as the provisions designed to ensure the protection of shareholder and creditor rights and lawful interests are established and governed under the Armenian Law on Joint-Stock Companies and the Armenian Civil Code.

2. Compliance evaluation

1. Does the Armenian legislation covering joint-stock companies apply to investment firms holding variable capital?

No, this aspect has not been governed under the Armenian legislation.

Whereas Article 1(2) of the Directive establishes that the Member States may decide not to apply the Directive to investment companies with variable capital.

[1] The public limited liability companies correspond to joint-stock companies, under the Armenian Law.

Evaluation: the arrangement in the Armenian legal act does not comply with the requirements of the Directive.

2. What mandatory requirements are determined with regard to a company's charter or other statutory documents under the Armenian Law?

According to Article 14 of the Armenian Law on Joint-Stock Companies, the Company's charter is the founding document of the Company.

The Charter contains:
a) Company business name (full and abbreviated);

b) Company place of location;

c) size of Company equity;

d) types of shares outstanding by the Company (ordinary, preferred), the volume, nominal value, and classes of preferred shares;

e) types of [declared] shares to be outstanding by the Company (ordinary, preferred), the volume, nominal value, and classes of preferred shares;

f) the rights ascertained by each type and class of shares;

g) the rights of shareholders of each type and class of shares;

h) the procedure of forming Company management bodies, their composition and rights, their decision-making procedure, including on matters requiring a unanimous or qualified majority vote;

i) the procedure of Meeting preparation and implementation; and

j) other provisions stipulated by this Law.

Article 33 of the same Law contains provisions concerning the shares outstanding and declared.

Article 55 of the Civil Code provides that the charter of a commercial enterprise may outline the subject and purposes of its activity.

According to Article 2 of the Directive, the statutes the of the company shall always give at least the following information:

a) the type and name of the company;

b) the objects of the company;

c) - when the company has no authorized capital, the amount of the subscribed capital,
- when the company has an authorized capital, the amount thereof and also the amount of the capital subscribed at the time the company is incorporated or is authorized to commence business, and at the time of any change in the authorized capital;

d) in so far as they are not legally determined, the rules governing the number of and the procedure for appointing members of the bodies responsible for representing the company with regard to third parties, administration, management, supervision or control of the company and the allocation of powers among those bodies.

Further, Article 3 of the Directive provides that the statutes of the company shall also include:

a) the registered office;

b) the nominal value of the shares subscribed and, at least once a year, the number thereof;

c) the number of shares subscribed without stating the nominal value, where such shares may be issued under national law;

d) the special conditions if any limiting the transfer of shares;

e) where there are several classes of shares, the information under b), c) and d) for each class and the rights attaching to the shares of each class;

f) whether the shares are registered or bearer, where national law provides for both types, and any provisions relating to the conversion of such shares unless the procedure is laid down by law;

g) the amount of the subscribed capital paid up at the time the company is incorporated or is authorized to commence business;

h) the nominal value of the shares or, where there is not a nominal value, the number of shares issued for a consideration other than in cash, together with the nature of the consideration and the name of the person providing this consideration;

i) the identity of the natural or legal persons or companies or firms by whom or in whose name the statutes or the instrument of incorporation, or where the company was not formed at the same time, the drafts of these documents, have been signed;

j) the total amount, or at least an estimate, of all the costs payable by the company or chargeable to it by reason of its formation and, where appropriate, before the company is authorized to commence business;

k) any special advantage granted, at the time the company is formed or up to the time it receives authorization to commence business, to anyone who has taken part in the formation of the company or in transactions leading to the grant of such authorization.

So, the Directive establishes more detailed requirements and arrangements than the Armenian Law on Joint-Stock Companies, particularly in respect of the subscribed and declared capital.

Evaluation: <u>the Armenian Law only partially complies with the requirements of the Directive.</u>

3. Should companies be held liable under the Armenian Law when they have taken on to carry out activity before being licensed or before being declined for an activity license?

Yes. Article 2(3)2 of the Armenian Law on Joint-Stock Companies provides that to engage in certain types of activities, the list whereof is defined by the law, a Company shall obtain and possess an activity license.

The legislation specifically notes that implementation of activities without an activity license issued by the Central Bank is disallowed. It should be mentioned that this has been criminalized, as Article 188 of the Armenian Criminal Code provides that engaging in a commercial enterprise, without it having been registered by the competent public authority or without a special permission (license), for activities subject to licensing or prohibited by the law, shall entail a criminal sentence.

Article 4 of the Directive provides that where the laws of a Member State prescribe that a company may not commence business without authorization, they shall also make provision for responsibility for liabilities incurred by or on behalf of the company during the period before such authorization is granted or refused.

Further, Article 2 of the same Directive provides that paragraph 1 shall not apply to liabilities under contracts concluded by the company conditionally upon its being granted authorization to commence business.

Evaluation: the arrangement in the Armenian legal act complies with the requirement of the Directive.

4. Does the Armenian Law require that, where the number of shareholders of a company goes down to one or, after registration of the company, such decrement in number automatically entails a winding-up, a company have more than one stakeholder?

No. According to Article 10 of the Armenian Law on Joint-Stock Companies, a Company may be created by one person or comprise one person (one shareholder) if the latter acquires all the shares of the Company, provided that information thereon is reflected in the Company Charter and be registered and disclosed. If one person establishes a Company, the person shall unilaterally make a decision (in writing) about company establishment.

Article 5 of the Directive provides the following: where the laws of a Member State require a company to be formed by more than one member, the fact that all the shares are held by one person or that the number of members has fallen below the legal minimum after incorporation of the company shall not lead to the automatic dissolution of the company.

If in the cases referred to hereinabove the laws of a Member State permit the company to be wound up by order of the court, the judge having jurisdiction must be able to give the company sufficient time to regulate its position.

Where such a winding up order is made the company shall enter into liquidation.

The Armenian Law on Joint-Stock Companies does not contain such an arrangement explicitly but provides for an establishment of a company by one person unilaterally. Therefore, there is not a restriction of the subject matter under the Armenian legislation.

Evaluation: the arrangement in the Armenian legal act complies with the requirement of the Directive.

5. Is there a minimum capital requirement imposed by the Armenian legislation in order for a company to seek permission for licensing or registration?

Yes. Article 30(3) of the Armenian Law on Joint-Stock Companies establishes that the minimum size of Company equity shall not be less than the 1000-fold of the wage minimum at the time of Company's state registration for open companies, and no less than the 100-fold of the wage minimum for closed companies.

In specific cases, depending on the sphere of activities of the Company, laws and other legal acts may provide for a higher minimum equity.

According to Article 6 of the Directive, the laws of the Member States shall require that, in order that a company may be incorporated or obtain authorization to commence business, a minimum capital shall be subscribed the amount of which shall be not less than 25 000 ecus.

Evaluation: the Armenian legal act complies with the requirement of the Directive.

6. Does the Armenian Law require that the subscribed capital be formed of the assets which are possible to evaluate in the economic point of view?

Article 42(4) the Armenian Law on Joint-Stock Companies provides that the founders shall agree upon a method of assessment of the cash value of property contributed by founders at the time of Company foundation in return for shares; as for additionally outstanding shares and other securities, the Board shall decide on this matter, and the cash value of such property shall be assessed by an independent valuator. The Board may decide to limit the types of property used to pay for Company shares and other securities.

According to Article 7 of the Directive, the subscribed capital may be formed only of assets capable of economic assessment. However, an undertaking to perform work or supply services may not form part of these assets.

So, the Directive lays down a clearer provision and restriction, compared to the Armenian Law which indirectly establishes the requirement for the evaluation of assets.

Evaluation: the Armenian Law only partially complies with the requirements of the Directive.

7. Does the Armenian Law provide for a restriction with regard to the value of issuance (subscription) of shares?

According to Article 44(1) the Armenian Law on Joint-Stock Companies, the payment for shares outstanding by the Company shall be made at their market price, but no less than the nominal value.

At the time of foundation, the payment for Company shares shall be made at the nominal value of shares. The same article further provides that a Company may allocate additional shares at a lower than market value if:

a) the allocation is to all the shareholders of ordinary (plain) shares of the Company, when they are exercising their right of first refusal in relation to shares similar to theirs; and

b) the Company uses a dealer (intermediary) for purposes of share allocation. In this case, the allocation price may be lower than the market value in the amount of the dealer (intermediary) fee, which shall be defined as interest on the price of the outstanding shares.

According to Article 8 of the Directive, the shares may not be issued at a price lower than their nominal value, or, where there is no nominal value, their accountable par. However, Member States may allow those who undertake to place shares in the exercise of their profession to pay less than the total price of the shares for which they subscribe in the course of this transaction.

In this respect, the material difference between the Armenian Law and the Directive is in that the Law provides for shares at their nominal value only.

Evaluation: the Armenian legal act complies with the requirement of the Directive. The exception is that, unlike the EC Directive, the Armenian Legislation does not provide for the issuance of shares without their being at nominal value.

8. Does the Armenian Law provide for a minimum range to pay for shares and timeframes for such payment?

Article 42(3) of the Armenian Law on Joint-Stock Companies establishes that when acquiring additionally outstanding shares, payment for which may be made only in cash, at least 25 percent of the nominal value will be paid.

At the time of acquiring Company shares and other securities the payment for which is to be made for consideration (other than in cash), the *full value* of such shares and other securities shall be paid-up, unless otherwise stipulated by the decision on allocation of securities.

Payment for securities outstanding in a public auction shall be made only in cash, in the equivalent of their full value.

Sub-paragraph of the same article states that at the time of Company foundation, all of its shares shall be paid-up for in full before Company state registration. Additionally outstanding Company shares shall be paid-up for within the time period stipulated by the decision on their allocation, but no later than within one year after allocation.

Article 9 of the Directive establishes that the shares issued for a consideration must be paid up at the time the company is incorporated or is authorized to commence business at not less than 25 percent of their nominal value or, in the absence of a nominal value, their accountable par. However, where shares are issued for a consideration other than in cash at the time the company is incorporated or is authorized to commence business, the consideration must be transferred in full within five years of that time.

In this respect, the Armenian legislation provides for a payment, in full value, for securities, the payment for which is through non-monetary assets, whereas the directive permits a payment for the securities in a five-year period.

Evaluation: the Armenian Law only partially complies with the requirements of the Directive.

9. Does the Armenian Law require that an independent appraiser report in case of payment, other than cash, for the securities?

According to Article 42(4) the Armenian Law on Joint-Stock Companies, the founders shall agree upon a method of assessment of the cash value of property contributed by founders at the time of Company foundation in return for shares; as for additionally outstanding shares and other securities, the Board shall decide on this matter, and the cash value of such property shall be assessed by an independent appraiser. The Board may decide to limit the types of property used to pay for Company shares and other securities.

The Directive contains a detailed arrangement of the aspect of valuation of the property. In particular, Article 10 states that a report on any consideration other than in cash shall be drawn up before the company is incorporated or is authorized to commence business, by one or more independent experts appointed or approved by an administrative or judicial authority. Such experts may be natural persons as well as legal persons and companies or firms under the laws of each Member State.

The experts' report shall contain at least a description of each of the assets comprising the consideration as well as of the methods of valuation used and shall state whether the values arrived at by the application of these methods correspond at least to the number and nominal value or, where there is no nominal value, to the accountable par and, where appropriate, to the premium on the shares to be issued for them.

It should be mentioned that an expert's report is an open paper and shall be published in the manner laid down by the laws of each Member State, in accordance with Article 3 of the First Directive.

Thus, while the Armenian legislation provides for the evaluation of the property by an independent expert, yet it does not specify terms, conditions and requirements to such evaluation. Whereas the Directive contains a stipulation for conditions for property evaluation and for publication of an evaluation report.

Evaluation: the Armenian Law only partially complies with the requirements of the Directive.

10. Does the Armenian Law provide for an exception from a requirement to reporting by an independent appraiser in case of payment for the securities other than cash?

No, the Armenian Law on Joint-Stock Companies does not regulate this aspect.

Article 10(4) of the Directive establishes the following:
Member States may decide not to apply this Article where 90 percent of the nominal value, or where there is no nominal value, of the accountable par, of all the shares is issued to one or more companies for a consideration other than in cash, and where the following requirements are met:

a) with regard to the company in receipt of such consideration, the duly authorized persons have agreed to dispense with the expert's report;

b) such agreement has been published in accordance with Article 3 of the First Directive;

c) the companies furnishing such consideration have reserves which may not be distributed under the law or the statutes and which are at least equal to the nominal value or, where there is no nominal value, the accountable par of the shares issued for consideration other than in cash;

d) the companies furnishing such consideration guarantee, up to an amount equal to that indicated in paragraph (c), the debts of the recipient company arising between the time the shares are issued for a consideration other than in cash and one year after the publication of that company's annual accounts for the financial year during which such consideration was furnished. Any transfer of these shares is prohibited within this period;

e) the guarantee referred to in (d) has been published as provided for in Article 3 of the First Directive;

f) the companies furnishing such consideration shall place a sum equal to that indicated in (c) into a reserve which may not be distributed until three years after publication of the annual accounts of the recipient company for the financial year during which such consideration was furnished or, if necessary, until such later date as all claims relating to the guarantee referred to in (d) which are submitted during this period have been settled.

Evaluation: the Armenian legal act does not comply with the requirement of the Directive.

11. Does the Armenian Law provide for a possibility not to apply a requirement to the reporting by an independent appraiser in case of payment for the securities other than cash?

No, the Armenian Law on Joint-Stock Companies only provides for general provisions pertaining to the reporting by an independent appraiser[2].

Article 10a of the Directive provides that the requirement to obligatory reporting by an independent appraiser may be not applied where, upon a decision of the administrative or management body, transferable securities (such as: (a) company shares or such other equivalent securities; (b) bonds or other forms of securitized debt, including depositary receipts; (c) other securities that entitle the obtainment or marketing of negotiable securities or enable an increment of payment in cash, which is determined in respect of negotiable securities, currencies, interest rates and other products) or money market instruments are contributed as consideration other than in cash, and those securities or money-market instruments are valued at the weighted average price at which they have been traded on one or more regulated market(s) during a sufficient period, to be determined by national law, preceding the effective date of the contribution of the respective consideration other than in cash.

Where that price has been affected by exceptional circumstances that would significantly change the value of the asset at the effective date of its contribution, including situations where the market for such transferable securities or money market instruments has become illiquid, a revaluation shall be carried out on the initiative and under the responsibility of the administrative or management body. For the purposes of the aforementioned revaluation, the provisions pertaining to obligatory reporting by an independent appraiser shall apply.

The Directive further provides that Member States may decide not to apply the obligatory reporting by an independent appraiser based on a decision of the administrative or management body, if assets, other than the transferable securities and money market instruments referred to above, are contributed as consideration other than in cash, which have already been subject to a fair value opinion by a recognized independent expert.

Evaluation: the Armenian legal act does not comply with the requirement of the Directive.

[2] See Question 9.

12. In the absence of a report by an independent expert, is there need to publish any other document in case of payment for shares other than cash?

No, the Armenian Law on Joint-Stock Companies does not provide for such requirement.

Whereas Article 10b of the Directive establishes that where consideration other than in cash as referred to in Article 10a of the Directive occurs without an independent expert's report in addition to the requirements set out in point (h) of Article 3, a declaration containing the following below shall, within one month after the effective date of the asset contribution, be published:

a) a description of the consideration other than in cash at issue;

b) its value, the source of this valuation and, where appropriate, the method of valuation;

c) a statement whether the value arrived at corresponds at least to the number, to the nominal value or, where there is no nominal value, the accountable par and, where appropriate, to the premium on the shares to be issued for such consideration;

d) a statement that no new qualifying circumstances with regard to the original valuation have occurred.

That publication shall be effected in the manner laid down by the laws of each Member State in accordance with Article 3 of Directive 68/151/ EEC.

Where consideration other than in cash is proposed to be made without an independent expert's report in relation to an increase in the capital, an announcement containing the date when the decision on the increase was taken and the information listed in paragraph 1 above shall be published, in the manner laid down by the laws of each Member State in accordance with Article 3 of the First Directive (68/151/EEC), before the contribution of the asset as consideration other than in cash is to become effective. In that event, the above declaration shall be limited to the statement that no new qualifying circumstances have occurred since the aforementioned announcement was published.

Evaluation: <u>the Armenian legal act does not comply with the requirement of the Directive.</u>

13. Does the Armenian Law require that the assets, when these are obtained from the persons who are competent to sign the company charter, are subject to evaluation by an independent expert?

Yes, the Armenian Law on Joint-Stock Companies contains similar provisions in its Chapter 9.

Article 11 of the Directive establishes that if, before the expiry of a time limit laid down by national law of at least two years from the time the company is incorporated or is authorized to commence business, the company acquires any asset belonging to a person or company or firm for a consideration of not less than one-tenth of the subscribed capital, the acquisition shall be examined and details of it published in the manner provided for by Article 10(1), (2) and (3) and it shall be submitted to the general meeting for approval.

Member States may also require that these provisions be applied when the assets belong to a shareholder or to any other person.

Evaluation: the Armenian Law only partially complies with the requirement of the Directive.

14. Does the Armenian Law require that shareholders pay for the value of previously purchased share in case of decrease of the company's capital?

No. Article 42 of the Armenian Law on Joint-Stock Companies specifies timing for the payment of additionally subscribed shares, as stipulated by the decision on their allocation, but no later than within one year after allocation.

The Armenian legislation does not regulate this aspect.

According to Article 12 of the Directive, subject to the provisions relating to the reduction of subscribed capital, the shareholders may not be released from the obligation to pay up their contributions.

Evaluation: the Armenian legal act does not comply with the requirement of the Directive.

15. Does the Armenian Law provide for limitation in payment of dividends?

Yes. Article 50 of the Law provides for the limitations in the payment of dividends. In particular, a Company will not be able to decide (announce) to pay dividends for outstanding shares if:

a) the Company equity has not been paid up;

b) the Company has not bought back all the shares under the provisions of Article 58 of the Law;

c) as of the time of adopting a decision on payment of dividends, the condition of the Company is consistent with the insolvency (bankruptcy) criteria stipulated by law, or the Company will become insolvent (bankrupt) due to the payment of dividends; and

d) the Company's net assets are smaller than the equity, or they will become smaller as a result of dividend payment.

According to Article 15 of the Directive, except for cases of reductions of subscribed capital, no distribution to shareholders may be made when on the closing date of the last financial year the net assets as set out in the company's annual accounts are, or following such a distribution would become, lower than the amount of the subscribed capital plus those reserves which may not be distributed under the law or the statutes.

Thus, sub-paragraph (d) of Article 50 of the Armenian Law on Joint-Stock Companies corresponds to the above said provision of the Directive, with the only difference that the Armenian Law does not make an exception with regard to the cases of decrease of subscribed capital.

Further, Article 15(4) of the Directive provides that Member States may decide not to apply the said provision to investment firms holding fixed capital.

Article 15(2)b establishes that the amount to be distributed may not exceed the total profits made since the end of the last financial year for which the annual accounts have been drawn up, plus any profits brought forward and sums drawn from reserves available for this purpose, less losses brought forward and sums to be placed to reserve pursuant to the requirements of the law or the statutes.

The Directive also clarifies, under its Article 15, that the expression "distribution" relates in particular to the payment of dividends and to interest relating to shares.

The Armenian Law does not provide for such clarification.

Evaluation: the Armenian Law only partially complies with the requirement of the Directive.

16. Does the Armenian Law provide for the possibilities for the payment of interim dividends and what are the requirements to this?

Yes, Article 49(1) of the Law establishes that a Company may decide (announce) that it will pay quarterly, semi-annual, or annual dividends for outstanding shares, unless otherwise stipulated by the Law and the company charter.

Further, the same article says that for different types and classes of shares, the company board shall adopt a decision on the payment, the size, and the method of payment of the interim (quarterly and semi-annual) dividends. The interim dividends may not be greater than 50 percent of the dividends paid out at the end of the previous financial year. The deadline for the payment of dividends shall be defined by a decision of the company board, but not earlier than 30 days from the adoption of the aforementioned decision.

Article 15(2) of the Directive provides that where the laws of a Member State allow the payment of interim dividends, the following conditions at least shall apply:

a) interim accounts shall be drawn up showing that the funds available for distribution are sufficient,

b) the amount to be distributed may not exceed the total profits made since the end of the last financial year for which the annual accounts have been drawn up, plus any profits brought forward and sums drawn from reserves available for this purpose, less losses brought forward and sums to be placed to reserve pursuant to the requirements of the law or the statutes.

In fact, the Armenian Law corresponds to the directive on the part that it envisages the payment of interim dividends. Nevertheless, the requirements to the payment of dividends are different under the Armenian legislation and the Directive.

Evaluation: the Armenian Law only partially complies with the requirement of the Directive.

17. Does the Armenian Law stipulate a requirement to return the dividends to the company?

No, the Armenian legislation does not regulate this aspect directly. However, the regulation of this aspect is possible based on general principles, in a judicial manner.

Unlike the Armenian Law, Article 16 of the Directive provides that any distribution made contrary to Article 15 must be returned by shareholders who have received it if the company

proves that these shareholders knew of the irregularity of the distributions made to them, or could not in view of the circumstances have been unaware of it.

Evaluation: the Armenian legal act only partially complies with the requirement of the Directive.

18. Does the Armenian Law provide for convening a general meeting of shareholders in the event of a material loss of the statutory capital?

No, the Armenian legislation does not regulate this aspect directly.

Article 17 of the Directive establishes that in the case of a serious loss of the subscribed capital, a general meeting of shareholders must be called within the period laid down by the laws of the Member States, to consider whether the company should be wound up or any other measures taken.

This article further establishes that the amount of a loss deemed to be serious may not be set by the laws of Member States at a figure higher than half the subscribed capital.

Evaluation: the Armenian legal act does not comply with the requirement of the Directive.

19. Does the Armenian Law enable the company to subscribe to its own shares?

No, the Armenian legislation does not regulate this aspect.

According to Article 18 of the Directive, the shares of a company may not be subscribed for by the company itself.
If the shares of a company have been subscribed for by a person acting in his own name, but on behalf of the company, the subscriber shall be deemed to have subscribed for them for his own account.
The persons or companies or firms or, in cases of an increase in subscribed capital, the members of the administrative or management body shall be liable to pay for shares subscribed in contravention of the above mentioned Article.
However, the laws of a Member State may provide that any such person may be released from his obligation if he proves that no fault is attributable to him personally.

Evaluation: the Armenian legal act does not comply with the requirement of the Directive.

20. Does the Armenian Law enable the company to acquire its own shares in its name but through a person acting on the company's behalf?

According to Article 54(1) and (2) of the Armenian Law on Joint-Stock Companies, a company is permitted to acquire its own shares, either by way of reducing its equity (when decided by the general meeting) or for other purposes (when decided by the board).

Article 19 of the Directive provides that without prejudice to the principle of equal treatment of all shareholders who are in the same position as well as to principles on insider dealing and market manipulation (market abuse), Member States may permit a company to acquire its own shares, either itself or through a person acting in his own name but on the company's behalf. To the extent that the acquisitions are permitted, Member States shall make such acquisitions subject to the following conditions:

a) authorization shall be given by the general meeting, which shall determine the terms and conditions of such acquisitions, and, in particular, the maximum number of shares to be acquired, the duration of the period for which the authorization is given, the maximum length of which shall be determined by national law without, however, exceeding five years, and, in the case of acquisition for value, the maximum and minimum consideration. Members of the administrative or management body shall satisfy themselves that, at the time when each authorized acquisition is effected, the conditions referred to in points (b) and (c) hereunder are respected;

b) the acquisitions, including shares previously acquired by the company and held by it, and shares acquired by a person acting in his own name but on the company's behalf, may not have the effect of reducing the net assets below the amount as provided for under the law and charter;

c) only fully paid-up shares may be included in the transaction.

In addition, there are more conditions under the same article on acquisition by the company of its own shares.

Evaluation: the Armenian legal act only partially complies with the Directive.

21. Are there restrictions applied to the company with regard to acquisition of its own shares?

The Armenian legislation has regulated this aspect under the Armenian Law on Joint-Stock Companies, Article 55.

Article 20 of the Directive specifies the types of shares to which the possibility of acquisition may not apply, in particular:

a) shares acquired in carrying out a decision to reduce capital;

b) shares acquired as a result of a universal transfer of assets;

c) fully paid-up shares acquired free of charge or by banks and other financial institutions as purchasing commission;

d) shares acquired by virtue of a legal obligation or resulting from a court ruling for the protection of minority shareholders in the event, particularly, of a merger, a change in the company's object or form, transfer abroad of the registered office, or the introduction of restrictions on the transfer of shares;

e) shares acquired from a shareholder in the event of failure to pay them up, and etc[3].

The Directive establishes that the shares acquired in the cases listed in paragraph 1 (b) to (e) above must, however, be disposed of within not more than three years of their acquisition unless the nominal value or, in the absence of a nominal value, the accountable par of the shares acquired, including shares which the company may have acquired through a person acting in his own name but on the company's behalf, does not exceed 10 percent of the subscribed capital.

[3] See Article 20 of the Directive.

Where the shares are not disposed of within the period specified hereinabove, they must be cancelled. The laws of a Member State may make this cancellation subject to a corresponding reduction in the subscribed capital. Such a reduction must be prescribed where the acquisition of shares to be cancelled results in the net assets having fallen below the amount specified plus the reserves which may not be distributed under the law and charter.

Evaluation: the Armenian legal act only partially complies with the requirement of the Directive.

22. Does the Armenian Law establish sanction to disallow the acquisition of own shares in contravention of the above referred provisions?

The Armenian legislation has not regulated this aspect.

According to Article 21 of the Directive, shares acquired in contravention of Articles 19 and 20 shall be disposed of within a one-year period upon their acquisition. Should they not be disposed of within that period, Article 20 (3) shall apply, i.e. they will be cancelled.

Evaluation: the Armenian legal act does not comply with the requirement of the Directive.

23. Does the Armenian Law prohibit a company to provide funds, loans and other security in order for the third party to acquire that company's shares?

The Armenian legislation has not regulated this aspect.

Whereas Article 23 of the Directive establishes the following:
where Member States permit a company to, either directly or indirectly, advance funds or make loans or provide security, with a view to the acquisition of its shares by a third party, the following requirements below shall apply to such transactions:

- the transactions shall take place under the responsibility of the administrative or management body at fair market conditions;
- the transactions shall be submitted by the administrative or management body to the general meeting for prior approval. The administrative or management body shall present a written report to the general meeting, indicating the reasons for the transaction, the interest of the company in entering into such a transaction, the conditions on which the transaction is entered into, the risks involved in the transaction for the liquidity and solvency of the company and the price at which the third party is to acquire the shares. It should be mentioned that this report shall be submitted to the register for publication in accordance with Article 3 of the First Directive;
- the aggregate financial assistance granted to third parties shall at no time result in the reduction of the net assets below the amount specified, taking into account also any reduction of the net assets that may have occurred through the acquisition, by the company or on behalf of the company, of its own shares. The company shall include, among the liabilities in the balance sheet, a reserve, unavailable for distribution, of the amount of the aggregate financial assistance.

It should be noted that the above referred provisions shall not apply to transactions concluded by banks and other financial institutions in the normal course of business, nor to transactions effected with a view to the acquisition of shares by or for the company's employees or the employees of an affiliated company. However, these transactions may not have the effect of reducing the net assets below the amount specified in Article 15 (1) (a).

Evaluation: the Armenian legal act does not comply with the requirement of the Directive.

24. Does the Armenian Law provide for other methods for acquisition of own shares by the company?

This aspect has not been regulated under the Armenian legislation.

Article 24a of the Directive establishes that the subscription, acquisition or holding of shares in a public limited-liability company by another company in which the public limited-liability company directly or indirectly holds a majority of the voting rights or on which it can directly or indirectly exercise a dominant influence shall be regarded as having been effected by the public limited-liability company itself. This provision shall be applicable also where the other company is governed by the law of a third country and has a legal form comparable to those listed in Article 1 of the First Directive.

The second paragraph of the same article states that where Member States provide for the suspension of the voting rights attached to the shares in the public limited-liability company held by the other company, the above mentioned provision in paragraph 1 may not apply.

The Directive specifies certain cases of company affiliation as well as those cases when the above provision is not applied to the acquisition of shares.

Evaluation: the Armenian legal act does not comply with the requirement of the Directive.

25. According to the Armenian Law, what are the conditions in case of the increase of the statutory capital?

According to Article 35 of the Armenian Law on Joint-Stock Companies, the decision on increasing Company equity shall be adopted either by the Meeting or by the Board, if the latter is authorized to do so under the Charter or by a decision of the Meeting. Article 34(2) of the same law provides that changes in the Company charter, which are due to the change in Company equity, shall be registered by the body carrying out state registration of legal entities in the manner stipulated by law.

According to Article 25(1) of the Directive, any increase in capital must be decided upon by the general meeting. Both this decision and the increase in the subscribed capital shall be published in the manner laid down by the laws of each Member State, in accordance with Article 3 of the First Directive 68/151/EEC.

The next paragraph (2) of the same article states that the statutes or instrument of incorporation or the general meeting, the decision of which must be published in accordance with the rules referred to hereinabove, may authorize an increase in the subscribed capital up to a maximum amount which they shall fix with due regard for any maximum amount provided for by law. Where appropriate, the increase in the subscribed capital shall be decided on within the limits of the amount fixed by the company body empowered to do so. The power of such body in this respect shall be for a maximum period of five years and may be renewed one or more times by the general meeting, each time for a period not exceeding five years.

In this regard, it should be noted that the Armenian legislation limits the increase of the equity to the extent of the number of shares announced under the company charter, in accordance with Article 35(2) of the Armenian Law on Joint-Stock Companies. According to the Law, general

meeting of shareholders or the board of the company are the only bodies authorized to decide about the increase of the statutory capital.

Article 25(3) of the Directive establishes that where there are several classes of shares, the decision by the general meeting concerning the increase in capital referred to in paragraph 1 or the authorization to increase the capital referred to in paragraph 2, shall be subject to a separate vote at least for each class of shareholder whose rights are affected by the transaction.

This aspect is regulated under Article 38 of the Armenian Law on Joint-Stock Companies.

Evaluation: the Armenian legal act only partially complies with the Directive.

26. Does the Armenian Law provide for a procedure for compensation or pay-up of the issued shares, in case of the increase of equity?

Yes. Article 42(3) of the Armenian Law on Joint-Stock Companies provides that at the time of acquiring additionally outstanding shares, payment for which may be made only in cash, at least 25 percent of the nominal value shall be paid.

Article 26 of the Directive provides that shares issued for a consideration, in the course of an increase in subscribed capital, must be paid up to at least 25 percent of their nominal value or, in the absence of a nominal value, of their accountable par. Where provision is made for an issue premium, it must be paid in full.

Evaluation: the Armenian Law complies with the requirement of the Directive.

27. Does the Armenian Law establish a procedure to pay against issued shares through a non-pecuniary (expressed in property) method?

Yes, Article 42(3) of the Armenian Law on Joint-Stock Companies provides that at the time of acquiring Company shares and other securities the payment for which is to be made in kind (rather than in cash), the full value of such shares and other securities shall be paid-up, unless otherwise stipulated by the decision on allocation of securities.

According to Article 27(1) of the Directive, where shares are issued for a consideration other than in cash in the course of an increase in the subscribed capital the consideration must be transferred in full within a period of five years from the decision to increase the subscribed capital.

The consideration referred to above shall be the subject of a report drawn up before the increase in capital is made by one or more experts who are independent of the company and appointed or approved by an administrative or judicial authority. Such experts may be natural persons as well as legal persons and companies and firms under the laws of each Member State.

So, while the Armenian legislation provides for a requirement to pay against the subscribed shares in full, when acquisition was made through a non-pecuniary method, the Directive establishes a procedure whereby, in case of shares issued for a consideration other than in cash, the consideration must be transferred in full within a period of five years from the decision to increase the subscribed capital.

Evaluation: the Armenian legal act only partially complies with the requirement of the Directive.

28. What kind of arrangement does the Armenian Law establish when the increase of capital is not fully subscribed?

There is not an explicit arrangement on this aspect under the Armenian legislation. However, in view of the content of the Armenian Law on Joint-Stock Companies, the statutory capital shall increase to the extent of nominal value of the shares subscribed.

According to Article 28 of the Directive, where an increase in capital is not fully subscribed, the capital will be increased by the amount of the subscriptions received only if the conditions of the issue so provide.

Evaluation: the Armenian legal act complies with the requirement of the Directive.

29. Does the Armenian Law entitle shareholders to exercise a pre-emption right?

Yes. Article 47 of the Armenian Law on Joint-Stock Companies provides that shareholders of a company have the right of first refusal in relation to new shares corresponding with their existing share, which is valid for a period stipulated by the Charter. Holders of Company securities with the right to acquire shares shall exercise their right prior to the shareholders, in the time period stipulated by the Charter.

Paragraph 2 of the same article, however, makes the following exception: when the Company allocates in an open subscription voting shares and securities convertible into voting shares, the Company shareholders do not have a right of first refusal in relation to such voting shares and securities. Where the payment for the outstanding shares is required in cash, then the Charter may stipulate that the owners of voting Shares of the Company have the right of first refusal in relation to voting shares and securities convertible into voting shares - in an amount corresponding to the quantity of voting shares they currently own.

Paragraph 3 of the same article establishes that the Meeting may decide that the right of first refusal mentioned in paragraph 2 above not be exercised, specifying the time period during which such decision shall remain valid. This decision shall be adopted by the Meeting by a simple majority of votes of the holders of voting shares participating in the Meeting.

The validity term of the decision on not exercising the right of first refusal is determined by the Meeting, but cannot be longer than one year after adoption of the decision.

Article 29 of the Directive establishes that whenever the capital is increased by consideration in cash, the shares must be offered on a pre-emptive basis to shareholders in proportion to the capital represented by their shares.

Paragraph 3 of the same article of the Directive provides that any offer of subscription on a pre-emptive basis and the period within which this right must be exercised shall be published in the national gazette appointed in accordance with Directive 68/151/EEC. However, the laws of a Member State need not provide for such publication where all shares of the company are nominal (registered). In such case, all the company's shareholders must be informed in writing. The right of pre-emption must be exercised within a period which shall not be less than 14 days from the date of publication of the offer or from the date of dispatch of the letters to the shareholders.

Further, the right of pre-emption may not be restricted or withdrawn by the statutes or instrument of incorporation. This may, however, be done by decision of the general meeting. The

administrative or management body shall be required to present to such a meeting a written report indicating the reasons for restriction or withdrawal of the right of pre-emption, and justifying the proposed issue price. The decision taken by the general meeting shall be published in the manner laid down by the laws of each Member State, in accordance with Article 3 of the First Directive 68/151/EEC.

Evaluation: the Armenian Law complies with the requirements of the Directive.

30. Who is competent to make a decision about the reduction of the statutory capital?

Article 36(3) of the Armenian Law on Joint-Stock Companies establishes that the decision on reducing Company equity and amending the Charter is made by the Meeting, with a three fourth vote of the holders of voting shares participating in the Meeting, which shall be no less than two thirds of the total votes of all the holders of voting shares.

Article 34 of the same law provides that the notification about holding a Company Meeting to discuss the change in Company equity shall contain the following information:

a) the incentives, method, and amount for the change in equity;

b) draft amendments to the Charter, related to the change in equity;

c) the quantity of shares and their total nominal value forthcoming as a result of the equity change; and

d) in the case of issuing a new type of shares, the procedure and timing of their allocation, as well as the rights of shareholders of these and previously outstanding shares.

Changes in the Company charter, which are due to the change in Company equity, shall be registered by the body authorized to carry out state registration of legal entities, in the manner stipulated by law.

According to Article 30 of the Directive, any reduction in the subscribed capital, except under a court order, must be subject at least to a decision of the general meeting acting in majority of votes of holders of voting shares but not less than two thirds of the vote of holders of voting shares. Such decision shall be published in the manner laid down by the laws of each Member State in accordance with Article 3 of the First Directive 68/151/EEC.

The same article further provides that the notice convening the meeting must specify at least the purpose of the reduction and the way in which it is to be carried out.

Evaluation: the Armenian Law complies with the requirements of the Directive.

31. Does the Armenian Law require that the decision about reduction of the statutory capital be subject to a separate voting by each class of shareholders whose rights are affected by such transaction?

Yes. This aspect has been regulated under the Armenian Law on Joint-Stock Companies in its Articles 37 and 38.

Article 31 of the Directive states that where there are several classes of shares, the decision by the general meeting concerning a reduction in the subscribed capital shall be subject to a separate vote, at least for each class of shareholders whose rights are affected by the transaction.

Evaluation: the Armenian Law complies with the requirement of the Directive.

32. Does the Armenian Law establish warranty for the protection of creditor interests in the event of reduction of the statutory capital?

Yes. According to Article 36(4) of the Armenian Law on Joint-Stock Companies, within 30 days after deciding to reduce Company equity, the Company shall provide written notice thereon to all of its creditors. Within 30 days after receipt of such notice, the creditors may demand either that the Company provide additional guarantees that the obligations will be met, or early fulfillment or termination of obligations, as well as compensation of losses.

Article 32 of the Directive says that in the event of a reduction in the subscribed capital, at least the creditors whose claims antedate the publication of the decision on the reduction shall at least have the right to obtain security for claims which have not fallen due by the date of that publication. Member States may not set aside such a right unless the creditor has adequate safeguards, or unless such safeguards are not necessary having regard to the assets of the company.

Evaluation: the Armenian Law complies with the requirement of the Directive.

33. Does the Armenian Law allow a reduction of the statutory capital below the minimum level permitted under the law?

No, Article 36(2) of the Armenian Law on Joint-Stock Companies establishes that a Company may not reduce its equity if the resulting size of equity is going to be lower than the minimum equity required by the law. However, reduction of the Company equity below the minimum level permitted by the law shall provide a basis for Company liquidation.

According to Article 34 of the Directive, the subscribed capital may not be reduced to an amount less than the minimum capital specified in the Directive. However, Member States may permit such a reduction if they also provide that the decision to reduce the subscribed capital may take effect only when the subscribed capital is increased to an amount at least equal to the prescribed minimum.

Evaluation: the Armenian Law only partially complies with the requirement of the Directive.

34. Does the Armenian Law provide for a full or partial redemption of statutory capital without the need for its reduction, and what conditions shall apply?

No, this aspect has not been regulated under the Armenian legislation.
Article 36 of the Armenian Law on Joint-Stock Companies provides that the Company equity may be reduced: (b) by means of reducing the total quantity of shares, including, in cases stipulated by the Law, by means of buyback and redemption of a part thereof. Reducing Company equity by means of buyback and redemption of shares is permitted only if such reduction is stipulated by the Charter.

Further, Article 43 of the same law provides that the reserve fund shall be used to cover Company losses, redeem Company bonds, and buy back Company shares, if the profits and other funds of the Company are insufficient for such purposes. The law or the Charter may envisage creation of other funds as well.

According to Article 35 of the Directive, where the laws of a Member State authorize total or partial redemption of the subscribed capital without reduction of the latter, they shall at least require that the following conditions are satisfied:

a) where the statutes or instrument of incorporation provide for redemption, the latter shall be decided on by the general meeting voting at least under the usual conditions of quorum and majority. Where the statutes or instrument of incorporation do not provide for redemption, the latter shall be decided upon by the general meeting acting at least under the conditions of quorum and majority laid down in Article 40. The decision must be published in the manner prescribed by the laws of each Member State, in accordance with Article 3 of the First Directive 68/151/EEC;

b) only sums which are available for distribution within the context of the law or charter may be used for redemption purposes;

c) shareholders whose shares are redeemed shall retain their rights in the company, with the exception of their rights to the repayment of their investment and participation in the distribution of an initial dividend on unredeemed shares.

Evaluation: the Armenian legal act does not comply with the requirement of the Directive.

35. Does the Armenian Law envisage a reduction of the statutory capital through compulsory withdrawal of shares, and which conditions are applied in that case?

No this aspect has not been regulated under the Armenian legislation.
Article 36 of the Directive provides that where the laws of a Member State may allow companies to reduce their subscribed capital by compulsory withdrawal of shares, they shall require that at least the following conditions are satisfied:

a) compulsory withdrawal must be prescribed or authorized by the statutes or instrument of incorporation before subscription of the shares which are to be withdrawn are subscribed for;

b) where the compulsory withdrawal is merely authorized by the statutes or instrument of incorporation, it shall be decided upon by the general meeting unless it has been unanimously approved by the shareholders concerned;

c) the company body deciding on the compulsory withdrawal shall fix the terms and manner thereof, where they have not already been fixed by the statutes or instrument of incorporation;

d) the decision on compulsory withdrawal shall be published in the manner laid down by the laws of each Member State in accordance with Article 3 of the First Directive 68/151/EEC.

Evaluation: the Armenian legal act does not comply with the requirement of the Directive.

36. Does the Armenian Law allow issuing shares subject to a buyback, and which conditions are applied for their redemption?

No, the Armenian legislation has not specified shares subject to buyback.
Article 39 of the Directive establishes the following: where the laws of a Member State authorize companies to issue redeemable shares, they shall require that the following conditions, at least, are complied with for the redemption of such shares:

a) redemption must be authorized by the company's statutes or instrument of incorporation before the redeemable shares are subscribed for;

b) the shares must be fully paid up;

c) the terms and the manner of redemption must be laid down in the company's statutes or instrument of incorporation;

d) redemption can be only effected by using sums available for distribution in accordance with the law or charter or the proceeds of a new issue made with a view to effecting such redemption;

e) an amount equal to the nominal value or, in the absence thereof, to the accountable par of all the redeemed shares must be included in a reserve which cannot be distributed to the shareholders, except in the event of a reduction in the subscribed capital; it may be used only for the purpose of increasing the subscribed capital by the capitalization of reserves;

f) sub-paragraph (e) shall not apply to redemption using the proceeds of a new issue made with a view to effecting such redemption;

g) where provision is made for the payment of a premium to shareholders in consequence of a redemption, the premium may be paid only from sums available for distribution[4], or from a reserve other than that referred to in (e) which may not be distributed to shareholders except in the event of a reduction in the subscribed capital; this reserve may be used only for the purposes of increasing the subscribed capital by the capitalization of reserves or for covering the costs or the cost of issuing shares or debentures or for the payment of a premium to holders of redeemable shares or debentures;

h) notification of redemption shall be published in the manner laid down by the laws of each Member State in accordance with Article 3 of the First Directive 68/151/EEC.

Evaluation: the Armenian legal act does not comply with the requirement of the Directive.

3. Conclusion

The Armenian Law on Joint-Stock Companies generally has a partial compliance with the Second Council Directive of 13 December 1976 on company law (77/91/EEC).

Taking into account the approximation of the Armenian financial sector to the respective European legislation, it should be noted that the Armenian Law on Joint-Stock Companies needs to be amended fundamentally.

[4] See Article 15.1, Second Directive.

	Question	Yes	No	Partially	Notes
1.	Does the Armenian legislation covering joint-stock companies apply to investment firms holding variable capital?		√		
2.	What mandatory requirements are determined with regard to a company's charter or other statutory documents under the Armenian Law?			√	The Directive establishes more detailed requirements and regularizes this aspect more comprehensively compared to the Armenian Law on Joint-Stock Companies (Articles 14 and 33), especially with regard to the subscribed and announced capital.
3.	Should companies be held liable under the Armenian Law when they have taken on to carry out activity before being licensed or before being declined for an activity license?	√			the Armenian Law on Joint-Stock Companies, Article 2(3)2; the Armenian Civil Code, Article e188
4.	Does the Armenian Law require that, where the number of shareholders of a company goes down to one or, after registration of the company, such decrement in number automatically entails a winding-up, a company have more than one stakeholder?	√			
5.	Is there a minimum capital requirement imposed by the Armenian legislation in order for a company to seek permission for licensing or registration?	√			the Armenian Law on Joint-Stock Companies, Article 30(3)
6.	Does the Armenian Law require that the subscribed capital be formed of the assets which are possible to evaluate in the economic point of view?			√	The Directive sets out a clearer provision and limitation compared to the Law (the Armenian Law on Joint-Stock Companies, Article 42(4)), which

					indirectly specifies the requirement of assessment of assets.
7.	Does the Armenian Law provide for a restriction with regard to the value of issuance (subscription) of shares?	√			The material difference between the Law and the Directive is that the Law [on Joint-Stock Companies] provides for only shares at their nominal value (Article 44 (1) and (2)).
8.	Does the Armenian Law provide for a minimum range to pay for shares and timeframes for such payment?			√	The Armenian Law (Article 42) provides for a payment in full against those shares, the payment for which may be made only in cash; whereas the Directive provides for a possibility to pay for those securities within a 5-year period.
9.	Does the Armenian Law require that an independent appraiser report in case of payment, other than cash, for the securities?			√	The Armenian legislation (the Armenian Law on Joint-Stock Companies, Article 42(4)), outlines the case for the assessment of property by an independent appraiser, with no mention, however, of terms and conditions for such assessment; whereas the Directive establishes a mandatory requirement to terms and conditions for assessment and to public disclosure thereof.
10.	Does the Armenian Law provide for an exception from a requirement to reporting by an independent appraiser in case of pay for the securities other than cash?		√		
11.	. Does the Armenian Law provide for a possibility not to apply a requirement to the reporting by an independent appraiser		√		

	in case of payment for the securities other than cash?				
12.	In the absence of a report by an independent expert, is there need to publish any other document in case of payment for shares other than cash?		√		
13.	Does the Armenian Law require that the assets, when these are obtained from the persons who are competent to sign the company charter, are subject to evaluation by an independent expert?			√	The Armenian Law on Joint-Stock Companies contains such provisions in its Chapter 9.
14.	Does the Armenian Law require that shareholders pay for the value of previously purchased share in case of decrease of the company's capital?		√		
15.	Does the Armenian Law provide for limitation in payment of dividends?			√	the Armenian Law on Joint-Stock Companies contains such provisions, Article 50
16.	Does the Armenian Law provide for the possibilities for the payment of interim dividends and what are the requirements to this?			√	The Armenian Law on Joint-Stock Companies (Article 49) conforms to the requirement of the Directive only where it allows a payment of interim dividends, whereas the terms and conditions for the payment are different between the Law and the Directive.
17.	Does the Armenian Law stipulate a requirement to return the dividends to the			√	The regulation of this aspect is possible under general principles, in a judicial

	company?				manner.
18.	Does the Armenian Law provide for convening a general meeting of shareholders in the event of a material loss of the statutory capital?		√		
19.	Does the Armenian Law enable the company to subscribe to its own shares?		√		
20.	Does the Armenian Law enable the company to acquire its own shares in its name but through a person acting on the company's behalf?			√	The Directive has more a detailed arrangement with regard to this issue (Article 19) than the Armenian Law on Joint-Stock Companies (Article 54 (1) and (2)).
21.	Are there restrictions applied to the company with regard to acquisition of its own shares?			√	The Armenian legislation has regularized this aspect under the Armenian Law on Joint-Stock Companies, Article 55. Article 20 of the Directive specifies an arrangement other than specified in the Armenian Law.
22.	Does the Armenian Law establish sanction to disallow the acquisition of own shares in contravention of the above referred provisions?		√		
23.	Does the Armenian Law prohibit a company to provide funds, loans and other security in order for the third party to acquire that company's shares?		√		
24.	Does the Armenian Law provide for other methods for acquisition of own shares by the company?		√		

25.	According to the Armenian Law, what are the conditions in case of the increase of the statutory capital?			√	
26.	Does the Armenian Law provide for a procedure for compensation or pay-up of the issued shares, in case of the increase of equity?	√			
27.	Does the Armenian Law establish a procedure to pay against issued shares through a non-pecuniary (expressed in property) method?			√	The Armenian legislation requires a full payment, when shares are to be acquired in kind (rather than in cash), whereas the Directive says that the consideration must be transferred in full within a period of five years from the decision to increase the subscribed capital.
28.	What kind of an arrangement does the Armenian Law establish when the increase of capital is not fully subscribed?	√			There is not an explicit arrangement of this aspect under the Armenian legislation, however, in view of the content of the Armenian Law on Joint-Stock Companies, the statutory capital shall increase to the extent of nominal value of the shares subscribed.
29.	Does the Armenian Law entitle to shareholders to exercise a pre-emption right?	√			the Armenian Law on Joint-Stock Companies, Article 47
30.	Who is competent to make a decision about the reduction of the statutory capital?	√			the Armenian Law on Joint-Stock Companies, Articles 30 and 34
31.	. Does the Armenian Law require that the decision about reduction of the statutory capital be subject to a separate voting by	√			the Armenian Law on Joint-Stock Companies, Articles 37 and 38

	each class of shareholders whose rights are affected by such transaction?				
32.	Does the Armenian Law establish warranty for the protection of creditor interests in the event of reduction of the statutory capital?	√			the Armenian Law on Joint-Stock Companies, Article 36
33.	Does the Armenian Law allow a reduction of the statutory capital below the minimum level permitted under the law?			√	The Directive is more flexible in this aspect; in particular, the subscribed capital may not be reduced to an amount less than the minimum capital specified in the Directive. However, Member States may permit such a reduction if they also provide that the decision to reduce the subscribed capital may take effect only when the subscribed capital is increased to an amount at least equal to the prescribed minimum.
34.	Does the Armenian Law provide for a full or partial redemption of statutory capital without the need for its reduction, and what conditions shall apply?		√		
35.	Does the Armenian Law envisage a reduction of the statutory capital through compulsory withdrawal of shares, and which conditions are applied in that case?		√		
36.	Does the Armenian Law allow issuing shares subject to a buyback, and which conditions are applied for their redemption?		√		
Total, 36 questions		**10**	**13**	**13**	