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LEGISLATION DIRECTED TOWARDS JURIDICAL REFORM

# **The Law Of The Republic Of Armenia On COMPULSORY ENFORCEMENT OF COURT DECREES**

Yerevan, 1998

## **CHAPTER 1. General Provisions**

### ***Article 1. Scope of this law.***

This law defines conditions and procedures for compulsory enforcement of decrees of courts of the Republic of Armenia (hereinafter the courts) and decisions of mediation courts.

### ***Article 2. Court decrees obligatory for compulsory enforcement.***

The following are subject to compulsory enforcement:

1. the court decrees and decisions on civil cases, excluding decree on declaring a legal entity or an individual bankrupt and starting of auction proceeding;
2. the court decrees and decisions on criminal cases, in part connected with property confiscation;
3. the decrees of mediation courts;
4. the decrees and decisions of foreign and mediation courts, in cases assumed by the international agreements of the Republic of Armenia.

### ***Article 3. Bodies responsible for enforcement of compulsory court decrees.***

1. Service for Compulsory Enforcement of the court decrees (hereinafter the Service of Compulsory Enforcement) within the structure of the Ministry of Justice is responsible for compulsory enforcement of court decrees in the Republic of Armenia.
2. Goals of the Service of Compulsory Enforcement, procedures of its formation and activities, as well as authorities of state officials, responsible for compulsory enforcement of the court decrees (hereinafter the compulsory executors) are defined by The Law of the Republic of Armenia on Service for Compulsory Enforcement of the Court Decrees and this law.

### ***Article 4. Basis for enforcement of compulsory instruments.***

The enforcement act granted in accordance with procedures defined by this law serves as a basis for use of instruments of compulsory enforcement.

### ***Article 5. Instruments of compulsory enforcement.***

The following are instruments of compulsory enforcement:

1. the confiscation of property of the debtor through putting it under arrest or its realization;
2. the confiscation of salary, retirement pension, education benefit and other types of incomes of the debtor;

3. the confiscation of monetary assets and other property of the debtor being held by other people;
4. taking particular items mentioned in the enforcement act from the debtor and passing to the litigant;
5. other instruments designed for implementation of the enforcement act.

## **CHAPTER 2. Parties Involved In Enforcement Proceeding**

### ***Article 6. Participants of enforcement proceeding.***

Parties and/or their representatives are considered as participants of the enforcement proceeding

Experts and interpreters can participate in the enforcement proceeding as well.

### ***Article 7. Parties of enforcement proceeding.***

The litigant and the debtor are parties of the enforcement proceeding.

Litigant is an individual or a legal entity on behalf of which the enforcement act has been granted.

Debtor is an individual or a legal entity which, according to the enforcement act, must perform specific activities or restrain from their performance.

Two or more litigants or debtors can participate in the enforcement proceeding. Each litigant or debtor involved in the enforcement proceeding acts towards the other side independently. Anyone of them can assign his/her participation in the enforcement proceeding to one of the co-participants.

### ***Article 8. Rights and obligations of parties in enforcement proceeding.***

The parties have the following rights during the enforcement proceeding:

1. to sign a settlement agreement;
2. to pass rights assumed by the enforcement act to other person;
3. to familiarize themselves with materials o
4. If the enforcement proceeding, receive copies of and statements from these materials;
4. to undertake mediations;
5. to participate in the enforcement proceeding;
6. to give verbal and written explanations and to present arguments and comments on all issues arising during the enforcement proceeding;
7. to argue against arguments, comments and mediations of other people participating in the enforcement proceeding;
8. to declare removals;
9. to litigate the activities of the compulsory executor;
10. to use other rights defined by this law.

During the enforcement proceeding the parties are required to obey to the requirements of this law.

### ***Article 9. Legal successors of participants in enforcement proceeding.***

1. In case of exit of one of the parties from the enforcement proceeding (i.e. death of an individual, reorganization of a legal entity, concession of a claim, transfer of a debt), the

compulsory executor is required to replace him/her by the legal successor in accordance with the law, the court decree or agreement.

2. The activities performed during the enforcement proceedings until the introduction of the legal successor into these proceedings are obligatory for the legal successor in the same way they should have been obligatory for the person replaced by the legal successor.

***Article 10. Participation of representatives of parties involved in enforcement proceeding.***

1. The individuals can participate in the enforcement proceeding either personally or through their representatives. The participation of the individual in the enforcement proceeding does not ban his/her right of having a representative.
2. The participation of the legal entities in the enforcement proceeding is done either through their respective bodies or authorities, which act within the limits of authority assumed by the legislation or their charters or through their representatives. The people representing the legal entities should have identification documents stating their official status or authorities.
3. If, according to the enforcement act, the debtor has to perform such activities, which should be performed only personally, he/she does not have a right to act through the representative.

***Article 11. Recognition of authorities of representatives.***

The authorities of the representative must be verified by the Power of Attorney approved in accordance with the legislation.

***Article 12. Authority of representative.***

The Power of Attorney for participation in the enforcement proceeding, granted to the representative, gives its holder the right to perform activities connected with the enforcement proceeding.

In the Power of Attorney of upon presentation type, the following authorities of the representative should be mentioned:

1. the presentation and the withdrawal of the enforcement act;
2. the transfer of authorities to other person (re-authorizing);
3. the receipt of confiscated property and/or money;
4. the claims against the activities of the compulsory executor.

***Article 13. Legal representatives.***

1. The rights and benefits of teenagers, disabled or certified people in the enforcement proceeding are protected by their parents, care takers or trustees, who should present identification documents.

In the enforcement proceeding, involving the person which was declared by the court to be unknowingly missing, the trust manager of his/her property acts as a representative. If the heritage has not yet passed to anybody, in the enforcement proceeding, involving the heir of the person who has died or has been declared to be dead by the court, the person appointed for custody and management of the inherited property acts as a representative of the heir.

2. The authorized representatives can pass their participation in the enforcement proceeding to other people.

***Article 14. Participation of experts in enforcement proceeding.***

1. If a need for comments on issues requiring special knowledge and expertise arises during the enforcement proceeding, the compulsory executor has a right to appoint an expert/s.
2. The compulsory executor passes a decision on the appointment of the expert.
3. The expert presents written opinion.
4. The expert is compensated from expenses of the enforcement proceeding.

***Article 15. Removal of candidacy of expert.***

1. The litigant or the debtor has a right to remove the candidacy of the expert in case of existence of signs giving rise to suspicion on the independence of the expert.
2. The issue of the removal of the expert is settled by the compulsory executor.
3. The compulsory executor makes decision based on analysis of application for removal of the expert:

***Article 16. Participation of interpreter in enforcement proceeding.***

1. The parties of the enforcement proceeding which do not know Armenian have a right to invite an interpreter.
2. Services of the interpreter are paid for by the inviting party.

### **CHAPTER 3. General Clauses On Enforcement Act**

***Article 17. Basis for granting of enforcement act.***

The enforcement act is granted based on the following:

1. the court decrees, decisions and acts;
2. the mediation court decrees;
3. the decrees and decisions of foreign courts and mediation courts, in cases assumed by the international agreements of the Republic of Armenia.

***Article 18. Granting of enforcement act.***

1. The enforcement act is granted by the court which passed the decree on its issuing, based on the application of the litigant or his/her authorized representative.
2. The enforcement act is being granted after passing the respective court decree, within three days after receiving the application, and instantly in cases assumed by the legal code on civil affairs of the Republic of Armenia.

***Article 19. Granting of enforcement act for compulsory implementation of decree of intermediate court.***

1. The enforcement act for the compulsory enforcement of the decree of the mediation court is granted by the court of the first instance, within area of authority of which it is or the mediation court has acted.
2. The application of the litigant for receiving the enforcement act is heard by the court within a one month period after its presentation. The litigant and the debtor are then informed about the place and time of the court session by letter, notice or other media of mail and communication, which records the fact of notification (hereinafter in the appropriate way). The absence of the invited parties is not a constraint for discussion of the application.

3. Based on results of discussion of the application the court passes a decree. The court has a right to refuse granting the enforcement act based on provisions of The Law of the Republic of Armenia on Mediation Courts and Mediation Proceeding.

***Article 20. Granting of several enforcement acts for one court decree.***

If there are several litigants benefiting from the decree passed by the court or if it is addressed against several debtors, then respective number of enforcement acts is being granted, each of which contains the specific part of the court decree that is required for implementation by the particular enforcement act.

***Article 21. Contents of enforcement act.***

The enforcement act must contain the following:

1. the name of the court granting it;
2. the case and its number, for which the enforcement act was granted;
3. the date (year, month and day) of passing the court decree;
4. the names (corporate names) and the addresses of the litigant and the borrower;
5. the conclusions part of the court decree;
6. the date (year, month and day) of effectiveness of the court decree;
7. the date (year, month and day) of granting the enforcement act and the period for its enforcement.

If the court has delayed or extended the enforcement of its decree before granting the enforcement act, then the start of the period of legacy of the enforcement act should be mentioned in it.

The judge develops, signs and approves by the court seal the enforcement act.

***Article 22. Delay or extension of enforcement of court decree, and change of method and procedure of enforcement.***

1. The court, which has granted the enforcement act, has a right to delay or extend the enforcement of the court decree, change method and procedure of the enforcement, if requested by the litigant or the debtor.
2. The court, after receiving the above mentioned application and before its analysis, passes the decision on stopping the enforcement proceeding.  
By granting the litigant extension or delay of the enforcement, the court can undertake activities, in correspondence to the legal code on civil affairs of the Republic of Armenia. directed to the enforcement of the court decree.
3. The applications for delay or extension of the enforcement, change of method and procedure of the enforcement are discussed by the court within ten days after their receipt. The litigant and the debtor are being informed, in the appropriate way, about the place and the time of the court session. The absence of the invited parties is not a constraint for discussion of the application.
4. Based on results of discussion of the application the court passes a decree
5. The decree of the court can be appealed.

***Article 23. Period for presentation of enforcement act for implementation.***

The enforcement act can be presented for the enforcement within a year starting from the date, when:

1. the court decree became legally effective;
2. the mediation court has passed a decree;

3. the period given for delay or extension of the enforcement act has expired;
4. the court has passed the decree on recovery of missed period initially granted for the enforcement.

In cases when the property of the debtor is not available or is not enough for satisfaction of claims of the litigants, by their requests the enforcement acts remain valid until their full implementation.

***Article 24. Recovery of missed period for presentation of enforcement act for implementation.***

1. The court can recover the period of validity of the enforcement act, missed by the litigant-individual as a result of unforeseen and acceptable reasons.
2. The litigant must present the application for recovery of the period of enforcement to the same court, which has granted the enforcement act. The court discusses the application within ten day after presentation. The litigant and the debtor are being informed, in the appropriate way, about the place and the time of the court session. The absence of the invited parties is not a constraint for discussion of the application.
3. Based on results of discussion of the application the court passes a decree
4. The decree of the court can be appealed.

***Article 25. Granting of copy of enforcement act.***

1. In case of loss of the original enforcement act, the court which has granted it, can give a copy of the enforcement act, if asked by the litigant.
2. The litigant presents the application for the copy of the enforcement act to the court which has him/her granted the original. The application can be presented until the end of period of the enforcement act. The court discusses the application within ten days after receiving it. The litigant and the debtor are being informed, in the appropriate way, about the place and the time of the court session. The absence of the invited parties is not a constraint for discussion of the application.
3. Based on results of discussion of the application the court passes a decree
4. The decree of the court can be appealed.

***Article 26. Reverse of enforcement of decree.***

1. If the enforced decree was later abandoned or declared invalid and a new decree was passed on partial or complete refusal of the litigation, or the case proceeding was stopped, or the litigation was not discussed, then the court can pass the court decree on partial or complete return of the property to the debtor, based on the new court decree.
2. If the decree which has not yet been enforced was later abandoned or declared invalid and a new decree was passed on partial or complete refusal of the litigation, or the case proceeding was stopped, or the litigation was not discussed, then the court can pass the court decree on termination of partial or complete confiscation of the property, based on the new court decree.

***Article 27. Solution of issue of reversing of decree's enforcement.***

1. The issue of reversing of the court decree is passed by the court which adopted the new court decree.  
If the court has not settled the issue of the reverse of the decree declared invalid, then the litigant has a right to apply to the court which has passed the new decree.
2. The court discusses the issue of reversing the enforcement of the decree within ten days after receiving the application. The litigant and the debtor are being informed, in the

appropriate way, about the place and the time of the court session. The absence of the invited parties is not a constraint for discussion of the application.

3. Based on results of discussion of the application the court passes a decree
4. The decree of the court can be appealed.

## **CHAPTER 4. General Clauses On Enforcement Activities**

### ***Article 28. Decisions of compulsory executor during enforcement activities.***

The compulsory executor makes decisions during enforcement activities.

The following points must be included in the above mentioned decisions:

1. the date (year, month and day) and the place of making the decision;
2. the position and name of the compulsory executor of the decision;
3. the enforcement proceeding, which the decision refers to;
4. the issue under discussion;
5. the bases for the decision made, in form of laws and other legislative acts, which were used by the compulsory executor;
6. the conclusion on the issue under discussion;
7. the appeal procedure and timing.

The compulsory executor sends the copy of the decision made to the litigant and the debtor no later than the day following the day of making the decision, as well as to other people and bodies as defined by this law.

The decision made by the compulsory executor can be appealed in the court of the first instance of the region where the regional division of the Service of Compulsory Enforcement is located within ten days after receiving the decision.

The appeal of the decision of the compulsory executor does not stop the enforcement activities.

### ***Article 29. Removal of candidacy of compulsory executor.***

1. The compulsory executor can not participate in the enforcement activities, in case of existence of signs giving rise to suspicion on his/her independence.
2. If the situation similar to the one presented in the first point of this article exists, the compulsory executor is required to withdraw his/her candidacy.  
On the same grounds, the litigant and/or the debtor can declare the removal.
3. The self-removal or removal must be presented in written, be explained and be done before the start of the enforcement activities, except for cases when the facts for self-removal or removal were discovered after initiation of the enforcement activities.
4. The issue of self-removal or removal of the compulsory executor is settled by the Head of the regional division of the Service of Compulsory Enforcement.
5. Based on results of analysis of issue of self-removal or removal of the compulsory executor, the Head of the regional division of the Service of Compulsory Enforcement makes a decision and presents it, in the appropriate way, to the compulsory executor and the applicant.
6. The decision on refusal of self-removal or removal of the compulsory executor by the Head of the regional division of the Service of Compulsory Enforcement, can be appealed in the court of the first instance of the region where the regional division of the Service of Compulsory Enforcement is located within ten days after receiving the decision.

7. In case of approval of self-removal or removal of the compulsory executor by the Head of the regional division of the Service of Compulsory Enforcement, the Head of the service passes the enforcement act to another compulsory executor.

***Article 30. Initiating of enforcement proceeding.***

The compulsory executor makes the decision on starting the enforcement proceedings within three days after receiving the enforcement act from the litigant or his/her representative.

***Article 31. Return of enforcement act to litigant.***

1. If the enforcement act received does not satisfy the requirements of the article # 21 of this law or if the period of its enforcement has expired and there is no decree of the court on recovery of the period of enforcement given by the court, which has granted the enforcement act, the compulsory executor returns the enforcement act to the litigant.
2. The compulsory executor makes the decision on returning the enforcement act within three days after receiving it.
3. The return of the enforcement act to the litigant is not a constraint for its new presentation for the enforcement after correction of omissions and mistakes.

***Article 32. Place of enforcement activities.***

1. The enforcement activities are performed in the place of residence of the debtor or in the address of his/her property.
2. The enforcement act requiring performance of certain activities by the debtor is implemented in place of performance of these activities.

***Article 33. Time for implementation of enforcement activities.***

The enforcement activities are performed during the normal working days between 8:00 and 18:00. The exact time for performance of the enforcement activities between these hours is defined by the compulsory executor. The parties have a right to suggest appropriate time for them for implementation of the enforcement activities.

The enforcement activities during non-working days and at night hours are allowed under the following conditions:

1. the instant performance is required;
2. the performance of these activities during normal working days and hours is made impossible by the debtor.

***Article 34. Period for implementation of enforcement activities.***

The compulsory executor must perform the enforcement activities within two months after receiving the enforcement act, except for cases when the law requires instant implementation.

***Article 35. Explanation of enforcement act.***

1. In case of imperfections in the requirements of the enforcement act, the compulsory executor has a right to apply to the court which has granted it for clarifications.
2. The court which has granted the enforcement act discusses the application of the compulsory executor within ten days after receiving it. The compulsory executor, the litigant and the debtor are being informed, in the appropriate way, about the place and the time of the court session. The absence of the invited parties is not a constraint for discussion of the application.
3. Based on results of discussion of the application the court passes a decree



4. The decree of the court can be appealed.

***Article 36. Delay of enforcement activities.***

1. In case of existence of constraints for implementation of the enforcement activities, the compulsory executor by his/her initiative or based on the application of the parties, can delay the enforcement activities until the termination of constraints.
2. The compulsory executor makes a decision on delay of the enforcement activities.

***Article 37. Obligation of compulsory executor for terminating enforcement proceeding.***

The compulsory executor is required to stop the enforcement proceeding in the following cases:

1. the death of the debtor and when legal relations defined by the court allow for successor;
2. the debtor is declared to be disabled;
3. the debtor is a member of armed forces and participates in warfare or there is an application from the litigant, who is in the same conditions;
4. the court has initiated a bankruptcy case against the debtor;
5. the application is filed to the court for taking from arrest the property, on which confiscation is imposed by the enforcement act;
6. the court has passed decree on termination of the enforcement proceeding;
7. there is an application from the parties for signing an mutual settlement agreement.

***Article 38. Right of compulsory executor for terminating enforcement proceeding.***

The compulsory executor has a right to terminate the enforcement proceeding under the following conditions:

1. the application is made to the court which has granted the enforcement act for its clarifications;
2. the expertise is appointed;
3. the debtor is involved in implementation of any state order;
4. the debtor-legal entity has been reorganized;
5. the debtor or his/her property is declared to be in search.

***Article 39. Procedure for terminating and re-starting of enforcement proceeding.***

1. The compulsory executor makes a decision on stopping and restarting the enforcement proceeding.
2. The temporarily stopped enforcement proceeding restarts after the termination of constraints which have lead to its stopping either by the application of the litigant or by the initiative of the compulsory executor.

***Article 40. Declaration of search for debtor and/or his/her property.***

1. If there is no information on addresses of the debtor and/or his/her property, the compulsory executor can declare a search for the debtor and/or his/her property.
2. The search for the debtor and/or his/her property, in accordance with the law, is performed by the Service of Compulsory Enforcement.
3. The search for the debtor and/or his/her property can also be performed by other people and organizations that have authority (license) for performance of such activities

***Article 41. End of enforcement proceeding.***

The compulsory executor accomplishes the enforcement proceeding if the following takes place:

1. the litigant applies for return of the enforcement act;
2. the address of the debtor or his/her property is unknown and all of the activities, assumed by the law, undertaken by the compulsory executor and/or the litigant were useless;
3. the debtor has no property or incomes, which can be confiscated, and all of the activities, assumed by the law, undertaken by the compulsory executor and/or the litigant were useless;
4. the property of the debtor is not enough for satisfaction of requirements of the litigant/s. The compulsory executor makes the decision on completion of the enforcement proceeding.

The completion of the enforcement proceeding and the return of the enforcement act to the litigant do not prohibit the presentation of the enforcement act for new implementation.

***Article 42. Shortening of enforcement proceeding.***

The compulsory executor shortens the enforcement proceeding under the following conditions:

1. the enforcement act has in fact been accomplished;
2. the litigant refuses to accept confiscation;
3. the litigant and the debtor has signed a mutual settlement agreement and the court has approved it;
4. the litigant or the debtor has died and the requirements or the obligations defined by the court can not be passed to his/her successor;
5. the period for presentation of the enforcement act for implementation has expired and the court has refused the application of the litigant for recovery of missed period;
6. the court decree on which the enforcement act was granted has been declared invalid;
7. the litigant has refused to accept the property confiscated during the enforcement of the act and subject to transfer to him;
8. the debtor-legal entity has been declared bankrupt by the court decree;
9. the debtor-legal entity has been liquidated.

The compulsory executor makes a decision on shortening the enforcement proceeding. The shortened enforcement proceeding can not be restarted.

## **CHAPTER 5. Confiscation Of Property Of Debtor**

***Article 43. General clauses on confiscation of property of debtor.***

1. The confiscation of the property of the debtor assumes putting the property under arrest, its confiscation and compulsory realization.
2. The confiscation on the property of the debtor is applied in an amount sufficient for implementation of the enforcement act and covering the enforcement expenses.
3. The confiscation is initially imposed on the monetary assets of the debtor. If the monetary resources of the debtor are not sufficient for satisfaction of requirements of the litigant, then other property of the debtor is confiscated except those, confiscation of which is prohibited by the law.

4. The debtor has a right of suggesting an order for confiscating his/her property. In case of non-existence of such an offer, the compulsory executor determines the order for confiscation.
5. If the debtor has the property under collective ownership, then the property share of the debtor in the total is being confiscated.
6. The confiscation of share of the debtor in the paid-up capital of any company or economic association is allowed only if the other property of the debtor is not sufficient for repaying his/her debts.

***Article 44. Putting property of debtor under arrest.***

The arrest of the property of the debtor assumes performing stocktake, banning its use, and under special circumstances limiting the right for use, its collection from the debtor and putting under custody.

In each case types, volumes and periods of limitations are defined by the compulsory executor, taking into account features of the property, its importance to owner or user and other factors.

The arrest of the property is applied for the following reasons:

1. the custody of the property of the debtor and its further transfer to the litigant or realization;
2. the enforcement of the court decree for confiscation of the property of the debtor;
3. the enforcement of the court decree for arresting the property of the debtor held by him/her or other people.

The compulsory executor has a right for confiscation of the property or part of it together with its arrest, taking into account specific features of the enforcement proceeding.

The property subject to fast spoilage is confiscated and realized immediately.

The following are subject to mandatory confiscation: drams; foreign currency; securities; precious metals and stones; jewelry made of gold, silver, platinum and other metals from the platinum group, precious stones and diamonds; as well as scrap of the above mentioned items or specific parts of such items that have been found during stocktake of the property of the debtor.

The compulsory executor makes a decision on putting the property of the debtor under arrest.

***Article 45. Protection of rights of other people while putting property of debtor under arrest.***

1. In case of dispute over ownership of the property, the interested party has a right to apply to the court of the first instance of the region where address of the property is for releasing the property from arrest.
2. The appeal for releasing the property from arrest can be presented both by the owner of the property and by its legal user.
3. The appeal for releasing the property from arrest is presented against the debtor and/or the litigant. If the property was arrested according to the court decree on its confiscation, than the suspected person and the respective financial body are attracted as responders.
4. The court discusses the application for the release of the property from arrest within one month after receiving it.

***Article 46. Procedure for confiscation of monetary assets of debtor.***

1. The compulsory executor confiscates cash monetary assets found with the debtor and no later than the next day after their confiscation puts them on deposit account of the regional division of the Service for Compulsory Enforcement in the bank.
2. In case of availability of information on monetary assets of the debtor on his/her accounts with banks and other lending institutions and deposits, the compulsory executor puts them under arrest.
3. The compulsory executor immediately sends the enforcement act, in the appropriate way, to banks and other lending institutions.
4. Within three days after receiving the enforcement act from the compulsory executor, and in case of existence of monetary resources, banks and other lending institutions transfer these amounts to deposit account of the regional division of the Service for Compulsory Enforcement in the bank.
5. If needed the compulsory executor can ask for information from the Tax Inspectorate, who are required to answer within three days after receiving the enquiry.

***Article 47. Procedure for confiscation of foreign currency of debtor.***

1. The compulsory executor confiscates cash foreign currency found with the debtor and no later than the next day after their confiscation gives them for sale to the bank on deposit account of the regional division of the Service for Compulsory Enforcement in the bank.
2. In case of availability of information on foreign currency of the debtor on his/her accounts with banks and other lending institutions and deposits, the compulsory executor puts them under arrest.
3. The compulsory executor immediately sends the enforcement act, in the appropriate way, to banks and other lending institutions asking them to sell the foreign currency.
4. Within ten days after receiving the enforcement act from the compulsory executor, banks and other lending institutions transfer the proceeds form sale of the foreign currency to deposit account of the regional division of the Service for Compulsory Enforcement in the bank.

***Article 48. Giving property mentioned in enforcement act to litigant.***

For passing certain property to the litigant, the compulsory executor confiscates it from the debtor and transfers to the litigant, and drafts an act on transfer and receipt.

If the litigant refuses to accept the above mentioned property, it is being returned to the debtor and the enforcement proceeding is being shortened.

***Article 49. Confiscation of property of debtor held with other people.***

The property of the debtor being held with other people is being confiscated on general terms, in case of existence of documents stating the ownership of the property by the debtor.

***Article 50. Confiscation of property put as a collateral.***

1. The property of the debtor put as a collateral can be confiscated only in cases when the debtor has no other property for satisfying the claims made against him.
2. In case of confiscation of the property put as a collateral the collateral taker can require an early performance of obligations, secured by the collateral, of the debtor. In this case the collateral taker has a preferential right for satisfaction of his/her requirements.

***Article 51. Property forbidden for confiscation.***

The following property of the debtor-individual can not be confiscated:

1. households supplies being used, clothes, shoes, bed supplies and children's items, except luxury goods and goods made of precious materials and having historical or cultural value;
2. items, guides and literature required for the performance of professional training of the debtor, except cases when by the court decree the debtor was prohibited for involvement in this particular profession, and goods made of precious materials and having historical or cultural value;
3. house animals (2), house birds (10), animal breed, seeds for coming season for those debtors whose main activity is agriculture.

***Article 52. Giving property of debtor for custody.***

The compulsory executor can give the confiscated property of the debtor for custody to the debtor himself/herself by signing respective act or to the specialized organization, which is authorized (licensed) for performance of custodial activities by signing respective agreement.

***Article 53. General clauses on confiscation of property of debtor.***

The compulsory executor value the property of the debtor at the market prices as of the day of implementation of the enforcement act.

The compulsory executor has a right to appoint an expert under the following conditions:

1. difficulties in valuation of specific property items;
2. complaints by either the litigant or the debtor against the valuation performed by the compulsory executor.

The expert is compensated by the party arguing against an issue of the property valuation.

***Article 54. Realization of property of debtor.***

1. The property of the debtor is being realized through public auction (hereinafter the auction) sales, in accordance with procedures defined by The Law on Public Auctions.
2. The auctions are organized and conducted by specialized organizations authorized (licensed) for such activities (the organizer of the auction).
3. The organizer of the auction acts in accordance to the agreement signed with the compulsory executor.

***Article 55. Distribution of proceeds from realization of property.***

1. The distribution of proceeds from realization of the property is done by the compulsory executor.
2. The proceeds from realization of the property is distributed between the litigant and the debtor after the payments made according to the requirements of the article # 69 of this law.

## **CHAPTER 6. Confiscation Of Salary And Other Types Of Incomes Of Debtor**

***Article 56. Bases for confiscation of salary and other types of incomes of debtor.***

The debtor's salary and other types of incomes is being confiscated under the following conditions:

1. the debtor has no property or the existing property is not sufficient for the full repayment of the amount to be confiscated;
2. the decree on partial installments of the amount to be confiscated has been made.

***Article 57. The procedure of estimations of amount provided from salary and other type of incomes of debtor.***

The amount provided from the salary and other type of incomes of debtor is estimated from the amount left after provision for taxes, duties and other mandatory payments.

***Article 58. The amount provided from salary and other type of incomes of debtor.***

1. During the realization of the enforcement act, the amount provided from the salary or similar payments of the debtor can be no more than 50% of payments, before complete repayment of amounts to be confiscated.
2. The amounts to be provided, defined in the first paragraph of the article, is not applicable if:
  - 1) alimony to be confiscated
  - 2) health damage to be compensated, as well as damage caused by the dead of the feeder;
  - 3) damage caused by the criminal activity to be compensated.  
In those cases the provided amount can not exceed 75% of salary or similar payments.
3. Additionally, the rules defined by this article are applicable in case if the pension, scholarship and payments received from the usage of the objects of mental property to be confiscated.

***Article 59. Confiscation from the social benefits.***

Confiscation from the amounts paid as a benefit for temporary disability and unemployment can be done only if alimony and health damage amounts to be confiscated, as well as amounts to be confiscated for damages caused by the dead of the feeder.

***Article 60. Amounts which are not subject to confiscation.***

The confiscation with enforcement act is not levied on the amounts which are paid:

- 1) for compensation of damage caused to health, as well as damage arisen by the dead of the feeder;
- 2) for aliment liabilities;
- 3) for birth of child;
- 4) for care of children;
- 5) to single mothers and mothers with multiple children as a state benefit;
- 6) to individuals or, in case of the dead of individuals, to their families for becoming disable (injury) during performing military service responsibilities;
- 7) to individuals working in damaging and extremely difficult conditions as compensation;
- 8) to disabled;
- 9) to disabled for additional food, health recovery, and care;
- 10) for resignation from employment as a resignation benefit.

***Article 61. The procedure of confiscation of alimony and alimony debt.***

The procedure of confiscation of alimony and alimony debt including the case when debtor leaves the country for employment or permanent residence is defined by the Law on Family of Republic of Armenia.

**CHAPTER 7. Execution Of Enforcement Act For Non Property Related Litigation.**

***Article 62. General conditions for execution of enforcement acts related to the enforcement of debtor to perform certain activities or stay away from performing certain activities.***

Based on the enforcement act related to the enforcement of debtor to perform certain activities or stay away from performing certain activities, after bringing enforcement proceeding, the compulsory executor defines the terms of execution of latter for the debtor.

If the requirements are not met in defined period the compulsory executor applies the penalties and other measures defined in the Article 72 of this law and organises the execution of enforcement act by recovering from the debtor the triple of expenses on execution.

***Article 63. Execution of enforcement act related to reemployment of the employee.***

Execution of enforcement act related to reemployment of the employee is considered done from the moment of factual signing to former working responsibilities of the employee resigned or removed by the directors, which should succeed the issue of directors' order on cancellation of the director's order on resignation or removal of employee.

***Article 64. Execution of Enforcement Act related to removal.***

1. Removal from the building mentioned in the Enforcement Act the is a restriction on usage by the person (persons) to be removed of her (their) property and restriction on usage of the freed building.
2. The compulsory executor in proper way informs the debtor the day and time of the compulsory removal. Not turning up of the properly informed debtor about compulsory removal is not an impediment to execution of Enforcement Act.
3. The compulsory executor performs the removal after the inventory taking of the debtor. If necessary, the compulsory executor provides the housing of the property of the debtor by levying the expenses on the debtor.
4. The compulsory executor prepares the statement on the execution of Enforcement Act for removal.

***Article 65. Execution of Enforcement Act related to housing.***

1. The housing is a provision by compulsory executor of non barrier entry of proprietor and the living in the living territory mentioned in the Enforcement Act.
2. The compulsory executor in proper way informs the debtor the day and time of the entry to house. Not turning up of the properly informed debtor about entry to house is not an impediment to execution of Enforcement Act.
3. The compulsory executor prepares the statement on the execution of Enforcement Act for housing of the proprietor.
4. In case when in future the debtor impedes the housing of litigant, the compulsory executor performs executive activities and applies penalties and other measures against the debtor defined in the Article 72 of this Law.

5. The Enforcement Act is considered accomplished if every day and non barrier usage of the living territory by the litigant is provided.

## **CHAPTER 8. Execution Expenses**

### ***Article 66. Expenses related to the enforcement activities.***

1. Expenses related to the execution activities are resources spent by compulsory executor as well as by enforcement proceeding parties and others on the organization and realization of the enforcement activities.
2. Expenses related to the execution activities are those resources which spent:
  - 1) on discovering, purchase, banning the usage, transportation, housing, valuation and realization of the property of the debtor;
  - 2) for payment to experts;
  - 3) for transferring confiscated amounts to the litigant;
  - 4) for investigation of the debtor and (or) its property;
  - 5) for performing other enforcement activities.

### ***Article 67. Advance provided by the litigant for expenses.***

1. For the realization of enforcement activities the litigant has a right to pay an advance on the deposit account of regional division of services of compulsory enforcement with the amount necessary for making corresponding expenses or part of those.
2. After the finish of enforcement activities the advance is returned to the litigant with the exception of cases defined by the paragraph 3 of Article 68 of this Law.

### ***Article 68. The procedure of compensation of expenses made for execution of enforcement activities.***

1. The expenses made for execution of enforcement activities are confiscated for the debtor.
2. If the litigation stopped according to the Court statement based on which was given Enforcement Act, as well as stopped because of the insufficiency or absence of the property of the debtor, the expenses are compensated from the state budget.
3. If the litigation stopped by the litigant denying to take back property which was confiscated during execution of Enforcement Act from the debtor with an aim to give to the litigant, the expenses for execution of enforcement activities are reimbursed from the litigant.
4. The compulsory executor makes the decision on the confiscation of expenses and transfer of those to the state budget.

## **CHAPTER 9. Distribution Of Confiscated Amounts**

### ***Article 69. The procedure of distribution of confiscated amounts.***

1. From the amounts confiscated from the debtor including the proceeds from the gain on sale of property of the debtor: first, the litigation cost is covered; second, proceeding cost is covered; third, the penalties levied on the debtor during the execution process are covered; forth, the requirements of litigant are satisfied.
2. After satisfaction of all requirements of the litigant the remaining amount is returned to the debtor.



***Article 70. The sequence of satisfaction of the requirements of litigants***

If the property of the debtor confiscated based on the several Enforcement Acts, then the confiscated property of the debtor is distributed amongst the litigants in the following way:

First, the collateralised liabilities are satisfied from the amounts of collateralised property;

Second, the liabilities related to the compensation of the health or life damage as well as liabilities related to the confiscation of alimony are satisfied;

Third, the liabilities against employees with contracts and individuals with authorship contracts are satisfied;

Forth, the liabilities against the state budget related to the compulsory payments are satisfied;

Fifth, the liabilities against other litigants are satisfied.

## **CHAPTER 10. The Responsibility For Breach Of Rules During The Enforcement Proceeding**

***Article 71. Mandatory nature of the decisions made by compulsory executor***

The decisions made by the compulsory executor within the boundaries of the its rights are mandatory for all state bodies, local self-governing bodies, officials, organizations and citizens and are subject to execution on the all territory of Republic of Armenia.

***Article 72. The responsibility for not performing the decisions of compulsory executor.***

1. In case of not performing by the citizens or officials of the decisions of the compulsory executor without honourable reason, the compulsory executor penalizes the citizens by the amount equal to 100 times of the minimal salary and the officials by the amount equal to 200 times of the minimal salary. The compulsory executor sets new terms for performance of lathers.
2. In case of not performance or intentional impediment of performance of the decision of the compulsory executor for the second time without honourable reason, compulsory executor makes an application to prosecutor for bringing the breacher to the court.

***Article 73. The responsibility of the bank or other credit organisation for not performance of the Enforcement Act.***

Non performance by the bank or other credit organization, which serve the accounts of the debtor, of confiscating requirements from the debtor based on the Enforcement Act, may serve for the compulsory executor as a basis for penalizing the bank or other credit organization with an amount equal to 50% of the amount subject to confiscation.

## **CHAPTER 11. Execution Of Enforcement Activities Against Foreign Individuals And Foreign Legal Entities, Individuals Without Citizenship. Recognition Of The Legal Acts Of Foreign Countries And Their Implementation.**

***Article 74. Implementation of legal acts against foreign individuals and foreign legal entities, individuals without citizenship.***

The provisions of this law are applied for implementation of legal acts against foreign individuals and foreign legal entities, individuals without citizenship

***Article 75. Recognition and implementation of International Courts and legal acts of intermediary courts.***

1. International Courts and legal acts of intermediary courts are recognized and implemented in Republic of Armenia if it is supposed by international agreements.
2. The procedure of implementation of legal acts of International Courts and intermediary courts is defined by the corresponding International agreement of the Republic of Armenia and this Law.
3. If the terms of International agreements define other norms, than defined by this law, then the terms of international agreements are applied.

## **CHAPTER 12. Final And Transitional Provisions**

***Article 76. Enforcement of this Law.***

This Law will be operational from 1 January 1998.

***Article 77. Transitional provisions.***

Before enforcement of the Law on the Public Auctions the property of the debtor is realized according to the procedure of organization and realization of the auctions defined by the Articles 78-83 of this Law.

***Article 78. Organisation of the auction.***

1. The property of the debtor is sold by bidding for that. Bids are held through the auction.
2. The auction is organized and realized by the compulsory executor.

***Article 79. Message about the realisation of the auction.***

1. The compulsory executor places official message in the newspapers about forthcoming auction.
2. The following information is mentioned in the announcement:
  - 1) the location and time of the auction;
  - 2) the nature of the selling property and starting prices;
  - 3) the procedure of realization of the auction.
3. The announcement about the auction should be placed at least 10 days before the auction.

***Article 80. The procedure of realisation of the auction.***

1. The individuals who expressed desire to participate in the auction pay the advance in the deposit account of the regional division of compulsory enforcement service with an amount, time and procedure defined in the announcement about the auction. The advance should not exceed 5% of the starting price of the selling property. The advance of the individuals who participates but is not getting any property is returned to the participant straight after the auction. The advance is subject to return in case if the auction has not held.
2. The winner in the auction is the person who offers the highest price. The winner in the auction and the compulsory executor are preparing the statement of the results of the auction at the day of the auction. If the winner in the auction denies to sign the statement he loses the advance paid.

If the compulsory executor denies to sign the statement then she has to compensate the twice of the advance amount paid by the participant, as well as she has to compensate the losses the participant incurred while participating in the auction.

3. The winner in the auction within three days after the auction must pay the buying price of the property to the deposit account of the regional division of compulsory enforcement service by offsetting the advance paid before. In case of not payment that amount the advance paid is retained.
4. After payment of the buying price by the winner on the auction, within three days the compulsory executor signs with the buyer the buying -selling contract.  
If during the auction the property sold is subject to the state registration, then the buying-selling contract and the statement about the results of the auction are the basis for the corresponding notes in the state register about the ownership of the property.

***Article 81. The consequences of the breach of the procedures of the auction.***

1. If the auction is held with breaches of the procedure defined by the Article 80 of this Law the court can recognize the auction invalid after application of the interested party.
2. Recognition of the auction as an invalid supposes the invalidity of the contract with the winner of the auction.

***Article 82. Announcement of the auction as not held.***

The compulsory executor considers the auction as not held if:

- 1) only one buyer appeared on the auction;
- 2) during the auction the starting price of the selling property has not been exceeded;
- 3) the winner in the auction has not paid the buying price.

The auction should be announced as not held at the very next day of discovering above conditions.

***Article 83. Double auction(auctions).***

1. No late than one month after unrealized auction next auction is held.
2. For the reasons mentioned in the paragraphs 1 and 2 of the Article 82 of this law in case of each next auction the starting price of the selling property decreased by 20%.

Approved by the National Assembly

4 May 1998

Signed by the President of Republic of Armenia

3 June 1998