

LAW
OF THE REPUBLIC OF ARMENIA
ON
PAWNSHOPS AND PAWNSHOP ACTIVITY

Adopted on December 5, 2000.

CHAPTER 1. GENERAL PROVISIONS

Article 1. Scope of the Law

This Law regulates relationships connected with pawnshop activity, stipulates the conditions of providing credits and defines the procedure of state supervision over pawnshop activities.

Article 2. Basic concepts used in the Law

The following main concepts are used in this Law:

Pawnshop activity – entrepreneurial activity of bailment and provision of short- term credits to physical persons secured by a pledge of personal movable property.

Pawnshop – an organization having received a license for performing pawnshop activity (hereinafter, license).

Pawnshop premises – the area of the main building necessary for pawnshop activity which is used for maintenance of cash, collateral (property transferred for storage) and documents concerning crediting, receiving customers and providing credits, as well as for performance of other functions related to pawnshop activity.

Authorized body – an authorized body of the Government of the Republic of Armenia that implements licensure and supervision of pawnshop activity.

Security and fire alarm system – technical equipment or a set of equipments that throughout the whole day or during its certain hours controls the entrance of persons into the area of the pawnshop, and presence of fire or real danger of fire in the premises.

Documents concerning crediting – credit contract, pledge document (pledge agreement), nominal maintenance receipt and personal card of recording the payments of the borrower (bailor), as well as those documents defined by the authorized body that are necessary for determining the conformation that the requirements of this Law are observed.

Credit amount – financial resources transferred to the account of or actually paid to the borrower by the pawnshop according to the credit contract.

Beginning of credit period – the day following the day of transferring to the account of or actually paying to the borrower the whole credit amount.

Credit redemption date – the day when according to the credit contract the credit amount must be fully returned and all the interest payments be effected to the pawnshop.

Credit period – a time period between its beginning and full redemption of the credit, including the first and the last days. Moreover, except in cases stipulated by item 2 of Article 8 of this Law, during this time period all the days are taken into account irrespective of the condition of their being working days.

Interest payment – an amount paid to the pawnshop as a compensation for the credit in compliance with the credit contract, which is equal to the hundredth of the credit amount, credit period (a part of it) expressed in days and the product of the daily interest of the credit

Article 3. Performers of pawnshop activity

In the Republic of Armenia pawnshop activity can be performed by commercial organizations registered in the Republic of Armenia (hereinafter, organization) based on the license issued by the authorized body.

Article 4. Application of the word “pawnshop”

1. Only the organization having been granted a license can use the word “pawnshop” or its derivatives in the naming of the organization, except cases when the meaning of its application evidences that it does not refer to pawnshop activity.

2. The pawnshop cannot use such misleading words in its naming that may lead to confusing assumptions as to the financial situation or legal status of the pawnshop.

CHAPTER 2. CONDITIONS OF PAWNSHOP ACTIVITY

Article 5. Relations between pawnshop and the borrower

1. The relations between the pawnshop and the borrower are regulated by contractual principles.

2. Credit contracts are concluded according to general conditions of crediting approved by the pawnshop. The pawnshop informs the authorized body, according to the procedure defined by the latter, about its general conditions for crediting, as well as about amendments and supplements to them.

Article 6. Requirements submitted to pawnshops

1. Own resources, credits and loans received from banks and other organizations are considered to be credit resources of the pawnshops.

2. The pawnshop:

a) performs pawnshop activity only within the limits of the certain territory (address) indicated in the license, moreover, performance of pawnshop activity by the pawnshop in other areas is considered to be implementation of activities subject to licensing without a license.

b) maintains jewelry from precious metals and stones, and other household goods (as well as valuable small things) regarded as pledged property (transferred for storage) in safes in a separate room with ferroconcrete walls (roof) in the territory of the pawnshop or in any bank operating in the territory of the Republic of Armenia according to the agreement signed with it.

c) by the procedure defined by law performs insurance of movable property taken as a pledge, as well as insurance of property transferred for storage.

d) with the purpose safely maintaining material values secures the protection of the pawnshop territory by means of security and fire alarm systems.

e) with the purpose of protecting its territory operates a security service the employees of which are distinguished by their uniforms. They may be provided with the right to carry weapon according to the procedure defined by law.

f) after receiving the license pays the stamp duty defined by the Law of the Republic of Armenia "On Stamp Duty" for each following year before the beginning of the period.

Article 7. Operations performed by the pawnshop

1. The pawnshop is entitled:

a) to provide credits secured by pledge of personal movable property ;

b) to involve credits and loans from banks and other organizations;

c) with the right of limited circulation to issue securities (except shares) and to allocate among banks and other organizations. The secondary allocation of those securities may be executed only among these mentioned organizations.

d) in case of being a joint-stock company to issue and allocate shares by the procedure defined by law;

e) for the redemption of debts to dispose of the property transferred to it according to the procedure defined by law;

f) according to the procedure defined by legislation to accept property only from the pledgor or bailor. The written declaration, made in the pledge document or nominal maintenance receipt of the person transferring the property, may serve as a basis for certifying the fact of his being a pledgor (bailor) for the pawnshop. The authorized body defines the procedure of drawing up pledge documents and nominal maintenance receipts by the pawnshop.

2. The pawnshop is not entitled:

a) for the purpose of acquiring credit resources to allocate bonds and other securities, to involve loans or other resources in a manner other than provided in item 1 of this Article;

b) to provide commodity credits;

c) to provide credit by shares without concluding a new contract for each share;

d) to set any claims as to the disposal of the amount received by the borrower;

e) to carry out any changes of the time period stated in the credit contract after delay of the time period stipulated by the credit contract on full redemption of the credit. By the agreement of the parties the unredeemed credit (but subject to redemption) or a part of it can be regarded as a component part of the new credit amount according to the new credit contract, and the contract signed before can be recognized as having lost its force;

f) to perform activity (operations) other than pawnshop activity, unless otherwise provided by this Law and other legal acts.

Article 8. Conditions of providing credits to citizens by the pawnshop

1. The pawnshop provides credits for a certain time period, in AMD by cash or non-cash payment. The pawnshop may also provide credits expressed in foreign currency on the basis of the license issued by the Central Bank of the Republic of Armenia.

2. If on the day of fully redeeming the credit it is not possible for the borrower to redeem it for the reason that the pawnshop is closed on announced working days (hours), then the next working day is considered to be the day of fully redeeming the credit. Moreover, in case of applying the condition indicated in this item the change of the credit redemption day cannot result in the increase of calculated interest payments.

3. By the agreement of the parties, according to the same credit contract different credit interest rates may be set for separate sections of the credit period.

Article 9. Recording of payments by Debtor (bailor) and maintenance of documents related to lending

1. When providing each credit (accepting property for storage), the pawnshop draws up a personal card (hereinafter, card) of payment recording of the debtor, which

is closed only after the termination of the credit (storage) contract. The authorized body defines the procedure of drawing up the card.

2. The pawnshop maintains the documents relating to lending for at least three years after the termination of the respective contract.

3. The documents relating to lending are maintained in a separate room in the premises of the pawnshop, where outsiders have limited access, or in a safe. The pawnshop can, based on a written contract, assign maintaining of documents relating to lending to another person.

4. The pawnshop guarantees the confidentiality of the documents relating to lending and the documents relating to lending of the given person or information included are provided only to:

a) the authorized body, given the necessity of implementing supervising authority by the latter;

b) the court, as well as the investigation body, the investigator, the prosecutor, according to the procedure stipulated by the Criminal Procedure Code of the Republic of Armenia;

c) persons authorized by the borrower,

d) the notary office with respect to issues relating to inheritance.

The bodies and persons stated in this point preserve the confidentiality of information provided to them according to the procedure stipulated by law.

CHAPTER 3. LICENSING AND SUPERVISION OF PAWNSHOP ACTIVITY

Article 10. Licensing of pawnshop activity

1. The authorized body implements the licensing of the pawnshop activity, by the procedure stipulated by the Government of the Republic of Armenia, according to this law.

2. The application on giving a license is rejected, if:

a) the application and the attached documents are incompliant with the requirements of this law and other legal acts, or which contain fraudulent information;

b) in the case stipulated by Article 18, point 5 of this law.

3. The decision of the authorized body on rejecting the application of receiving a license is, within a period of three days, provided or sent by post to the applicant accompanied with the grounds of concluding it.

4. In case of the absence of the grounds stipulated in point 2 of this Article, the authorized body takes a decision to satisfy the application of receiving a license and, within a period of three days, provides or sends it by post to the applicant.

5. In case of the presence of insignificant shortcomings, inconsistencies of non legal nature, other similar drawbacks in the application of receiving a license or the attached documents, the authorized body takes a decision to satisfy the application of receiving a license with a reservation that the applicant will eliminate revealed shortcomings within a period of one month. The authorized body provides or sends by post the decision on satisfying the application of receiving a license with a reservation within a period of three days.

6. In case of taking a decision on satisfying the application of receiving a license, the license is provided to the applicant within a period of one month after making the first annual payment of the stamp duty stipulated by the law of the Republic of Armenia “On Stamp Duty” and submitting a document confirming the payment.

7. In case the information on eliminating the shortcomings stipulated in point 5 of this Article and the receipt of the first annual payment of the stamp duty provided by the law of the Republic of Armenia “On Stamp Duty” are submitted to the authorized body after the deadline, the authorized body, as a condition of giving a license, requires a declaration from the applicant that during the past period the documents attached to the application of receiving a license have not lost their legal power in the context of consistency with the requirements of this law and other legal acts.

8. In case the declaration stipulated in point 7 of this Article is not submitted or the applicant informs that any of the documents attached to the application has lost its legal power in the context of consistency with the requirements of this law and other legal acts, the decision of the authorized body on giving a license is considered annulled if the applicant does not simultaneously submit documents securing the condition of point 4 of this Article.

9. The authorized body defines the form of the license.

10. The license is given without time limits.

11. The license cannot be pledged or alienated. In case of a spin-off of a legal person the license is kept with the person having received it and in case of a division of a person the created persons can apply according to the procedure stipulated by law for receiving a new license.

12. The authorized body administers a register of the granted licenses.

Article 11. Supervision of the Pawnshop activity

1. The authorized body carries out supervision over the pawnshop activity through site inspections or supervision over documents. In case of discovery, by the inspection results, of violations stipulated by Article 12 of this law, the authorized body applies the measures of responsibility stipulated by Article 13 of this law.

2. The inspections of the pawnshop activity are implemented according to the procedure stipulated by the law.

3. Supervision over the documents is implemented according to the procedure stipulated by the authorized body through analyzing the information (reports) submitted to the authorized body by the pawnshops on their activity.

CHAPTER 4. VIOLATIONS OF THE LAW, THE MEASURES OF RESPONSIBILITY APPLIED

Article 12. Violations of the law

The authorized body applies measures of responsibility against the pawnshop, if:

- a) the pawnshop has implemented pawnshop activities and other operations stipulated by this Article by violation of the conditions stated in Articles 5 and 8 of this law or the requirements stated in Articles 6 and 9 of this law;
- b) the pawnshop has implemented the operations stated in Article 7, point 2 of this law;
- c) the pawnshop has overdue liabilities as to taxes and other compulsory payments;
- d) the procedure and conditions of submitting and publicizing the reports stipulated by this law and other legal acts are violated or they have contained false data;
- e) the applicant, when submitting the application for receiving a license or after that before the moment of granting the license, has distorted the required information or has submitted them incompletely, in case its correct or complete presenting would lead to the rejection of receiving a license.

Article 13. The measures of responsibility applied for the violation of this law

In cases stipulated by Article 12 of this law, the authorized body applies the following measures of responsibility against the pawnshops:

- a) warning and an order on elimination of the violations,
- b) a fine,
- c) suspension of the license effectiveness,
- d) recognition of the license as invalid.

Article 14. Warning and an order on elimination of the violations

1. The authorized body records the violations through on-site inspections and supervision of documents and warns the pawnshop.

2. The warning provides also an order for eliminating the violation within the time period specified by the authorized body and undertaking measures directed to preventing such a violation in future, the performance of which is compulsory.

3. Warning, as a means of responsibility, is applied in case of the violation of the procedure of presenting and publicizing the information (reports) stipulated by Article 12, point “d” of this law.

Article 15. Fine

1. A fine is charged by the decision of the authorized body and if the pawnshop does not agree with the decision of charging a fine, the authorized body applies to the court with the request of charging a fine.

2. A fine is charged in the amount of one hundred thousand AMD, if the pawnshop:

a) a credit contract incompliant with the general conditions of lending approved by the pawnshop has been signed in violation of Article 5, point 2 of this law;

b) Article 6, point 2, sub-point “e”, Article 8, point 2 or Article 9, points 1, 2 or 4 are violated;

c) the violation has been repeated within a period of 2 years after application of a warning in compliant with Article 14 of this law.

3. In case of continuing the violation serving as a basis for application of a fine or committing such a new violation within a period of two years after application of a fine according to point 2 of this Article, the size of the fine is added by 500 thousand drams.

4. For the delayed submission of information (reports) or presentation of inconsistent data, the authorized body can apply to the court with the request of imposing a fine against the head of the pawnshop in the amount not exceeding one hundred thousand drams.

Article 16. Suspension of the effectiveness of a license

1. The authorized body suspends the effectiveness of a license, if the pawnshop:

a) has not informed the authorized body about the general conditions of lending by the pawnshop with the violation of Article 5, point 2 of this law or the amendments or supplements thereto;

b) Article 6, point 2, sub-points “a”, “b”, “c”, “d” or “f”, Article 7, point 2; Article 8, point 1 or Article 9 point 3 of this law are violated;

c) has overdue liabilities of taxes and other compulsory payments stipulated by law.

2. The time period defined by the authorized body for the suspension of the effectiveness of a license cannot exceed 45 days.

3. Implementation by the pawnshop of pawnshop activities (provision of new credits) during the time period of the suspension of the effectiveness of the license is considered to be implementation of activities without a license that are subject to licensing.

4. The authorized body refers to the suspension of the effectiveness of a license within a period of 15 days after the pawnshop informs the authorized body on the elimination of the violations having served as a basis for the suspension and in case of the non submission of such information during the suspension period within 15 days after the end of the suspension period.

5. If in accordance with point 4 of this Article the authorized body refers to the suspension of the effectiveness of a license after the end of the time period defined in accordance with point 2 of this Article, irrespective of that time period, the effectiveness of the license remains suspended before the authorized body refers to it, but no later the time period stipulated by point 4 of this Article. In case the authorized body does not refer to suspension of the effectiveness of a license within a time period stipulated by point 4 of this Article the suspension is considered terminated and the effectiveness of a license as recovered.

Article 17. Recognizing the license as invalid

1. The authorized body recognizes the license has invalid, if the pawnshop:

a) has presented false data in the documents stated in Article 12, sub-point “d” of this law;

b) the violation stated in Article 12, sub-point “e” of this law has been committed;

c) within two years period after application of a fine in accordance with Article 15 of this law, a violation has been committed serving as a basis for the application of a fine;

d) within two years period after committing a violation serving as a basis for the suspension of the effectiveness of the respective license, a violation has been committed, which serves as a basis for the repeated suspension of the effectiveness of a license.

2. A license is recognized as having lost its force by the result of a consideration carried out by a proper notice of the pawnshop in case of the presence of one of the grounds stipulated by point 1 of this Article.

3. The authorized body informs the pawnshop about the intension of recognizing a license as having lost its force at least fifteen days prior to the consideration, by stating in the letter:

a) the legal grounds and consequences of recognizing a license as having lost its force,

b) the facts and documents that serve as a basis for recognizing a license as having lost its force (by attaching the copies thereto),

c) the place, date and time of the consideration,

d) the name and the position of the official of the authorized body, to whom application and motions can be submitted.

4. The authorized body considers the issue of recognizing the license as having lost its force on the day, time and place stated in the letter stipulated in point 3 of this Article, irrespective of the presence of the pawnshop representative.

Article 18. The consequences of recognizing the license as having lost its force

1. The authorized body promulgates the decision on recognizing the license as having lost its force within a period of five days through mass media and alongside with the grounds, having served as a basis for taking it, provides or sends by post to the respective organization within a period of three days.

2. The decision enters into force from the moment of its promulgation, if no other time period is stipulated by it.

3. The license can be recognized as having lost its force also on the basis of the pawnshop motion.

4. From the moment of entry into force of the decision recognizing the license as having lost its force:

a) the pawnshop terminates the pawnshop activity (provision of new loans) and returns the original of the license to the authorized body within a period of five days;

b) secures the conclusion of all the credit contracts within the time period stipulated by the authorized body.

5. With the exception of the case stipulated by point 3 of this Article, within a period of one month after recognizing the license as having lost its force, the following bodies have no right to apply for receiving a license:

a) the organization, whose license has been recognized as having lost its force,

b) the organization with more than one third participation in the charter capital of the organization at the moment of recording the violations having served as a basis for recognizing the license as having lost its force,

c) the organization in the charter capital of which any physical or legal person had more than one third participation at the moment of recording the grounds having served as a basis for recognizing the license as having lost its force.

CHAPTER 5. CONCLUDING PROVISIONS

Article 19. Transitional provisions

1. Licenses provided according to the stipulated procedure before the entry into force of this law, by observing the requirements of this law are in force before the end of the term of their effectiveness, but no more than for one year after entry into force of this law.

2. Before the effectiveness of the law on “Public Auctions” the pawnshops can sell the property through public auctions transferred to them in accordance with Article 7, point 1, sub-point “e” of this law against the liabilities according to the procedure approved by it or agreed with the authorized body.

R. Kocharyan,
President of the Republic of Armenia

Yerevan,
December 29, 2000.
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