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LAW

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ON FUNDS TRANSFER BY A PAYMENT ORDER

CHAPTER I

GENERAL PROVISIONS

Article 1. Subject matter of the Law

This Law shall establish the legal regime of funds transfers by a payment order in the Republic of Armenia and the rights and obligations of participants of the transaction

on funds transfer by a payment order, as well as the liability thereof for failure to fulfil or improper fulfilment of obligations.

Article 2. Funds transfer by a payment order

Funds transfer by a payment order (hereinafter referred to as “funds transfer”) shall be deemed as a combination of successive actions carried out by the payer with the purpose of paying the envisaged amount to the beneficiary, indicated in the payment order, which start to be carried out with the presentation thereof. The funds transfer shall include the payment order sent by the payer’s bank or an intermediary bank to the next bank with the purpose of executing the payer’s payment order. The funds transfer shall complete with the acceptance by the beneficiary’s bank of the payer’s payment order in favour of the beneficiary.

Article 3. Payment order

1. A payment order (in oral, written or electronic form) shall be an order issued to a bank in order to pay or to assign another bank to pay a fixed or calculated amount to the beneficiary, where:
 - (a) the order does not set any other conditions for payment to the beneficiary, except for the payment period, and
 - (b) the receiving bank receives compensation from the sender through debiting the account of the sender or in another manner, and
 - (c) the sender communicates the order to the receiving bank directly or indirectly through an agent, a funds transfer or telecommunication system.

Where the order complying with the requirements set forth in the first paragraph of this point provides for making more than one payment to the beneficiary, it shall be a separate payment order for each payment.

The payment order shall be considered as having been sent when it is sent to the receiving bank.

2. The amount of the payment order shall be the amount to be paid to the beneficiary, indicated in the payment order.
3. For the purpose of ensuring the smooth operation of the payment and settlement system, the Central Bank may define the requisites of payment orders, orders on their withdrawal, and those of notifications.

Article 4. Participants of the transaction on funds transfer

1. Participants of the transaction on funds transfer shall be the parties to the transactions necessary to carry out a funds transfer — the sender, the receiving bank and the beneficiary.
2. The sender shall be the person who sends (transmits) the payment order to the receiving bank. The payer, the payer's bank and the intermediary bank(s) may be a sender.
3. The payer shall be the person submitting the first payment order for the funds transfer.
4. The payer's bank shall be the bank receiving the payment order from the payer. Where the payer is a bank, it shall be the payer's bank as well.
5. An intermediary bank shall be any receiving bank other than the banks of the payer and the beneficiary.
6. The receiving bank shall be the bank to which the sender's payment order is addressed (the payer's bank, intermediary bank(s) and the beneficiary's bank).
7. The beneficiary shall be the final recipient of the transfer of the amount of the payer's payment order.

8. The beneficiary's bank shall be the bank indicated in the payer's payment order which:
 - (a) holds the account of the beneficiary, to be credited in accordance with the payer's payment order, or
 - (b) must, in accordance with the payer's payment order, pay the amount of the payment order to the beneficiary.
9. The bank, the branches and operational offices (units) thereof shall be considered as independent participants of funds transfer. The rights and obligations arising with regard to the funds transfer defined for banks under this Law shall be extended to the branches and operational offices (units) of the bank in the same manner.

Article 5. Funds transfer systems

Funds transfer systems shall be the specialised communication systems of the Central Bank, a bank or banks, through which the payment orders, orders on their withdrawal and (or) notifications (excerpts) on accounts are transferred to the persons addressed therein.

Article 6. The obligation to explain the essential conditions of the contract to the customer

1. When concluding a fund transfer contract, the bank shall be obliged to properly introduce the customer to the rights and obligations thereof and the essential conditions of the contract.
2. In case the bank fails to fulfil its obligation defined by this Article, the contract may be declared as invalid at the request of the customer.

Article 7. The operational day. The moment of receiving the payment order

1. The operational day of funds transfer (hereinafter referred to as an “the operational day”) shall be the period of the calendar day during which the bank receives, accepts and (or) sends (transfers) the payment orders, orders on their withdrawal, as well as provides notifications (excerpts) on the account. The operational day of funds transfer shall be determined by the bank independently. The bank shall be obliged to inform the customer of the operating hours of the funds transfer bank at the first request of the customer or upon signing relevant contract therewith.
2. Where the payment order or the order on its withdrawal was received after the end of operational day of the funds transfer, it shall be considered as having been received at the beginning of the next operational day of the funds transfer.

CHAPTER II

SENDING, ACCEPTANCE AND WITHDRAWAL OF THE PAYMENT ORDER

Article 8. Security protocol

1. The security protocol shall be the protocol established by mutual agreement between the parties to the transaction on funds transfer with the purpose of ensuring the authenticity of payment orders, that of pertinence of other messages, and of detecting (validating) the errors appeared therein.

The use of special algorithms, passwords, codewords, encryption and other personal identification means may be provided for under the security protocol.

2. The protocol applied by the bank must ensure unimpeded implementation of the funds transfer. The sender shall be entitled to request from the receiving bank the payment orders issued thereby, to apply — for the transfer of other messages — another security protocol envisaged by the contract or the rules of the funds transfer system. When applying the security protocol proposed by the sender, the receiving bank shall not be responsible for failure to fulfil or improper fulfilment of the obligations assumed before the sender due to the shortcomings in this protocol.
3. The Central Bank may establish requirements to security protocols applied by funds transfer systems.

Article 9. Validity of the payment order

1. The payment order shall be valid where it is sent by the person indicated therein as a sender or the representative thereof.
2. The payment order not complying with point 1 of this Article shall also be valid where:
 - (a) pursuant to the contract concluded between the bank and the sender, the payment order sent to the bank by or on behalf of the customer is subject to validation through certain security protocol, and
 - (b) the bank has accepted it in good faith and in accordance with the security protocol envisaged by the written contract concluded between the bank and the sender and other instructions of the customer. The bank shall not be obliged to fulfil the instructions of the sender that are contrary to the written contract or were not received in a manner and within time period that would enable the receiving bank to take appropriate action.

3. The payment order accepted in accordance with point 2 of this Article shall be invalid where the sender proves that:
 - (a) the payment order was not sent by the person(s):
 - who has ever been authorised or entrusted by the sender to send, submit payment orders or perform actions related to the implementation of the security protocol, and
 - who, without being authorised therefor by the receiving bank, has obtained information making the given transfer possible from sources under the possession of the sender, regardless of existence of the fault of the sender or the manner of obtaining the information, and
 - (b) the transfer capabilities or means of the sender were not used when sending the given payment order.
4. Pursuant to point 3 of Article 8 of this Law, in case of availability of minimum requirements to security protocols established by the Central Bank, the payment order shall be valid where the security protocol provided for by point 2 of this Article complies with these minimum requirements.
5. The rights and obligations of the participants of the transfer, deriving from points 1, 2 and 4 of this Article, may not be changed by the contract or the rules of the funds transfer system.
6. This Article shall also refer to the orders on withdrawal of the payment order.

Article 10. Consequences of invalidity of the payment order

1. Where the receiving bank accepts the invalid payment order (Article 9) and the obligation of the sender to pay is fulfilled (Articles 25 and 26), the receiving bank shall, upon the request of the sender, be obliged to return the amount of the payment order and the interest calculated against this amount from the date

of receipt, by the bank, of the amount until the date of full refund of the amount. The sender shall be deprived of the right to receive the interest in case of having failed to file an objection to the bank within the shortest possible time period, but not later than 20 days after having received the notification (in oral, written or electronic form) on accepting the payment order sent by the receiving bank or on debiting the account of the sender.

2. The obligation of banks, defined by this Article, shall not be subject to change by the contract or the rules of the funds transfer system.

Article 11. Error in the payment order

1. Where the sender's payment order was transmitted in observance of the security protocol, however:
 - (a) a beneficiary not envisaged by the sender is erroneously indicated in the sender's payment order, or
 - (b) a payment of an amount greater than that provided for by the sender is erroneously indicated in the payment order thereof, or
 - (c) the sender has erroneously sent the duplicate copy of the payment order previously sent thereby, provided that the sender proves as to having observed the requirements of the security protocol, and that the error would be detected if the receiving bank had also observed them, the sender shall not be obliged to pay the amount of the payment order to the receiving bank, and in the case provided for by sub-point (b) of this point — the difference between the amount erroneously indicated in the sender's payment order and the amount provided for by the sender. The receiving bank may, as prescribed by law, claim back from the beneficiary the erroneously paid amount.

2. Where:
 - (a) in accordance with point 1 of this Article, the sender of an erroneous payment order is not obliged to pay the amount of the payment order or a part thereof to the receiving bank, and
 - (b) the sender has been notified (in oral, written or electronic form), by the receiving bank, of accepting the payment order or debiting the account of the sender, the sender shall be obliged to detect the given error within the shortest possible time period, but not later than within sixty days upon receipt of the above-mentioned notification, and inform the receiving bank thereof immediately. Otherwise, where the receiving bank proves that the sender has failed to fulfil the obligation thereof, defined by this point, or has fulfilled it with delay, the sender shall be obliged to compensate the damage incurred by the bank as a result of the error, moreover, the size of compensation may not exceed the amount of the given payment order.
3. This Article shall also refer to orders on withdrawal of the payment order.

Article 12. Sending a payment order through funds transfer system or other communication systems

1. Where the payment order addressed to the receiving bank is sent through funds transfer system or other communication systems, and in case the payment orders sent to the system and received from the system do not correspond to each other, the receiving bank shall take as a basis the payment order received from the system.
2. Point 1 of this Article shall not refer to the funds transfer system of the Central Bank. The Central Bank shall be responsible for erroneous execution of payment orders as an intermediary bank.
3. This Article shall also refer to orders on withdrawal of the payment order.

Article 13. Identification of the beneficiary

1. Where the name, account or identification number of the beneficiary, which is non-identifiable or unknown to the given bank, is indicated in the payment order received by the beneficiary's bank, the payment order shall not be subject to acceptance, and no one shall acquire the rights of the beneficiary, except for the cases provided for by point 2 of this Article.
2. Where the beneficiary indicated in the payment order received by the beneficiary's bank is identified by name and account or other identification number, however the name and number identify different persons, the beneficiary's bank shall be guided by the following rules:
 - (a) except for the cases prescribed by point 3 of this Article, when identifying the beneficiary, the account or identification number shall be taken as a basis, where the beneficiary's bank is not aware that the name and number of the beneficiary identify different persons. Moreover, the beneficiary's bank shall not be obliged to ascertain whether or not the name and number identify the same person;
 - (b) where the beneficiary's bank pays the person identified by name or is aware that the name and number identify different persons, no one shall acquire the rights of the beneficiary, except for the person having received the amount of the payment order from the beneficiary's bank, who, by virtue of law or a contract, was entitled to receive payment from the payer. Where no one acquires the rights of the beneficiary, the payment order shall be considered as not accepted.
3. Where the payment order provided for by point 2 of this Article is accepted, as well as the name and number of the beneficiary indicated in the payer's payment order identify different persons, and the beneficiary's bank makes the payment in accordance with sub-point (a) of point 2 of this Article, the following rules shall apply:

- (a) the payer shall be obliged to pay the amount of the payment order, where the payer is a bank;
 - (b) the payer shall not be obliged to pay, where the payer is not a bank and proves that the person identified by the number in the payment order, was not entitled, by virtue of law or a contract, to receive payment from the payer;
 - (c) the payer shall be obliged to pay, where the payer is not a bank and the payer's bank proves that before accepting the payer's payment order thereby the payer was aware of the right of the beneficiary's bank to identify the beneficiary by number.
4. Where, in the case provided for by sub-point (a) of point 2 of this Article, the beneficiary's bank pays the person identified by number in the payment order, and the latter was not entitled to receive payment from the payer, compensation may be claimed from this person in the manner prescribed by the legislation of the Republic of Armenia:
- (a) by the payer, where the latter is obliged to pay the amount indicated in the payment order in accordance with point 3 of this Article, or
 - (b) by the payer's bank, where the payer is not a bank and is not obliged to pay the amount indicated in the payment order.

Article 14. Identification of the intermediary bank and the beneficiary's bank

1. Where the intermediary bank or the beneficiary's bank indicated in the payment order is identified only by number (code), the receiving bank, when identifying them, shall take as a basis only the number of the intermediary bank or that of the beneficiary's bank and shall not be obliged to ascertain whether or not the

number identifies the given bank, while the sender shall be obliged compensate the damages caused to the receiving bank as a result of executing or attempting to execute the payment order based on the number of the intermediary bank or that of the beneficiary's bank.

2. Where the intermediary bank or the beneficiary's bank indicated in the payment order is identified by name and number (code), however the name and number identify different persons, the following rules shall apply when identifying them:
 - (a) where the sender is a bank, the receiving bank may take the number as a basis, if the receiving bank, at the time of executing the payment order, is not aware that the name and number indicated in the payment order identify different persons. Moreover, the receiving bank shall not be obliged to ascertain whether or not the name and number identify the same bank. The sender shall be obliged to compensate the damages caused to the receiving bank as a result of executing or attempting to execute the payment order based on the bank number of the intermediary bank or that of the beneficiary's bank;
 - (b) where the sender is not a bank, and the receiving bank proves that the sender, before accepting the latter's payment order thereby, was aware of the right of the receiving bank to identify the intermediary bank or the beneficiary's bank only by number (even if the name and number of the latter are indicated in the payment order), sub-point (a) of this point shall apply;
 - (c) regardless of whether or not the sender is a bank, the receiving bank may take as a basis the name of the intermediary bank or that of the beneficiary's bank, where the receiving bank, at the time of executing the payment order, is not aware that the name and number indicated in the payment order identify different persons. Moreover, the receiving bank

shall not be obliged to ascertain whether or not the name and number identify the same bank;

- (d) where the receiving bank, being aware that the name and number of the intermediary bank or that of the beneficiary's bank indicated in the payment order identify different persons, however when identifying them, has taken as a basis only the name or only the number, it shall be considered as an improper fulfilment, by the receiving bank, of the obligation defined by sub-point (a) of point 1 of Article 20 of this Law.

Article 15. Acceptance of the payment order

1. The receiving bank (except for the beneficiary' bank) shall accept the payment order when executing the payment order, except for the cases provided for by point 4 of this Article.
2. Except for the cases provided for by points 3 and 4 of this Article, the payment order shall be considered as accepted by the beneficiary's bank in the case where:
 - (a) the bank pays the beneficiary or sends thereto a notification (in oral, written or electronic form) on receiving a payment order or crediting the account of beneficiary with regard to the receipt of the payment order, except for the cases where the given notification specifies that the beneficiary may not dispose of the received funds until the sender pays the amount of the payment order, or the bank rejects the payment order (Article 16);
 - (b) the sender pays the amount of the payment order to the beneficiary's bank, or
 - (c) at the beginning of the operational day of the beneficiary's bank following the payment date indicated in the payment order, if at that time the sender

has paid the amount of the payment order to the bank, or the balance of the account of the sender in the given bank is sufficient to compensate the amount of the payment order, except for the cases where the payment order was rejected before the beginning of the given operational day, or

- within one hour from the beginning of the operational day of the beneficiary's bank, or
- within one hour from the beginning of the operational (working) day of the sender following the payment date indicated in the payment order, where the operational (working) day of the sender starts later than the operational day of the receiving bank.

3. The payment order shall not be considered as accepted until the receipt of the payment order by the receiving bank. In the cases provided for by sub-points (b) and (c) of point 2 of this Article, the acceptance of the payment order by the beneficiary's bank shall not occur where the beneficiary indicated therein has no account in the given bank, or the account of the beneficiary indicated the payment order is closed, or the bank is not entitled, in the cases provided for by law, to credit to or to receive funds from the account of the beneficiary.
4. The payment order shall not be considered as accepted by the payer's bank until the payment date, where the given bank is the beneficiary's bank, or until the execution date, where the given bank is not the beneficiary's bank. Where the payer's bank executes the payment order before the execution date indicated therein or pays the beneficiary indicated therein before the payment date, and the payer subsequently issues an order on withdrawal of the payment order in accordance with Article 17 of this Law, the payer shall not be obliged to pay the amount of the payment order to the bank, and the bank may claim this amount from the beneficiary as prescribed by Law.
5. Acceptance of a payment order shall exclude its subsequent rejection.

Article 16. Rejection of a payment order

1. The receiving bank may reject the payment order by notifying the sender (in oral, written or electronic form) thereof. The payment order shall be considered as rejected upon receipt of the notification.
2. In case of failure to execute or improper execution of the sender's payment order, the receiving bank (except for the beneficiary's bank) shall be obliged to pay an interest against the amount of the payment order to the sender, starting from the date of execution until the date of rejection of the payment order inclusive, where:
 - (a) as of the date of execution of the payment order, the balance of the account of the sender is sufficient to execute the payment order, and
 - (b) the payment order was not rejected before the end of the date of execution, and
 - (c) no interest is calculated against the balance of the given account of the sender. Where the balance of the account (from the date of execution to the date of receipt, by the sender, of the notification on rejection of the payment order inclusive) of the sender decreases, the interest amount paid by the receiving bank for this period shall be reduced respectively.
3. The payment order having not been accepted shall be considered as rejected from the moment when:
 - (a) the banking licence of the receiving bank is withdrawn or declared as invalid, where the given bank is not the beneficiary, or
 - (b) bankruptcy proceedings is initiated against the receiving bank, i.e. a preliminary trustee, a trustee or a liquidation manager is appointed therefor, or
 - (c) the receiving bank stops or refuses to make payments or informs the sender thereof.
4. Rejection of a payment order shall exclude its subsequent acceptance.

Article 17. WITHDRAWAL OF A PAYMENT ORDER. ACCEPTANCE OF AN ORDER ON WITHDRAWAL

1. Withdrawal of a payment order shall be deemed to be the termination of transfer of the amount of the given payment order, subject to immediate return of the given amount to the sender. In case of withdrawal of the payment order, its acceptance shall be cancelled, and the rights and obligations of the parties to the funds transfer resulting from the acceptance shall cease.

A payment order may be withdrawn in accordance with this Law, on the basis of an order on withdrawal of the payment order issued by the sender or a court.

2. The order on withdrawal of the payment order shall be sent to the receiving bank (in oral, written or electronic form) as prescribed by the contract concluded between the latter and the sender or by the rules of the funds transfer system. The requisites of the order on withdrawal of the payment order may be prescribed by a contract or the rules of the funds transfer system.
3. Acceptance of the order on withdrawal of the payment order shall be deemed to be the assumption of obligation to withdraw the payment order. Acceptance of the order on withdrawal of the payment order shall exclude further acceptance of the given payment order.
4. The order on withdrawal of a payment order shall be valid and shall be subject to acceptance where it:
 - (a) complies with the requirements of point 2 of this Article, and
 - (b) was received by the receiving bank in a manner and within time period enabling the receiving bank to take appropriate action before accepting the given payment order.
5. The order on withdrawal of a payment order following its acceptance shall be subject to acceptance in the cases provided for by points 6 and 7 of this Article,

if the receiving bank agrees to accept it or the rules of the funds transfer system enable its acceptance without the consent of the receiving bank.

6. An order on withdrawal of a payment order issued with regard to a payment order accepted by a receiving bank other than the beneficiary's bank may not be accepted, unless the order on withdrawal of a payment order duly sent by the receiving bank is accepted by the subsequent receiving bank.
7. An order on withdrawal of a payment order issued with regard to a payment order accepted by the beneficiary's bank may not be accepted, except for the cases where the given payment order was sent:
 - (a) in execution of a payment order that failed to be sent by the person indicated therein as a sender or the authorised representative thereof, or
 - (b) due to the error of the sender, in particular:
 - a duplicate copy of the payment order previously sent by the sender has been sent erroneously, or
 - a beneficiary not entitled to receive payment from the payer is erroneously indicated in the payment order, or
 - an amount is erroneously indicated in the payment order, which is greater than the amount the beneficiary is entitled to receive from the payer.

In case of withdrawing the payment order, the beneficiary's bank shall be entitled to claim back the amount paid to the beneficiary, as prescribed by law.

8. The payment order having not been accepted at the end of the fifth operational day following the execution date or payment date indicated in the payment order shall be withdrawn.
9. In case of accepting the order on withdrawal of the accepted payment order in accordance with points 5, 6 and 7 of this Article, the sender shall be obliged to

compensate the damages caused to and the expenses incurred by the receiving bank as a result of withdrawal or attempt of withdrawal of the payment order, unless otherwise provided for by the contract or the rules of the funds transfer system.

10. In case of death of the sender, declaring the latter as having no active legal capacity or as having limited active legal capacity, the reorganisation or liquidation thereof, the payment order of the given sender shall be withdrawn, where the receiving bank has learned of the above-mentioned facts before accepting the given payment order and has had an opportunity to take an appropriate action.
11. Contracts or rules of funds transfer system shall be effective to the extent they do not contradict to point 7 of this Article.

Article 18. The obligation of the receiving bank to accept the payment order

1. The receiving bank shall not be obliged to accept the payment order, where such obligation is not envisaged by the contract concluded with the sender or by the rules of the funds transfer system.
2. The liability defined by this Law, deriving from acceptance, shall arise only after accepting the payment order in accordance with Article 15 of this Law. The limits and extent of the liability of the bank shall be defined by this Law, unless otherwise provided for by the contract or the rules of the funds transfer system. The liability of banks defined by this Law may not be mitigated by the contract or the rules of the funds transfer system.
3. The receiving bank shall not be the representative (agent) of the sender of the accepted payment order or that of the beneficiary indicated therein.

CHAPTER III

EXECUTION, BY THE RECEIVING BANK, OF THE PAYMENT ORDER OF A SENDER

Article 19. Execution of the payment order and the execution date

1. A payment order shall be considered as executed by the receiving bank (except for the beneficiary's bank) where the bank sends a payment order in execution of the received payment order. The payment order received by the beneficiary's bank shall be accepted, however shall not be executed.
2. An execution date of a payment order shall be considered to be the date of receipt of the payment order or the day immediately following it, when the receiving bank sends or could have sent payment orders in execution of the payment order of the sender.

The execution date of the payment order may not precede the date of receipt of the given payment order.

Where only the payment date is indicated in the payment order, the execution date shall be considered to be the payment date or the operational day when relevant payment order is necessary to be sent by the receiving bank in order to make the payment to the beneficiary on the payment date.

Article 20. Obligations of the receiving bank when executing the payment order

1. Except for the cases prescribed by points 2, 3 and 4 of this Article, the receiving bank shall, when executing the payment order accepted in accordance with Article 15 of this Law, be obliged to:

- (a) send, during the execution date, a payment order corresponding to the sender's payment order and fulfil the requirements of the sender's payment order regarding the manner of sending it, as well as the intermediary banks and the funds transfers system selected for sending;
 - (b) send the payment order by possible expeditious manner available for it, where the payment order provides for such requirement. Where the payment date is indicated in the sender's payment order, however the execution date is not indicated, the receiving bank shall be obliged to send its payment order within a time period and in a manner as are necessary to ensure the payment to the beneficiary on the payment date or within possible short time period following it.
2. When executing the payment order, the receiving bank, acting in good faith, may independently select the intermediary banks or the funds transfer system, unless otherwise provided for by the sender's payment order.
 3. In case certain manner of sending is envisaged in the payment order, the receiving bank shall be obliged to send its payment order in the given manner or in equally expeditious manner.
 4. The receiving bank shall not be entitled to provide compensation, without the consent of the sender, for the services provided thereby at the expense of the amount of the sender's payment order.

Article 21. Erroneous execution of a payment order

1. Where the receiving bank has executed the sender's payment order:
 - (a) by sending a payment order providing for an amount greater than that indicated in the sender's payment order, or

- (b) by sending a duplicate copy of previously sent payment order, the sender shall be obliged to pay only the amount of the sender's payment order to the receiving bank, in accordance with point 2 of Article 25 of this Law, where the remaining conditions prescribed by this point are met. The bank shall be entitled to claim back from the beneficiary the difference between the amount received by the erroneous payment order and the amount of the sender's payment order, as prescribed by law.
2. Where the receiving bank has executed the sender's payment order by sending a payment order providing for an amount less than the amount indicated in the sender's payment order, the sender shall be obliged to pay the amount of the sender's payment order to the receiving bank in accordance with point 2 of Article 25 of this Law, where:
- (a) the remaining conditions prescribed by point 2 of Article 25 of this Law are met, and
 - (b) the receiving bank corrects the error by sending an additional payment order to the benefit of the beneficiary indicated in the sender's payment order.

Where the receiving bank fails to correct the error, the sender of the payment order accepted thereby shall be obliged to pay only the amount of the erroneous payment order to the receiving bank.

This rule shall not apply in the cases where the receiving bank has executed the sender's payment order by sending a payment order providing for an amount less than that indicated in the sender's payment order, as a result of receiving payment (compensation) against the services and expenses thereof (of the receiving bank) upon the instruction of the sender.

3. Where the receiving bank has executed the sender's payment order by sending a payment order in the name of a beneficiary not indicated in the sender's

payment order, and the transfer of funds has completed in accordance with the erroneous payment order, the sender of the erroneously executed payment order and all senders preceding the latter shall not be obliged to pay the amount of the payment orders sent by them. The bank having sent an erroneous payment order shall be entitled to claim back, as prescribed by law, the amount of the given payment order from the beneficiary indicated in its payment order.

Article 22. The obligation of the sender to report on erroneous execution of a payment order

Where the sender of a payment order being executed erroneously in accordance with Article 21 of this Law was notified by the receiving bank (in oral, written or electronic form) of accepting the payment order or debiting the account of the sender, the sender shall be obliged to detect, within possible short time period, but not later than within sixty days upon receipt of the above-mentioned notification, the error and to report on it immediately to the receiving bank. Otherwise, the sender shall be deprived of the right to receive the interest calculated, in accordance with point 3 of Article 25 of this Law, against the amount to be returned thereto, until the moment of detecting, by the receiving bank, the error thereof. The receiving bank shall not be entitled to claim compensation from the sender for failure to fulfil or improper fulfilment of the obligation thereof defined by this Article.

Article 23. Liability for failure to execute or improper execution of the payment order

1. In case of a delay in the payment to the beneficiary as a result of failure to fulfil or improper fulfilment, by the receiving bank, of its obligation defined by Article 20 of this Law, the receiving bank shall be obliged to pay interest against the overdue amount to the payer of the given transfer or to the beneficiary.

2. Where as a result of failure to fulfil or improper fulfilment, by the receiving bank, of the obligation defined by Article 20 of this Law, the transfer failed to complete or was not carried out through intermediary banks indicated by the sender, or a payment order not complying with the conditions of the payer's payment order was sent, the receiving bank shall be obliged to compensate all damages caused to the payer as a result thereof in so far as they were not compensated in accordance with point 1 of this Article.
3. In the cases provided for by points 1 and 2 of this Article, the receiving bank shall be obliged to compensate the damages caused to the sender as a result of failure to fulfil or improper fulfilment of its obligations, including all expenses incurred by the sender, including the amount of remuneration for legal services.
4. Where the receiving bank has undertaken an obligation, under a contract, to accept the sender's payment order, however fails to accept it given the lack of grounds for rejection or non-acceptance of the payment order in the contract, the receiving bank shall be obliged to compensate the damages caused to the sender as a result of non-acceptance, including the amount of remuneration for legal services.
5. The liability of the receiving bank, provided for by this Article, may not be replaced by stricter liability under a contract or the rules of the system.

CHAPTER IV

PAYMENT OF THE PAYMENT ORDER

Article 24. Payment date of the payment order

The payment date of the payment order shall be deemed to be the operational day when the amount of the payment order is subject to payment to the beneficiary by the beneficiary's bank.

The payment date may be indicated in the payment order, which, however, may not precede the date of receipt of the given payment order by the beneficiary's bank.

In case the payment date is not indicated in the payment order, the date of receipt of the payment order by the beneficiary's bank shall be considered as a payment date.

Article 25. The obligation of the sender to make payment to the receiving bank

1. The acceptance of the payment order by the beneficiary's bank shall oblige the sender to pay the amount of the payment order, moreover, the sender shall not be obliged to pay the amount of the payment order until the payment date.
2. Except for the cases provided for by point 4 of this Article and Article 22 of this Law, the acceptance of the payment order by the receiving bank (except for the beneficiary's bank) shall oblige the sender to pay the amount of the payment order, moreover, the sender shall not be obliged to pay the amount of the payment order until the execution date of the payment order thereof. The given sender shall be exempt from the obligation to pay the amount of the payment order thereof to the receiving bank, where the transfer of funds was not completed with acceptance of the payment order by the beneficiary's bank, to the benefit of the beneficiary indicated therein.
3. The receiving bank shall be obliged to return the amount, paid by the sender, to the latter, which the sender was not obliged to pay. The receiving bank shall also be obliged to pay interest against this amount, calculated from the moment of paying this amount by the sender to the receiving bank, except for the cases provided for by Articles 10 and 22 of this Law.
4. Where:

- (a) the transfer of funds was not completed with acceptance of the payment order by the beneficiary's bank, to the benefit of the beneficiary indicated therein, and
 - (b) the intermediary bank is obliged to return the amount of the payment order, in accordance with point 3 of this Article, however fails to fulfil this obligation based on any of the cases provided for by point 3 of Article 16 of this Law or based on any other law, the sender having executed the payment order providing for a condition to make the transfer through the given intermediary bank (sub-point (a) of point 1 of Article 20) shall be entitled to claim the amount of the payment order from the sender of the given payment order. The right to claim of the bank having made a payment to the intermediary bank in accordance with point 3 of this Article shall be transferred to the sender of the first payment order providing for the transfer through the given intermediary bank.
5. The rights of the sender to be exempt from the obligation to pay (point 2) and to receive payment (point 3) may not be changed by a contract or the rules of the funds transfer system.
6. The provisions of this Article shall be effective, unless otherwise provided for by Articles 11 and 13 of this Law.

Article 26. Payment to be made by the sender to the receiving bank

- 1. The obligation of the sender to make payment to the receiving bank, defined by Article 25 of this Law, shall be considered as fulfilled when the payment is made in accordance with this Article.
- 2. Where the sender is a bank, the payment by the sender shall be considered as made when the receiving bank receives the final settlement of the obligation through the Central Bank or funds transfer system.

3. Where the sender is a bank and credits the account of the receiving bank, held therein or in another bank, the payment by the sender shall be considered as made from the moment when the credited amount is debited from the account or (if the amount is not debited) at the end of the calendar day during which the credited amount could be debited and the receiving bank was aware thereof.
4. Where the receiving bank debits the account of the sender held therein, the payment by the sender shall be considered as made from the moment the account is debited, moreover, the payment shall be considered as made to the extent that the balance of the account is sufficient to satisfy the claim of the receiving bank.
5. Where the sender and the receiving bank are members of the funds transfer system providing for set-off of mutual obligations, the payment by the sender shall be considered as made from the moment of receipt, by the receiving bank, of the final settlement of obligations as prescribed by the rules of the system.
6. In case of a contract concluded between the sender and the receiving bank related to set-off of mutual obligations provided for by Article 25 of this Law, the payment by the sender shall be considered as made upon making the set-off in the manner prescribed by the given contract, to the extent of the obligations having been set off.
7. In the cases not provided for by this Article, the moment of fulfilment of the obligation of the sender to make payment to the receiving bank, defined by Article 25 of this Law, shall be determined by the civil legislation of the Republic of Armenia.

Article 27. The obligation of the beneficiary's bank to make payment to and to notify the beneficiary

1. The beneficiary's bank shall be obliged to pay the amount of the payment order accepted thereby to the beneficiary on the payment date, except for the cases provided for by Article 17 and point 4 of Article 28 of this Law. Where the beneficiary's bank has accepted the payment order after the end of the operational day of the funds transfer, it shall be obliged to pay the amount indicated in the payment order to the beneficiary during the next operational day of the funds transfer. The beneficiary's bank shall be obliged to compensate all damages incurred by the beneficiary, which derive from failure to fulfil or improper fulfilment, by the beneficiary's bank, of the payment obligation against the beneficiary, if the beneficiary's bank does not prove that failure to fulfil or improper fulfilment of its obligation against the beneficiary stems from its reasonable doubt as to the right of the beneficiary to receive the given payment.
2. Where, according to the payment order accepted by the beneficiary's bank, the amount of the payment order is subject to payment (crediting) to the account of the beneficiary, held in the given bank, the beneficiary's bank shall be obliged to notify the beneficiary (in oral, written or electronic form) of the receipt of the payment order before the beginning of the calendar day following the payment date. Where the amount of the payment order is not subject to crediting to the account of the beneficiary, the beneficiary's bank shall be obliged to inform the beneficiary only in the case where the payment order provides for such requirement.
3. The beneficiary's bank shall be obliged to pay interests to the beneficiary for failure to notify the latter or for notifying the latter with delay, as prescribed by point 2 of this Article. The interests shall be calculated from the beginning of the calendar day following the payment date until the day of notifying the beneficiary, inclusive. The beneficiary's bank shall not be held liable for damages

incurred by the beneficiary, which derive from failure to notify the beneficiary or from notifying the latter with delay by the beneficiary's bank, except for the state duty and charges for legal services related to challenging, through judicial procedure, the payment of interests provided for by this point. The beneficiary shall be considered as notified from the moment of sending the relevant notification or account statement to the beneficiary or from the moment of otherwise getting informed of the fact of receiving the payment. The beneficiary may be notified by phone or other means of telecommunication. The notification may be sent to the beneficiary by mail (registered or other reliable letter). The bank shall be obliged to select a means of notification and apply a method that will ensure the receipt of the notification by the beneficiary.

4. The right of the beneficiary to receive the payment and compensation for damages, defined by point 1 of this Article, may not be changed by a contract or the rules of the funds transfer system. The rights of the beneficiary to receive notification and interests, provided for by points 2 and 3 of this Article, may be changed by a contract or the rules of the funds transfer system, where the beneficiary has been informed of relevant provision of the given contract or the rules before starting the transfer of funds.

Article 28. Payment to be made to the beneficiary by the beneficiary's bank

1. In case the beneficiary's bank credits the account of the beneficiary, indicated in the payment order, the obligation of the beneficiary's bank, defined by point 1 of Article 27 of this Law, shall be considered as fulfilled at the time and to the extent that:
 - (a) the beneficiary is notified, as prescribed by point 2 of Article 27 of this Law, of the right of the beneficiary to withdraw the amount credited to the account thereof, or

- (b) the beneficiary's bank directs the amount of the payment order to the fulfilment of existing obligations of the beneficiary, in accordance with Article 31 of this Law, or
 - (c) the beneficiary's bank provides the amount indicated in the payment order to the disposal of the beneficiary.
- 2. Where the beneficiary's bank makes the payment not by means of crediting the account of the beneficiary, the moment of fulfilling the obligation of the beneficiary's bank, provided for by Article 27 of this Law, shall be determined by the civil legislation of the Republic of Armenia.
- 3. The provision of the contract concluded with the beneficiary, according which the beneficiary's bank is entitled to claim from the beneficiary the amount of the payment order paid to the latter, if the beneficiary's bank has not received it from the sender, shall be invalid, except for the cases prescribed by point 4 of this Article.
- 4. The rules of the funds transfer system may provide for conditional payments made to beneficiaries until the beneficiary's bank receives the amount indicated in the payment order accepted by the beneficiary's bank. In case of making a conditional payment to the beneficiary provided for by the rules of the funds transfer system, the beneficiary shall be obliged to return the received amount to the beneficiary's bank, if:
 - (a) before starting the transfer of funds, the payer and the beneficiary were notified that the payment would be conditional, and
 - (b) the payer's bank, the beneficiary's bank and the beneficiary agreed to apply the rules providing for conditional payments, and
 - (c) the beneficiary's bank did not receive, from the sender, the amount of the payment order accepted thereby.

Where the beneficiary is obliged to return the received amount to the beneficiary's bank in accordance with the first paragraph of this point, the acceptance of the payment order by the beneficiary's bank shall become ineffective, the payment order shall be withdrawn, and the payment provided for by Article 29 of this Law to be made by the payer to the beneficiary shall be considered as having not been made.

Article 29. Payment to the beneficiary by the payer. Fulfilment of the principal obligation

1. Except for the cases provided for by Article 17 and point 4 of Article 28 of this Law, the payment to be made to the beneficiary by the payer shall be considered as having been made from the moment the beneficiary's bank accepts the payment order to the benefit of the beneficiary, in the amount of the payment order accepted by the beneficiary's bank, but not more than the amount of the payer's payment order.
2. Where the payment provided for by point 1 of this Article is made by the payer for the purpose of fulfilling the obligation (principal obligation) of the latter against the beneficiary, the obligation of the payer shall be considered as fulfilled, except for the cases where:
 - (a) the payment provided for by point 1 of this Article was made in a manner or through means contradicting the contract giving rise to the principal obligation, and
 - (b) the beneficiary immediately notifies the payer of the refusal to accept the payment after receiving the notification on receipt of the payment order from the beneficiary's bank, and
 - (c) the beneficiary failed to withdraw the amount of the payment order from the account thereof or failed to direct it to the settlement of other obligations of the beneficiary, and

(d) the beneficiary will suffer damages as a result of failure to make the payment in accordance with the contract.

Where the payment provided for by point 1 of this Article to be made by the payer does not result in the fulfilment of the principal obligation of the payer, the right of the beneficiary to receive the payment from the beneficiary's bank, provided for by Article 27 of this Law, shall be transferred to the payer.

3. Where the amount of the payment order accepted by the beneficiary's bank is less than the amount of the payer's payment order, which derives from compensation for the services rendered by one or more recipient banks acting as parties to the funds transfer, the principal obligation of the payer shall be considered as fulfilled in the amount of the payment order sent thereby, except for the cases where the payer refuses to pay to the beneficiary, at the request of the latter, the amount reduced in accordance with this point.
4. The rights and obligations of the payer and the beneficiary, provided for by this Article, may be changed only by the contract concluded between them.

CHAPTER V

SUPPLEMENTARY PROVISIONS

Article 30. Contracts and rules of funds transfer system

1. The rights and obligations of the parties to the funds transfer may be changed by the contract concluded between them, except for the cases where these changes are prohibited by this Law.

2. In accordance with this Law, the rules of the funds transfer system shall be the rules that:
 - (a) are established by the Central Bank and regulate the rights and obligations of the banks acting as parties to the transfers made through its funds transfer system, or
 - (b) are established by banks and regulate the sending of payment orders through their funds transfer system, as well as the rights and obligations of the parties with regard to sending the payment orders.
3. Except for the cases prescribed by this Law, the rules of the funds transfer system may change the mutual rights and obligations of the banks holding membership in the given system. In the cases provided for by point 4 of Article 27, point 3 of Article 28 and Article 35 of this Law, the rules of the fund transfer system may also change the rights and obligations, referred to in this Law, of other participants not holding membership in the system.

Article 31. The right of the beneficiary's bank to set off

1. Where the beneficiary's bank has received a payment order, according which the account of the beneficiary, held in the given bank, is subject to crediting and the beneficiary bears an obligation against the given bank the time limit for the fulfilment whereof has expired, the bank may, after crediting the account of the beneficiary, unilaterally set off, as prescribed law, the amount of the received payment order with the obligation born against it.
2. The beneficiary's bank shall be obliged to direct the amount credited to the account of the beneficiary to the satisfaction of claims against the beneficiary that are subject to satisfaction by way of indisputability, where the beneficiary's bank knew or ought to have known about existence of such claim. Claims to be satisfied by way of indisputability shall be satisfied at the expense of funds of the beneficiary in the sequence established by law.

Article 32. Decisions on arrest or attachment submitted to the receiving bank. Court decisions prohibiting the transfer of funds

1. Under the procedure established by the legislation of the Republic of Armenia, a court decision may prohibit only the following:
 - (a) on the part of the payer — sending a payment order;
 - (b) on the part of the payer's bank — acceptance of payment orders of the payer;
 - (c) on the part of the beneficiary's bank — transferring the funds of the accepted payment order to the disposal of the beneficiary;
 - (d) on the part of the beneficiary — withdrawing the amount of the payment order accepted by the beneficiary's bank from the account thereof.

The court may not otherwise interfere with the conduct of funds transfer or prohibit other actions related thereto.

2. Where, in accordance with the legislation of the Republic of Armenia, an arrest or attachment was imposed on the account of the sender, held in the receiving bank, the receiving bank shall be entitled, upon accepting the payment order of the given sender, to charge the amount of the payment order from the given account by way of priority, except for the cases where the arrest or attachment has been imposed on the account within a time period and in a manner that enables the receiving bank to reject the payment order before accepting it or to take other necessary actions, or where the sender has paid the amount of the payment order to the receiving bank in another manner.
3. An arrest or attachment may be imposed on the funds transferred by the payer to the beneficiary, only in the beneficiary's bank.

Article 33. Account. Balance of the account. Sequence of execution of payment orders

1. Pursuant to this Law, an account shall be deemed to be the bank account of a participant of the funds transfer, wherefrom the amount of the payment order is to be debited in accordance with the customer's payment order or upon individual instruction thereof.

Where the customer failed to indicate an account in the payment order and failed to give any other instruction with respect to the account, the amount of the payment order may be debited from any of the accounts of the customer, held in the given bank, except for the accounts wherefrom debiting the amount of the payment order is inconsistent with the account maintenance contract or other restrictions on disposal of the given account balance.

2. Within the meaning of this Law, "balance of the account" shall be deemed to be the funds (on-demand or fixed-term) available on the given account that may be withdrawn or otherwise disposed by the account holder (customer) or the person authorised thereby without additional restrictions. Within the meaning of this point, the validity period of the account shall not be deemed to be a restriction, unless otherwise provided for by the account maintenance contract.
3. In case of receiving more than one payment order subject to payment from the account of the sender, the bank may debit the account of the sender with respect to the execution of the payment orders in any sequence.
4. If an account holder withdraws funds, credited to the account thereof, from the account or these funds are directed to the fulfilment of the obligations thereof, the funds first credited to the account shall be deemed to be first withdrawn from the account or directed to the fulfilment of obligations.

Article 34. The amount of interests and the method of calculation thereof

1. The amount of interests to be paid by the receiving bank in the cases defined by this Law, shall be determined by the contract concluded between the sender and the receiving bank or by the rules of the funds transfer system.
2. If the contract concluded between the sender and the receiving bank or the rules of the funds transfer system do not determine the amount of interests to be paid by the receiving bank to the sender, these interests shall be calculated as follows:
 - (a) by multiplying relevant amount by the annual refinancing rate set by the Central Bank, and by dividing the result by 360, or
 - (b) by multiplying relevant amount by the average interest rate offered by the receiving bank for fixed-term deposits, and by dividing the result by 360, moreover, when determining the amount of interests to be paid by the receiving bank, the method of calculation provided for by sub-points (a) and (b) of this point, which results in a greater amount of interests to be paid, shall be taken as a basis.

Article 35. Legal regulation of funds transfers between banks of the Republic of Armenia and foreign banks

1. Funds transfers between participants to funds transfers, that are residents and non-residents of the Republic of Armenia, shall be regulated in accordance with the legislation of the State of incorporation of the receiving bank, unless otherwise provided for by the contract between the parties.
2. Relations pertaining to funds transfers between the beneficiary and the beneficiary's bank shall be regulated in accordance with the legislation of the State of incorporation of the beneficiary's bank, unless otherwise provided for by the contract or the rules of the system.

CHAPTER VI

TRANSITIONAL PROVISIONS

Article 36. Entry into force of the Law

1. This Law shall enter into force from the moment of its promulgation.
2. To assign the Central Bank to define, within two months from the date of entry into force of this Law, the maximum time limits for carrying out funds transfers between banks in the territory of the Republic of Armenia and the liability of banks for violating these time limits.

**President
of the Republic of Armenia**

7 January 1997

city of Yerevan

HO-100

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