



BANKING AND FINANCE IN ARMENIA: LEGAL FRAMEWORK FOR INTERNATIONAL CLIENTS



Armenia's growing financial sector offers a stable and welcoming environment for international clients looking for banking and financial services. The country offers a stable and transparent financial environment conducive to both domestic and international investments.



Regulatory Framework

Central Bank Authority

The Central Bank of Armenia (CBA) serves as the primary regulatory authority overseeing all banking and financial activities within the country. Established under the Law on the Central Bank of Armenia, the CBA maintains exclusive jurisdiction over monetary policy, banking supervision, and financial stability.

The CBA operates with significant independence and implements regulations aligned with international best practices, including Basel Committee recommendations and European banking standards.

Key Legislative Acts

The Armenian banking and financial system operate under several fundamental legislative acts:

-**The Law on Banks and Banking** governs the establishment, operation, and termination of banking institutions in Armenia. This law delineates capital requirements, permissible activities, corporate governance structures, and prudential standards for banks operating within the jurisdiction.

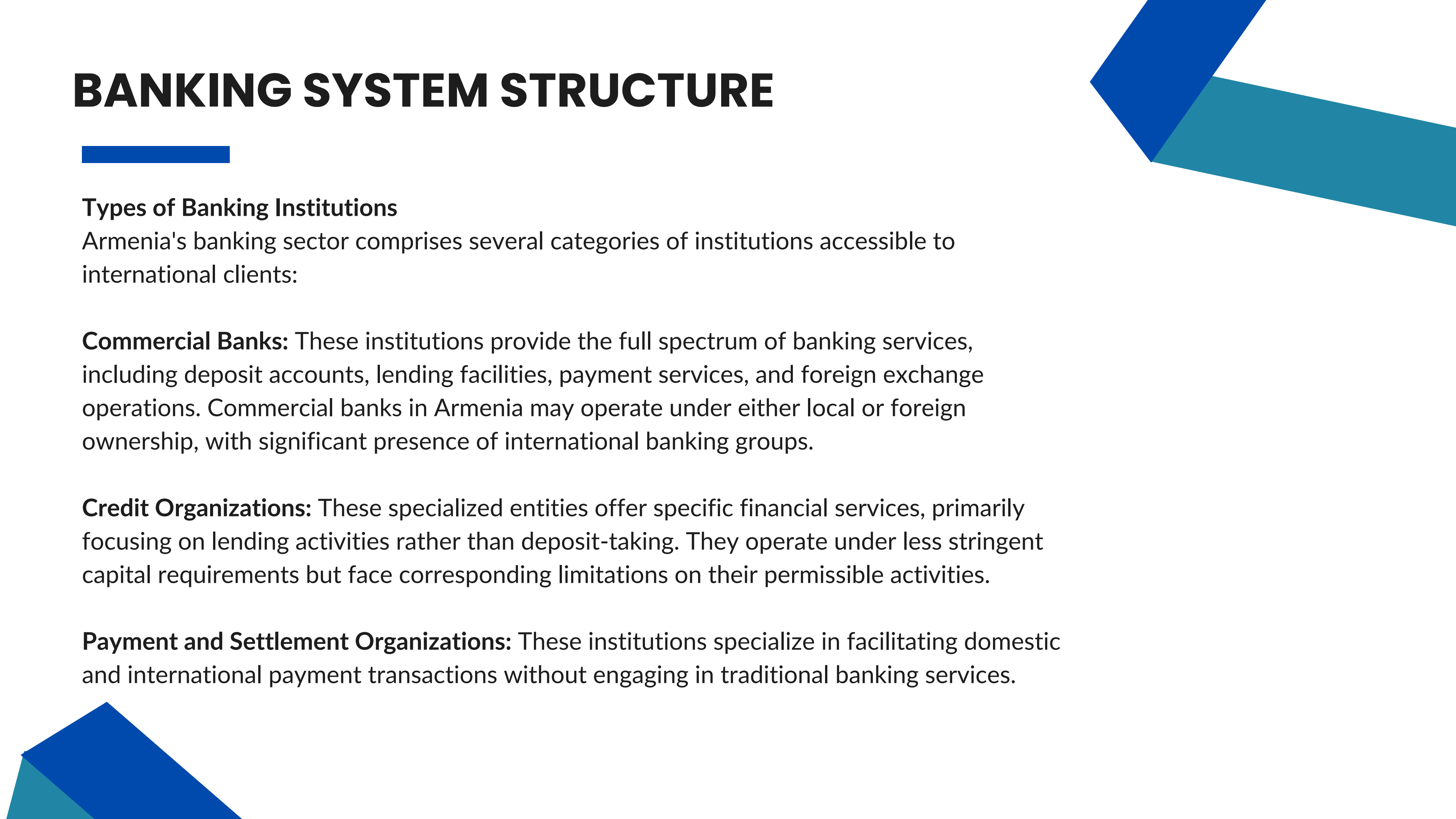
-**The Law on Foreign Exchange Regulation and Control** establishes the framework for currency operations, defining the rights of residents and non-residents regarding foreign currency transactions, repatriation of funds, and related matters.

-**The Law on Payment and Settlement Systems and Payment and Settlement Organizations** regulates payment mechanisms, electronic transfers, and settlement procedures within the Armenian financial system.

-**Law on the Central Bank of Armenia** defines the CBA's role in maintaining monetary stability and supervising the banking sector, crucial for international clients seeking reliability.

-**The Law on Combating Money Laundering and Terrorism Financing** implements international standards for anti-money laundering (AML) and counter-terrorism financing (CTF), imposing significant compliance obligations on financial institutions.

BANKING SYSTEM STRUCTURE



Types of Banking Institutions

Armenia's banking sector comprises several categories of institutions accessible to international clients:

Commercial Banks: These institutions provide the full spectrum of banking services, including deposit accounts, lending facilities, payment services, and foreign exchange operations. Commercial banks in Armenia may operate under either local or foreign ownership, with significant presence of international banking groups.

Credit Organizations: These specialized entities offer specific financial services, primarily focusing on lending activities rather than deposit-taking. They operate under less stringent capital requirements but face corresponding limitations on their permissible activities.

Payment and Settlement Organizations: These institutions specialize in facilitating domestic and international payment transactions without engaging in traditional banking services.



MARKET ENTRY REQUIREMENTS

Foreign financial institutions seeking to establish operations in Armenia must satisfy specific regulatory requirements:

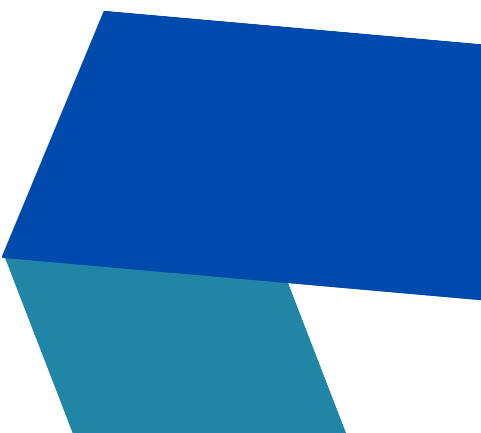
- Foreign banks may establish a presence through subsidiary incorporation, branch office registration, or representative office establishment. Each model entails distinct regulatory implications and operational capabilities.
- The minimum capital requirement for establishing a commercial bank in Armenia is **AMD 30 billion (approximately USD 75 million)**, reflecting the regulatory emphasis on financial stability and institutional soundness.
- Foreign banking institutions must demonstrate sound financial standing, transparent ownership structure, and adequate risk management frameworks to receive authorization from the CBA.

Opening a Bank Account

International clients can open bank accounts in Armenia, with the process varying by bank and client status. The following details the requirements and procedures:

- **Documents Required:** Typically, clients need a passport, proof of address and sometimes proof of income or source of funds. For US citizens, a FATCA form is required to comply with US tax regulations. Banks may request additional documents at their discretion, especially for non-residents from high-risk countries, under Know Your Customer (KYC) procedures. Corporate entities must typically provide their certificate of incorporation, articles of association or charter, identification documents for authorized signatories, and disclosure of beneficial ownership.
- **Types of Accounts:** Banks offer current accounts, savings accounts, investment account term deposits, and foreign currency accounts. For example, accounts can be opened in AMD, USD, EUR, RUB, GBP, and JPY, catering to international needs.

Foreign Exchange Regulations: Armenia has a liberal foreign exchange regime, regulated by the CBA and the Law on Currency Control. Residents and non-residents can hold foreign currency accounts, import, export, and exchange foreign currency relatively freely, as outlined in the CBA's regulations and the Law on Currency Control.



BANKING SERVICES

Armenian banks provide a comprehensive range of services tailored for international clients:

- **Account Services:** Include current accounts, savings accounts, investment accounts, term deposits, and escrow accounts, with options for online and mobile banking, enhancing accessibility.
- **Payment and Transfer Systems:** Banks support international wire transfers through the SWIFT network, ensuring connectivity with global financial systems. Services like Visa, MasterCard, and American Express are widely accepted, with increasing digital payment options.



Payment Systems and International Transfers

Domestic Payment Infrastructure

Armenia has developed a sophisticated payment infrastructure overseen by the CBA:

- The Armenian Card (ArCa) system serves as the national payment card system, operating alongside international payment networks such as Visa, Mastercard, and Mir.
- The Electronic Payments System (EPS) facilitates interbank transfers and settlements, ensuring efficient domestic payment processing.

International Payment Mechanisms

International clients can utilize various channels for cross-border transactions:

- SWIFT Network:** All major Armenian banks maintain SWIFT connectivity, enabling standardized international wire transfers with global counterparties.
- Correspondent Banking Relationships:** Armenian financial institutions maintain correspondent accounts with major international banks, facilitating efficient cross-border payments in major currencies.
- International Money Transfer Systems:** Various specialized money transfer services operate in Armenia, including Western Union, MoneyGram, and regional systems popular in the CIS region.

INVESTMENT BANKING AND CAPITAL MARKETS



Securities Market Infrastructure

Armenia has established foundational infrastructure for capital market activities:

The Armenian Stock Exchange (AMX) provides the primary platform for securities trading, offering markets for equities, corporate bonds, government securities, and foreign exchange. The Central Depository of Armenia ensures secure custody and settlement of securities transactions, operating in compliance with international standards for depository and clearing systems.

Investment Opportunities

International investors can access various investment instruments within the Armenian financial market:

- Government Securities:** The Ministry of Finance regularly issues treasury bills and bonds with varying maturities, providing low-risk investment opportunities with competitive yields.
- Corporate Debt Instruments:** Leading Armenian companies issue corporate bonds, often with higher yields than comparable government securities, reflecting their risk profile.
- Equity Investments:** While relatively limited in scope, equity investments are available through the Armenian Stock Exchange or through direct acquisition of stakes in Armenian companies, subject to relevant regulatory approval for significant holdings.

TAXATION

International clients engaging with Armenia's banking and financial systems must understand the tax implications that apply to their activities. The Armenian tax regime, as governed by the Tax Code, distinguishes between **residents and non-residents**, with specific provisions affecting income derived from banking and financial transactions.

Tax Residency and Scope of Taxation

An individual is deemed a tax resident of Armenia if they spend 183 days or more in the country during the calendar year (January 1 to December 31), have their center of vital interests in Armenia, or are in Armenian civil service while temporarily abroad. Residents are subject to taxation on their worldwide income, meaning all income, including that earned abroad, is taxable in Armenia. Non-residents, however, are taxed solely on income sourced within Armenia, such as interest from Armenian bank deposits or income from Armenian entities.

Income Tax on Banking-Related Income

For international clients utilizing Armenian banking services, the following tax rates apply in 2025:

- **Interest Income:** Non-residents earning interest from bank deposits or publicly offered deposits face a 10% withholding tax, withheld at source by the bank. Other interest income, not tied to regulated markets, is taxed at 20%. Residents are similarly taxed on interest income, with the same distinction between 10% for bank deposits and 20% for other sources.
- **Dividends:** Dividends paid to non-residents by Armenian entities are subject to a 5% tax, applicable to profits earned after January 1, 2020. For dividends tied to profits from 2017-2019, the rate is 10%. Notably, dividends from shares listed on the Armenian stock exchange are exempt if listed by December 31, 2024, offering a potential tax benefit for investors.
- **General Income Tax Rate:** Both residents and non-residents face a standard income tax rate of 20% on wages, salaries, and other taxable income. For non-residents, this applies only to Armenian-sourced income.

Tax-Exempt Income

Certain income types relevant to banking and finance are exempt from taxation, providing advantages for international clients:

- **Income from Securities:** Proceeds from the sale of stocks, investment securities, government bonds, and bonds issued by the Pan-Armenian Bank are exempt. Interest or discounts from these securities, as well as trading income, are also untaxed, making Armenian securities an attractive option for investors.
- **Capital Gains:** There is no capital gains tax in Armenia. However, income from property sales through tax agents is taxed at 10%, and sales of buildings by developers incur a 20% tax. **Land alienation income remains exempt, which may benefit clients involved in real estate-linked financial activities.**
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Double Taxation Relief

Armenia has double taxation treaties with 51 countries, offering relief for international clients. Taxes paid abroad can be credited against Armenian tax liabilities, capped at the amount payable in Armenia for that income. Excess credits may be carried forward to offset future tax years, enhancing tax efficiency for clients with cross-border income.

Other Relevant Taxes

Beyond income tax, international clients should note:

- **Social Payments:** Non-residents working in Armenia may face social payments (5% on salaries up to AMD 500,000, capped at AMD 87,500 monthly for higher incomes), withheld by employers, though these replace traditional social security taxes since 2013.
- **Real Estate Tax:** Owners of Armenian property pay progressive rates (0.05% to 1.5% for dwellings, 0.3% for public buildings) based on cadastral value, with a phased increase to 75% of the full rate in 2025.
- **Stamp Fee:** Non-residents employed in Armenia pay a monthly stamp fee (e.g., AMD 1,500 for salaries up to AMD 100,000, up to AMD 15,000 for over AMD 1 million), supporting military compensation funds.

Practical Implications

International clients should ensure banks withhold applicable taxes and retain records for potential treaty claims. Those staying less than 183 days remain non-residents, taxed only on Armenian-sourced income, while longer stays trigger worldwide taxation.



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