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## Russia's VTB Wins Ban On Mine Operator's Armenian Suit

By Joanne Faulkner

Law360, London (May 25, 2021, 5:22 PM BST) -- A London court blocked an Armenian businessman from pursuing proceedings in the High Court against Russia-based VTB Bank PJSC in his home country on Tuesday, after the lender said that dealings between them over a \$283 million loan should be decided under English arbitration.

High Court Judge Andrew Butcher approved an anti-suit injunction against Valeri Mejlumyan to stop lawsuits against VTB in an Armenian court. Mejlumyan is trying to terminate a share pledge agreement between the two sides that stipulates that disputes would be arbitrated in London.

Judge Butcher said he was not persuaded by any of the three arguments put forward by Mejlumyan for refusing the anti-suit injunction. Mejlumyan argued that VTB had been too slow to make its application and that the bank had failed to make full disclosure to a previous judge hearing the case. The application was first heard before Judge William Blair in March, but was adjourned after Mejlumyan became ill with COVID-19.

Mejlumyan also argued that VTB has submitted to the Armenian court by filing a defense. But Judge Butcher said he accepted the bank's evidence that it had to comply with a procedural deadline in the event that its challenge to the court's jurisdiction failed.

"I consider that there are no good grounds why Mejlumyan should not be held to his contract," Judge Butcher wrote. "I have had regard to the fact that VTB would be significantly prejudiced if he were not."

Judge Butcher said the proceedings in Armenia appear to be designed to "assist Mejlumyan in seeking to nullify the effect of the arbitration award in the facility agreement arbitration."

A tribunal found in March that VTB had been entitled to issue a notice demanding immediate repayment of the loan and companies tied to Mejlumyan were liable. Mejlumyan's companies tried to argue that any debt owed to VTB under the facility agreement was extinguished by a share transfer to VTB after the default.

Armenian Copper Programme CJSC, which is part of Mejlumyan's Vallex group, was granted a license in 2004 to develop and exploit a copper and molybdenum mine in the Lori region of the Republic of Armenia. The license was then handed over to Teghout CJSC, according to the ruling.

The Armenian arm of VTB lent Teghout \$283.3 million in 2011 to construct the mine. As part of the deal, a share transfer took place that saw VTB acquire a 49.95% stake in Teghout through a company called Nairi Infrastructure Ltd., according to the judgment.

The 2011 loan was restructured in 2016, and the restructured loan was guaranteed by four companies in the Vallex Group. The agreement is governed by English law and provides that all disputes arising out of, or in connection with, the agreement should be referred to and resolved by arbitration in London. Two share pledge agreements to secure the loans were also signed, according to the judgment.

VTB said in 2018 that Teghout had defaulted on its loan after missing interest payments. After the bank unsuccessfully sought repayment from its guarantors, VTB looked to exercise its rights under the Teghout and Armenian Copper Programme share pledges, according to the decision.

In response to VTB's demands for payment, Mejlumyan sought an injunction in the Armenian courts against VTB

enforcing share pledges. VTB challenged the Armenian court's jurisdiction on the basis that the dispute fell within the scope of the arbitration clause.

Commenting on the judgment, Egishe Dzhazoyan, a partner at King & Spalding, counsel to Mejlumyan, said, "It is telling that VTB has chosen not to commence any substantive arbitral proceedings pursuant to the London Court of International Arbitration Rules, in aid of which the present injunction was sought.

"Mejlumyan and Vallex Group entities will continue to vigorously defend their position before all competent courts and tribunals with a view to holding VTB accountable for its actions," Dzhazoyan added.

Representatives for VTB was not immediately available for comment.

VTB Bank PJSC is represented by Peter Stevenson of Quadrant Chambers, instructed by Keystone Law.

Mejlumyan is represented by Vernon Flynn QC of Brick Court Chambers and Stephen Donnelly of Essex Court Chambers, instructed by King & Spalding International LLP.

The case is VTB Bank PJSC v. Mejlumyan, case number CL-2021-000092, in the Commercial Court, Queen's Bench Division of the High Court of Justice of England and Wales.

--Editing by Joe Millis.

*Update: This story has been updated to add comment from counsel to Mejlumyan.*

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