THE REPUBLIC OF ARMENIA

LAW

ON SECURITIES MARKET

Adopted on October 11, 2007

SECTION 1

GENERAL PROVISIONS

CHAPTER 1

GENERAL PROVISIONS

Article 1. Main Purpose of this Law and Object of Regulation

1. The main purpose of this Law is protecting the rights and legitimate interests of investors, ensuring transparency of the securities market, its sustainable and efficient development, and reliability of the price formation system and reducing systemic risks in the securities market.

2. This Law shall regulate the relations that occur in connection with the activities of the securities market of the Republic of Armenia and shall define:

1) the procedure for public offering and public trading of securities,
2) the procedure for providing investment services in the securities market and organizing public trading of securities,
3) the procedure for safe custody, clearing and settlement systems of securities, as well as activities of the Central Depository;
4) the authorities and obligations of the Central Bank of Armenia (hereinafter referred to as the Central Bank) with regard to regulation and supervision of the securities market,
5) the responsibility for violation of requirements of this Law, the regulations adopted on this basis and other legal acts.

3. Securities market of the Republic of Armenia shall include persons who issue securities and invest in securities within the territory of the Republic of Armenia, the regulated markets of securities and the field of non-regulated trade, the Central Depository, and persons engaged in activities that are subject to licensing as stipulated by this law.

Article 2. ALegal Acts Regulating the Securities Market

The securities market of the Republic of Armenia shall be regulated by the Constitution of the Republic of Armenia, international treaties of the Republic of Armenia, the Civil Code of the Republic of Armenia, the RA Laws on Protection of Economic Competitiveness and Administrative Grounds and Administrative proceeding, this Law, regulations adopted on this basis, other laws and legal acts.

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Article 3. Main Concepts Used in this Law

For the purpose of this Law:

1. ***Securities*** are those defined in the Civil Code of the Republic of Armenia as well as other laws (regardless of the form: materialized or de-materialized), including:
   a. shares, other securities that confer rights equivalent to the rights fixed by shares,
   b. bonds and other debt securities, except for the money market instruments,
   c. depository receipts, documents verifying the subscription or acquisition right of securities specified in items a and b of this Point,
   d. documents verifying shares in investment funds or other similar documents verifying the participation in those funds,
   e. profit allocation agreement, the document verifying participation in such agreement,
   f. money market instruments,
   g. derivative instruments,
   h. any other investment agreement used for attracting capital (resources) that includes the characteristics of the aforementioned securities, fully or partially.

Payment instruments shall not be considered securities in terms of this Law.

2. ***Money market instruments*** are debt securities with maximum of one year maturity period, including T-bills (short-term bonds), bank certificates and other short-term debt securities.

3. ***Derivative instrument*** is a security which verifies the right and/or obligation for due date implementation (performance), the price of which directly or indirectly depends on:
   1) market (stock exchange) price of security,
   2) interest rate or other remuneration,
   3) security index,
   4) exchange rate of foreign currency;
   5) credit risk or other risks,
   6) market (stock exchange) price of the commodity or precious metal,
   7) the inflation level or other official economic statistical indicators.

4. **Standardized derivative instrument** is the instrument which is admitted to trade on the regulated market.

5. **Depositary receipt** means the security issued on the basis of the shares of foreign issuer, other documents giving rights equal to the rights set out by the shares, bonds or other debt securities, which shall give the owner of such security the right to exercise the rights set out by the securities underlying thereof.

6. **Equity securities** shall mean:
   a. the share or other security that gives rights equal to the rights embedded in the shares,
   b. the depositary receipt based on the securities defined by item 1 under this Point;
   c. any other security that gives the right to acquire the securities defined in item 1 under this Point through conversion, exchange or through exercising other rights and that was issued by the issuer of securities defined in item a) under this Point or by any member issuer of their group.

Equity securities shall be solely nominal.

7. ***Non-equity security*** means any security which is not considered as equity security according to point 6 of this article.

8. ***Securities offering*** means any form of communication addressed to persons, which constitutes the offer for sale or purchase of securities.

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9. ***Public offering of securities*** means the securities offer made to more than 100 persons or to an indefinite number of persons that are not considered qualified investor.

10. ***Same class of security*** contains all securities of the given issuer that essentially have the same characteristics and confer essentially the same rights and privileges to their owners.

11. ***Offering program*** means the document adopted by the authorized management body of the issuer based on which the issuer plans, within a certain period, to implement consecutive issuance of non-equity securities of the same type and/or of the same class. Issuances shall be considered ***consecutive,*** if within a 12-month period at least two issues of the same type and/or same class of securities are executed. In terms of this Point, those securities shall also be considered of the same type, if the rights embedded in which are essentially of the same nature, which however differ in maturity terms or in terms of priority of getting other payments, as well as in terms of the amount paid by those securities and in settlement period.

12. ***Prospectus*** is the document comprising the information defined by this Law and by regulations adopted on this basis, regarding the issuer and its securities, on the basis of which shall be affected the public offering of securities and/or admission to trade on the regulated market.

13. ***Issuer*** means a person that issues (has ever issued) a security, or a person that makes an offer to issue a security on his behalf.

14. ***Reporting issuer*** means the issuer whose securities of the some class are admitted to trade on the regulated market within the territory of the Republic of Armenia.

15. ***Foreign issuer*** means a non-resident issuer. The residency shall be applied in accordance with the meaning specified in the RoA Law on “Currency Regulation and Currency Control”.

16. ***Issuance of Security*** means a set of activities carried out by a person targeting creation of a pool of the same class of securities. Issuance of securities under the same decision of the issuer, but in different periods (in series) shall be considered a single issuance.

17. ***Sale of Security*** is any compensated transaction in securities trading, exchange, etc.

18. ***Underwriting*** is the first sale of securities to the investor. Underwriting may be done by the issuer or by the investment service provider (underwriter) having the right to provide investment services in compliance with Point 1 item 6 under Article 25 of this Law. The issuer’s sale of securities acquired or repurchased by the issuer shall not be considered an underwriting.

19. ***Public distribution*** means distribution of securities through public offering.

20. ***Underwriter*** is any person who acquires securities from an issuer with a view to distribute it and/or offers, sells securities of the issuer for distribution purposes or partakes in the agreement or contract of undertaking such activity, except for the cases as defined by regulations of the Central Bank. As used in this provision, the term underwriter shall also include any person directly or indirectly controlling the issuer or controlled by the issuer, or under common control with the latter.

21. ***Investor*** is any person who owns a security or plans to acquire a security.

22. ***Customer*** is any person who uses services provided by the investment service provider or applied to the latter for such services.

23. ***Qualified investors*** are:

   a. investment firms, branches of foreign investment firms, banks, credit organizations, insurance companies, investment and pension funds and their managing companies;

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b. the Republic of Armenia, communities of the Republic of Armenia, the Central Bank, foreign countries, local governments of foreign countries, foreign central banks;
c. international financial institutions, including the International Monetary Fund, European Central Bank, European Investment Bank;
d. any person qualified as such by statute or regulations of the Central Bank based on the his knowledge and experience in financial sector, his ability to hire specialists with relevant knowledge and experience, size of his net assets or size of assets under his management and other similar criteria;
e. any legal entity, the participants (shareholders, equity holders) of which are persons specified in items a)-d) under this Point.

All persons specified in items 1-5 under this point shall be considered qualified investors after registration with the Central Bank, in the procedure defined by regulations of the Central Bank.

24. ***Person*** means any natural person or legal entity.

25. ***Nominee*** means the person on whose name nominal securities owned by other persons are registered without transfer of ownership rights.

26. ***Professional participants of securities market*** are investment service providers, the operator of the regulated market, operator of the clearing and settlement system of securities and other entities provided for by the law.

27. ***Investment service provider*** means an investment firm, branch of foreign investment firm, bank and credit organization.

28. ***Investment firm*** means a legal entity holding a license for provision of investment services pursuant to this Law.

29. ***Foreign investment firm*** is a legal entity registered in a foreign country, which has the right to provide investment services on the basis of the license issued by the foreign competent body.

30. ***Management of securities portfolio*** means management of securities, funds to be invested in securities, as well as securities and funds that were generated from trust management practices, assigned to the control of the manager but owned by the customer and to the benefit of the customer or to the benefit of a third person (beneficiary) specified by the customer on behalf of the manager, in accordance with the instructions given by the customer.

31. ***Regulated market*** is a system of organizational, legal and technical resources, directly or indirectly available to the public, designed to arrange, on a regular basis, the venue or means of securities trading offers, as well as provides, ensures or carries out regular functions of trading in securities, on a regular basis. The regulated market includes the stock exchange and other regulated markets.

32. ***Regulated market operator*** means a person(s) which organizes the businesses of a regulated market.

33. ***Securities listing*** means the process of admission of securities to trade on the stock exchange, restricted to such securities which satisfy certain requirements and criteria defined by this Law, regulations of the Central Bank and rules of stock exchange.

34. ***Significant participation*** is a direct or indirect participation that gives 10% or more voting right in the statutory capital of the legal entity.

Significant participation is considered to be ***direct*** if the participant acts on his own behalf.

Significant participation is considered to be indirect when:

a. the participant controls the legal entity irrespective of participation or size of participation in the statutory capital of the latter, or
b. the participant controls a legal entity which has direct significant participation in the statutory capital of the legal entity.

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35. ***Controlling*** *or* ***Control*** is the possibility to, directly or indirectly, predetermine decisions of the management bodies of the given legal entity, exercise significant influence over decision making process (application) or predetermine directions, fields of activities of the legal entity by the power of qualified holding in the statutory capital of the latter, in conformance with the contract signed with the latter, by business popularity, reputation or otherwise. The fact of such possibility may be justified in compliance with the criteria defined by regulations of the Central Bank.

36. Two or more persons are considered **affiliated**, if:

a. one of them owns, by direct or indirect voting right, 20 or more percent of equity securities with voting right of the other (others);
b. more than half of the members of the Board of Directors of any of them, Director or other official having such authority simultaneously is a member of the Board of Director of the other one, Director or other official having such authority;
c. one of them controls the other or they are under general control or one of them in accordance with the criteria defined by regulations of the Central Bank has an actual or contractually bound opportunity to have an essential impact on the decisions of the other;
d. they are members of the same family or have acted in a coordinated manner in a particular situation, guided by common economic interest.

37. ***Members of the same family*** are the father, mother, spouse, parents of the spouse, grandmother, grandfather, sister, brother, children, spouse of the sister and the brother and children.

38. ***The fact or information is significant*** if its importance is emphasized in decisions to buy or sell the security and if it may have an essential impact on the price of the security.

39. ***Distortion or omission of a significant fact*** is publicizing an information on a particular fact that does not comply with reality, or omitting a significant fact in any provision (announcement), the inclusion of which is required by the law or by other legal acts adopted in conformance with that law, and the inclusion of which is essential at the moment of inclusion (making an announcement) of the given provision (announcement) to avoid misrepresentation.

40. ***Authorized body of a foreign country*** is an authorized state body supervising securities market of the foreign country.

41. ***Foreign investment firm branch*** is an individual branch of a foreign investment firm established within the territory of the Republic of Armenia.

42. ***Foreign security*** is the security issued by the non-resident. The residency shall be applied in accordance with the meaning specified in the RoA Law on “Currency Regulation and Oversight”.

43. ***The group*** is a controlling legal entity together with the legal entities controlled by it.

SECTION 2

SECURITIES OFFER

CHAPTER 2

PUBLIC OFFER OF SECURITIES

Article 3. Scope of this Section

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Provisions of this Section shall not apply to:

1) securities issued or guaranteed by the Republic of Armenia, the Central Bank, communities of the Republic of Armenia;
2) securities issued or guaranteed by the state, central bank or self-governing bodies of any country included in the list of foreign countries defined by the Central Bank,
3) non-equity securities issued by international organizations included in the list defined by the Central Bank;
4) securities issued for religious, educational or benevolent purposes by religious, educational, benevolent and other non-commercial organizations;
5) non-equity securities issued by the banks in an ongoing manner, if they:
   a) are not convertible or exchangeable;
   b) do not verify acquisition or subscription rights for other types of securities, and are not linked with derivative instruments;
   c) confirm the deposit of monetary resources in the bank;
   d) their remuneration is guaranteed in accordance with the procedure defined by the RoA Law on “Guarantee of Remuneration of Bank Deposits of Physical Entities”
6) non-equity securities issued by the banks in an ongoing manner, if the common par value of the offered securities within 12 month does not exceed the amount defined by regulations of the Central Bank and they:
   a) are not convertible or exchangeable, and
   b) do not verify acquisition or subscription rights for other types of securities, and are not linked with derivative instruments;
7) standardized derivatives;
8) monetary market instruments.

Article 5. Requirement for Publication of the Prospectus in Case of Public Offering of Securities

1. It shall be prohibited to make public offering of securities without publication of the Prospectus that meets the requirements of this Law. The Prospectus shall be drafted and published in accordance with the procedure defined by this Law and by regulations of the Central Bank.

2. Provisions of this Section that are related with the Underwriter shall be applied to the Issuer if the latter does not make public offering of securities through the Underwriter.

Article 6. Exceptions from Publication Requirements of the Prospectus

1. Publication requirements of the Prospectus shall not be applied to the following public offers of securities:

1) offering made exclusively to the qualified investors;
2) offering made to those investors, the aggregate amount of securities acquired by each of which at selling price, in accordance with the offering conditions, exceeds the amount specified by regulations of the Central Bank, in each individual offer;
3) the nominal value of the offered security exceeds the amount specified by regulations of the Central Bank;
4) the aggregate amount of the offered securities at the issuance or selling price, within 12 month, does not exceed the amount specified by regulations of the Central Bank.

2. Publication requirements of the Prospectus shall not be applied to the public offering of the following securities:

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1) shares that were issued for exchange with the same class of shares of the Issuer provided that it does not cause increase of the Charter Capital;
2) securities that are offered by the issuer through exchange in connection with the purchase of another company and there is a document available for the interested investors which according to the Central Bank, contains information commensurate to the information required by the Prospectus;
3) securities that are offered by the Issuer to the shareholders of the joining company in connection with joining of another company to the Issuer and there is a document available for the interested investors which, according to the Central Bank, comprises information similar to the information required by the Prospectus;
4) the same class of shares that are paid for shares as a dividend and if there is a document available for the interested investors which comprises the information on the number and type of sharers, as well as on the purpose and terms of the offer;
5) securities that are offered to the acting or former managers or employees of the Issuer by the Issuer or by another entity pertaining to the group of that Issuer if any security of that Issuer is permitted to the trade in the regulated market effective in the Republic of Armenia and there is a document available for the interested investors which comprises the information on the number and type of the offered shares, as well as on the purpose and terms of the offer;
6) securities that are permitted for public offering (sale) and/or trade in any country that is included in the list of foreign countries defined by regulations of the Central Bank, in the procedure specified by the security legislation of the given country, or are permitted for trading in any regulated market that are included in the list (defined by regulations of the Central Bank) of the regulated markets acting outside the territory of the Republic of Armenia, in the procedure defined by the rules of the given regulated market. The Central Bank may establish additional requirements to the securities mentioned in this Item by its regulations.

3. For the purpose of protection of investors, the Central Bank shall have the right to define requirements and a procedure for sale of securities specified in Point 2 (6) of this Article, by its regulations. The Central Bank in accordance with its decision shall have the right to suspend or prohibit the sale of securities provided for by Point 2 (6) of this Article in the procedure defined by this Law and the regulations adopted based on this Law, if in compliance with the justified opinion of the Central Bank of Armenia the sale of the given securities detriments to the interest of investors.

4. Based on the document defined in Points 2 (2) and 2 (3), public offering of securities defined under the above points may be made only upon preliminary consent of the Central Bank of Armenia. To get preliminary consent of the Central Bank, the Issuer or the underwriter shall submit an application to the Central Bank: the form and the list of documents to be attached to that application shall be defined by regulations of the Central Bank. The Central Bank shall make a decision on giving a preliminary consent or rejecting the application within 20 business days from the moment of receiving all necessary documents. The Central Bank may reject the preliminary consent if the submitted documents do not correspond to the requirements set forth by this law or regulations of the Central Bank or if there is major distortion of omission of information.

5. Requirements to the form and content of the documents specified in Points 2 (4) and 2 (5) shall be established by regulations of the Central Bank.

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6. In terms of Point 2 (2-5) of this Article, a document shall be considered accessible for the interested investors if it was provided to all interested investors in due manner or was published in official web site of the Issuer or the Underwriter and the published copy was made to all interested investors at the Issuer's or Underwriter's location.

7. In case of offers provided for by Point 1 of this Article, within 15 days after completion of the distribution of securities, the Issuer shall be obligated to inform the Central Bank, in the procedure defined by regulations of the Central Bank of Armenia. The Central Bank shall have the right to require additional information from the Issuer and the Underwriter if it is necessary to justify the application of that exception.

Article 7. Requirements to the Form of Securities

1. An invitation for public offering or issuance of a security, sale or making a selling offer or an invitation for buying a security, per the provider, subject to permission to the trade in the regulated market shall be prohibited.

2. Paper-based format securities that shall be publicly offered to the public or shall be permitted to the trade in the regulated market, in the procedure and in the cases specified by regulations of the Central Bank and by the rules of the Central Depository shall be transferred into the non-paper based format (dematerialization) or shall be immobilized, before commencement of public distribution process of securities or before applying for permission to the trade in the regulated market.

Article 8. The Prospectus

1. The Prospectus shall contain complete information on the Issuer and the offered securities that shall be sufficient to make a justified estimation by the investor regarding the Issuer and assets and liabilities of any warrantee (hereafter referred to as "the Warrantee"), financial position, income and expenses, business prospects, risks thereof, as well as the rights bound by those securities.

2. The Prospectus may be developed in the form of a single document or in the form of separate documents. The Prospectus drafted in the form of a single document as well as of separate documents shall contain a summary (hereafter referred to as "the Summary") that meets the requirements defined in Point 3 of this Article. The Prospectus developed in the form of separate documents shall consist of registration statement comprising information on the Issuer, as well as description and summary paper of the offered securities.

If the Prospectus is drafted in the form of separate documents, each document shall be subject to registration by the Central Bank.

3. The Summary shall contain non-technical information and shall be of the same style with the Prospectus and shall use the same language by briefly describing the Issuer, risks thereof, financial position and the business prospects, as well as the Warrantee (if any) and the offered securities. The Summary shall contain a notification emphasizing that the Summary shall be treated as an introductory brief description of the Prospectus and the decision of the investor on making investments in the offered securities exclusively shall be based on the complete version of the Prospectus.

The person responsible for the development of the Summary shall be held liable under the civil law for providing incomplete and misleading information (including the translated part) only if the Summary looks incomplete or misleading when studied with other parts of the Prospectus. That provision shall be included in the Summary.

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4. Requirements to the form and content of the Prospectus shall be defined by regulations of the Central Bank. The Central Bank may define different requirements to the form and content of the Prospectus based on the type of the offered securities.

5. Based on the written application of the Issuer, the Central Bank may define exceptions for publication of certain information contained in the Prospectus, if:

1) disclosure of such information contradicts the public interest, or may lead to disclosure of economic interests.
2) disclosure of such information may inflict significant damage on the legitimate interests of the Issuer, provided that non-inclusion of such information in the Prospectus will not mislead the investors in making estimations of the present and future financial position of the Issuer, Underwriter, Warrantee (if any) or the rights bound by the securities.

6. In the cases specified by Point 5 of this Article, the Issuer shall be obligated to provide the Central Bank with the corresponding information along with the written justification on the necessity of non-disclosure of that information.

7. Within 10 business days from the moment the Central Bank receives the aforementioned application, it shall make a decision on maintaining the confidentiality of information or rejecting the request. The Central Bank shall reject that request, if based on sufficient justification and in accordance with the Central Bank that information is significant and dismissal of that information from the Prospectus may threaten the interests of investors and mislead them on essential points with regard to the estimation of the present and future financial position of the Issuer, Underwriter, Warrantee (if any) or on the offered securities. Within 3 business days from the day when the confidentiality request is rejected, the Issuer shall be obligated to submit the supplements to the Prospectus to the Central Bank.

8. With its regulations, the Central Bank shall have the right to define the list of information and the descriptions, the confidentiality of which shall be maintained by the Central Bank, at ay rate.

9. The procedure for submission of confidential information and documents shall be defined by regulations of the Central Bank. The Central Bank shall be obligated to ensure the non-disclosure of such information and documents, in compliance with the internal rules and by undertaking corresponding measures.

10. If the final price of the offered securities, as well as the volume of the offer is impossible to include in the Prospectus, it shall at least contain the maximum price of security, as well as the method or conditions for determination of the final price and volume of the offered securities.

11. In the instances defined by Point 10 of this Article, final information on the price and volume of the offered securities in the form of supplement to the Prospectus shall be provided to the Central Bank and shall be published in the procedure defined by Article 16 of this Law, before the commencement of the distribution process.

Article 9. Program Prospectus

1. The Issuer or the Underwriter shall have the right to publish a program prospectus, instead of the Prospectus, in case of public offering of non-equity security issued based on the program of offer, as well as in case of public offering of securities secured by the assets provided for by the law or the secured mortgage bonds (hereafter referred to as “the secured securities”).

2. The Program Prospectus may be drafted only in the form of a single document.

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3. In case of the Program Prospectus, the requirement defined by Point 11 of Article 8 of this Law shall be applied in every offer provided for by the Program Prospectus.

4. Provisions of this Law that relate to the Prospectus shall also be applied to the Program Prospectus unless otherwise defined by this Law and regulations of the Central Bank.

Article 10. Registration of the Prospectus

1. The Prospectus may not be published if it is not registered with the Central Bank in conformance with the procedure defined by this Law and by regulations of the Central Bank.

2. To register the Prospectus, the Issuer or the Underwriter shall submit the registration application to the Central Bank, the form of which shall be defined by the Central Bank. The following shall be attached to the application:

1) the Prospectus in one copy and in electronic version;
2) the copy of the Charter of the Issuer;
3) the state duty payment receipt;
4) other documents defined by regulations of the Central Bank.

3. The Prospectus shall be considered registered on the 20th business day following the day when the application for registration is received by the Central Bank, if it is not registered by the Central Bank earlier, with the exception of the cases provided for by Point 4 of this Article.

4. If in accordance with the Central Bank the submitted documents are incomplete, or the Prospectus does not comply with the requirements specified by this Law and regulations of the Central Bank, or the Prospectus contains essential errors or misleading information, significant facts are missing from or are distorted in the Prospectus or, in accordance with the justified opinion of the Central Bank, the Prospectus does not comprise necessary and sufficient information for protection of the interests of investors, the Central Bank shall demand from the Issuer or the Underwriter to represent supplements to the Prospectus.

If before the registration date the Central Bank receives any supplement to the Prospectus, the application for registration of the Prospectus shall be considered submitted to the Central Bank from the date when the Central Bank receives that supplement.

5. The Central Bank shall represent the decision on the registration of application to the submitting entity within 3 business days following the day when the decision was made.

6. The Central Bank shall not bear any responsibility for the accuracy and truthfulness of the information contained in the Prospectus. The Prospectus must contain a provision specifying that the registration of the Prospectus by the Central Bank does not guarantee security of investment, or the accuracy and truthfulness of the provided information. That provision along with the edited version approved by the Central Bank shall be incorporated in the first pages of the Prospectus, in a visible place.

Article 11. Signing of the Prospectus

1. Accuracy and completeness of the information included in the Prospectus shall be verified by the signatures of the majority of members of the Board of Directors (or other body having the same authorities), Executive Director, Chief Accountant (if there is a department or any other executive body in the structure of the Issuer, signatures of all members of that body shall also be required) of the Issuer.

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2. In case an expert opinion provided by an accountant, appraiser or any other expert is used in the Prospectus, or if their expert opinion (conclusion, report) is received for the use in the Prospectus, such opinion shall be signed by them and included in the Prospectus, completely, upon the written consent of the entity who has prepared the opinion, and shall be attached to the Prospectus. Accuracy and completeness of financial information included in the Prospectus shall be verified by an independent audit opinion.

Article 12. Obligation for Reimbursement

1. If any significant fact is omitted from or distorted in the Prospectus, including its translation, the Issuer or the Underwriter shall be obligated to reimburse the losses of the owner of securities that occurred as a result of such omission or distortion. Persons specified in Point 2 of Article 11 of this Law shall be responsible for the opinion, announcement, report, and conclusion and for appraisal act included in the Prospectus and submitted by them.

2. Entities specified in Point 1 of this Article shall bear joint responsibility (except for the entities specified in Point 2 of Article 11 of this Law, when joint responsibility refers solely to the responsibility of two or more experts that signed the same document or the same part of that document) before the buyer of the security as entities that cause joint damage and shall use the right for counter-claim to each other.

3. The obligation of the Issuer specified in Point 1 of this Article shall also apply in cases when the sources of information contained in the Prospectus were third parties, irrespective of their responsibility.

4. The Underwriter shall be waived of the obligation specified in Point 1 of this Article the latter proves that based on sufficient and proper studies, he had good grounds to believe and thereby believed in absence of inaccurate information or its distortion (omission) in the Prospectus upon its registration.

Article 13. Amount of Reimbursement

1. The entity that inflicts losses on investors in accordance with Article 12 of this Law shall be obligated to reimburse such losses through buyback of securities sold to that entity, at the acquisition price of securities. By reimbursing the loss in the aforementioned manner, the entity that inflicted losses shall be relieved of the obligation to reimburse that entity for any other loss.

2. The Underwriter shall not bear the obligation defined by Article 12 of this Law, if the entity that has incurred losses, at the moment of acquisition of securities, was aware or obviously might be aware that the Prospectus incorporates false and misleading information or a significant fact is missing or distorted in it.

3. Any agreement between the Issuer and the Underwriter and the Investor on exclusion, restriction or reduction of the obligation defined in Article 12 of this Law shall be invalid.

4. Expiration period for submitting claims with regard to the requirements arising from Article 12 of this Law shall be 5 years from the moment of the start of distribution of the given security.

Article 14. Supplements to the Prospectus

1. From the moment of submitting the application for the Prospectus registration till the completion of public distribution period of securities, in case of essential change of the information included in the Prospectus, occurrence of a new significant circumstance or a fact, or in case of discovering a significant inaccuracy or deficiency in the Prospectus, the Issuer

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or the Underwriter shall be obligated to submit the supplement to the Prospectus to the Central Bank within 5 days from the day when they become aware of such circumstance or from the day when they might obviously have become aware of it.

2. The Summary (and its translation, if any) shall be supplemented or a newly published taking into consideration the information represented in the supplement to the Prospectus.

3. Requirements for the registration and publication of the Prospectus set forth in this Law shall also apply to the supplements provided after the registration of the Prospectus, with the exception of the period defined in Point 4 of this Article.

4. Supplement to the Prospectus shall be considered registered with the Central Bank on the 7th business day following the date the Central Bank's receipt of the request for registration. The Central Bank shall render the decision on rejecting the registration of the supplement to the Prospectus within 7 business days from the moment it receives the request for such registration.

5. The supplement to the Prospectus shall be considered an integral part of the Prospectus.

Article 15. Effective period of the Prospectus

1. Effective period of the Prospectus is the period following its publication, the episode when the public offering made on the basis of the given Prospectus is considered valid.

2. Effective period of the Prospectus shall be 12 months in cases when the requirements set forth by Article 14 of this Law have been met.

3. In case of a program offer, effective period of the program prospectus shall be 12 months, whereas in case of covered securities - up to the end of issuances of those securities.

4. Effective period of the registration statement specified in Point 2 under Article 8 of this Law shall be 12 months, if the requirements defined in Article 14 of this Law have been met. The registration statement along with the description of securities and the summary shall be treated as a valid Prospectus.

5. Public offering of securities on the basis of a Prospectus the effective period of which is over shall be prohibited.

Article 16. Publication Procedure of the Prospectus

1. The Prospectus shall be published by the Issuer or the Underwriter within the shortest possible period after its registration with the Central Bank, but no later than 3 business days before the commencement of the public distribution.

2. The Prospectus shall be published at least in a dematerialized form on the website of the Issuer or the Underwriter (including the entity to charge the payment for securities).

3. The Issuer or the Underwriter (including the entity to charge the payment for securities) shall, upon request of any entity, provide a printed copy of the Prospectus at no charge. The printed copy of the Prospectus shall be provided to the requesting entity no later than on the business day following the day when such request was submitted.

4. The Central Bank shall publish the Prospectus registered thereby on its official website, for a period of 12 months effective from the registration date of the Prospectus.

5. If the Prospectus consists of separate documents or the information incorporated in it is represented in the form of references, then those

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documents may be published separately provided that all mentioned documents are made available for the public in the procedure defined by Points 2 and 3 of this Article. Each of the aforementioned documents shall contain a note describing where and how other documents and/or information constituting an integral part of the Prospectus may be obtained. The information incorporated in the Summary may not be provided in the form of references.

6. If there is a registration statement that is considered valid per Point 3 of Article 15 of the Prospectus consisting of separate documents, the public offering may be made only through the description of securities and publication of the Summary. In this case, the description of securities shall contain such information on significant facts and circumstances as is usually included in the registration statement and occurs after registration of the registration statement or its supplement.

7. The form and content of the published Prospectus shall comply with the form and content of the Prospectus registered by the Central Bank, throughout the entire period of publication.

Article 17. Public Offering Announcement

Immediately after publication the Prospectus, but no later than the first day following the publication of the Prospectus, the Issuer shall publish an announcement on public offering in the procedure and content defined by regulations of the Central Bank, except for the cases when publication of the Prospectus is not required by this Law.

Article 18. Requirements to Advertising

1. Any information relating to the public offering that was published for advertisement or other purposes in written form or verbally, shall not be false or misleading and shall contain such information that is included in the Prospectus.

2. Public offering may be promoted only in the procedure defined by Article 17 of this Law, after its announcement.

3. Advertisement of public offering shall contain information on the places of publication and acquisition of the Prospectus. All advertisement materials relating to public offering shall comply with the requirements set forth by the law and by regulations of the Central Bank.

4. In accordance with the procedures defined by regulations of the Central Bank, the Central Bank may require representation of any document or announcement used for advertising purposes of the public offering of securities.

5. In cases where pursuant to this Law publication of the Prospectus is not required for public offering of securities and the offering is made exclusively to the qualified investors and/or investors specified in Item 2, Point 1 under Article 6 of this Law, the Underwriter shall disclose all significant documents and information that relate to the offer of securities, equally to each of the aforementioned investors.

6. By its decision, the Central Bank shall have the right to prohibit or suspend, for a maximum of 10 business days, the advertisement of public offering, if in accordance with the justified opinion of the Central Bank, the aforementioned advertisement violated or may violate the requirements defined by this Law and by the regulations adopted based on this Law.

7. Within the period defined by the decision described in Point 6 of his Article, the advertising agency shall be obligated to eliminate violations, after which the agency may continue advertisement of public offering, upon the consent of the Central Bank.

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Article 19. Language of the Prospectus

1. The Prospectus, its supplements that are registered by the Central Bank, as well as other information relating to the public offering and the Issuer, shall be published in the Republic of Armenia in Armenian. This requirement shall not restrict the right to draft the aforementioned documents and information in any other languages, along with the Armenian.

2. The Prospectus, its supplements that are registered by the authorized body of a foreign country, as well as other information relating to public offering and the Issuer, in the Republic of Armenia may be published in a foreign language, only by the permission of the Central Bank. The Central Bank shall give the permission for publication of the aforementioned documents and information in a foreign language only in cases when, it believes that the interests of investors are not jeopardized.

3. If the Prospectus is published in a foreign language as provided by Point 2 of this Article, the Central Bank shall have the right to require the publication of the Summary in Armenian.

4. The documents and information specified in Point 1 under this Article shall be published in other languages along with the Armenian, and there is a notional inconsistence between the documents published in different languages or they can be interpreted in different ways, the document published in Armenian shall prevail.

Article 20. Obligation for Buyback

1. If during the distribution, the Underwriter submits a supplement to the Prospectus that refers to a significant change of the information included in the Prospectus, or to the occurrence of a new essential circumstance or fact, then the Underwriter, at the request of the Investor, shall revoke the acceptance given by the Investor and return the resources obtained by the Investor during the subscription or buyback the securities sold to the investor prior to submission of the supplement, at least at the acquisition price.

2. The obligation defined by Point 1 of this Article shall be valid also in case of publication of information on final price and number of the offered securities, if in the cases provided for by this Law, the Prospectus does not comprise information on final price and number of the offered securities.

3. The request for buyback defined in Point 1 of this Article shall be represented to the Underwriter in writing. The representation period of buyback requirement may not be less than 5 business days, after publication of the supplement to the Prospectus.

4. Buyback of securities and payback of resources obtained in the course of the distribution shall take place within a maximum of 10 business days, after submission of the request defined by Point 3 of this Article.

Article 21. Suspension of Distribution

1. In accordance with the decision of the Central Bank, the Central Bank shall suspend the distribution process, if:

1) In the course of the distribution, requirements of this Law and/or other legal acts regulating public offering were violated;
2) during the distribution, conditions of public offering set forth in the Prospectus were not met;
3) the Prospectus contains significant errors and misleading information or if an essential fact is missing from or misrepresented in the Prospectus.

2. Decision on suspending the distribution shall contain assignment for eliminating the revealed violations and omissions and implementation period after which, upon the permission of the Central Bank, the distribution may continue.

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3. On the initiative of the Underwriter, the distribution process may be suspended only upon the consent of the Central Bank at 10 business days at maximum. If from the moment when the suspension period expires, the distribution does not continue during one business day, the Underwriter shall be obligated to terminate the distribution and return back the resources received during the distribution to the entities that acquired securities, in the procedure set forth by Article 20 of this Law, within 10 business days from the expiration of the suspension period.

4. The Underwriter shall be obligated to publish information on suspension and continuation of distribution, termination of distribution and return of resources received during the distribution, at least with the same resources that were used to publish public offering announcement.

5. The Central Bank shall publish its decisions on making order and giving consent provided for by Points 1 and 3 of this Article, correspondingly, in its official web site.

Article 22. Reporting on the Process and Results of Distribution

From the moment of commencement of public distribution, upon the expiration of each 30th day, no later than on the 15th day, as well as within 30 days, after completion of distribution, the Underwriter shall be obligated to provide the Central Bank with the report on the process and results of distribution, in the procedure and order set forth in regulations of the Central Bank.

Article 23. Public Offering of Securities by Foreign Issuers

1. Provisions of this Chapter shall apply to public offering of securities of a foreign Issuer in the Republic of Armenia, unless otherwise specified by this Law.

2. Public distribution of securities of a foreign Issuer may be implemented only by an entity that has the right to provide investment services, described in Point 1(6) of Article 25 of this Law and has signed a contract with the Issuer on providing securities distribution services.

3. For registration of the Prospectus of a foreign Issuer with the Central Bank, the Underwriter shall submit the documents specified below to the Central Bank:

1) the prospectus in one copy and in electronic version;
2) the copy of the Charter of the Issuer;
3) registration certificate or other document of the Prospectus issued by the authorized body of the country of the Issuer by which the publication of the Prospectus is permitted, if such document is available;
4) the copy of annual financial statements of the Issuer for the previous financial year approved by the company conducting audit of the Issuer;
5) the contract executed with the entity that is registered in the Republic of Armenia and provides investment services, in accordance with which the investment services provider undertakes distribution obligations;
6) other documents set forth by regulations of the Central Bank.

4. If the documents specified in Point 3 of this Article are drafted in a foreign language, they shall be submitted to the Central Bank along with their Armenian version, unless otherwise specified by Article 19 of this Law.

5. The Central Bank may register the Prospectus of a foreign Issuer that was drafted in accordance with the legislation of a foreign country, if the Central Bank finds that:

1) the Prospectus was drafted in compliance with international standards adopted by international organizations of supervisory bodies of the securities market, including the standards for information disclosure adopted by the International Organization of Securities Commissions;

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2) the requirements for the information included in the Prospectus, in conformity with the legislation of the country of the Issuer are similar to the requirements set forth by this Law and legal acts adopted based on this Law.

Article 24. Obligation for Making Notification about the Offer in a Foreign Country

The Issuer shall inform the Central Bank about offer of securities issued by it that are made in a foreign country, by providing the Central Bank with the following documents:

1) the copy of the document verifying permission for publication of the Prospectus that was issued to the Issuer by the authorized body of the country that made the offer;
2) the copy of the Prospectus;
3) copies of other documents in connection with the offer that were provided to the authorized body of the country implementing the distribution.

Documents provided for by Point 1 of this Article shall be submitted to the Central Bank within 10 days from the moment the document verifying the publication permission of the Prospectus that was issued by the authorized body of the country which made the offer, is received.

SECTION 3

PROVISISON OF INVETSMENT SERVICES

CHAPTER 3

GENERAL PROVISIONS

Article 25. Investment Services

1. In the term of this Law, the investment services shall apply to those services where:

1) receives and transfers assignments from customers regarding transactions with securities;
2) on its behalf and on behalf of the Customer and at the expenses of the Customer makes transactions with securities;
3) provides consultancy to Customers regarding the investments in securities;
4) executes transactions with securities on its behalf and on its own account;
5) manages the package of securities;
6) carries out guaranteed or non-guaranteed distribution of securities.

2. The activity defined in Point 1(Item 4) of this Article shall not be considered provision of investment services, if the latter is not carried out on a periodic basis and does not constitute a part of the main activities of the given entity.

Article 26. Non-principal Services

In terms of this Law, non-principal services shall be the following:

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1) safe custody of securities;
2) provision of borrowing to customers for transactions with securities provided that the lender is a party to such transaction;
3) provision of services in connection with organization of issuance and distribution of securities;
4) provision of advisory services to companies on structure of capital, corporate strategy, reorganization of companies, and other services;
5) implementation of foreign currency sale/purchase dealer transactions;
6) activities of a credit organization;
7) development and dissemination of researches, financial analyses and other general investment proposals related to securities transactions.

(Article 26 is amended according to AL-263-S, 13.11.07)

Article 27. Investment Services Providers

1. Legal norms set forth by this Law or regulations adopted on this basis about or for investment firms shall as well apply to the branches of foreign investment firms acting on the territory of the Republic of Armenia, unless otherwise specified by this Law or by regulations adopted on this basis, or in cases when the essence of the legal norm clearly indicates that it does not have to do with the branch of a foreign investment firm operating within the territory of the Republic of Armenia.
2. Investment services and the non-principal service specified in Item 1 of Article 26 of this Law may be rendered only by:
1) investment service providers;
2) entities and bodies specified in Articles 30 and 31 of this Law.
3. Non-principal services specified by Point 3, Point 4 and Point 7 under Article 26 of this Law may be provided by other persons as well.
4. In its regulations, the Central Bank shall have the right to set the rules and requirements for provision of investment services and for non-principal services rendered by investment service providers.

Article 28. Investment firms

1. The investment firm shall be a joint-stock company or a company with limited liability that is issued the investment services provision license in accordance with the procedure set forth by this Law and by the regulations adopted based on this Law, the activity of which shall be provision of investment services separately or along with the non-principal services.
2. By its regulations, the Central Bank shall have the right to permit the investment firms to carry out such types of additional activity that are tightly connected with the activity provided for by Point 1 of this Article, by establishing additional requirements for their implementation, if required.
3. The investment firms shall be prohibited to implement any other activity not provided by this Article, unless otherwise specified by the regulations adopted in compliance with Point 2 of this Article. The violation of the aforementioned restriction shall serve a basis to recognize the investment firm’s license void.

Article 29. Use of Separate Phrases and Words

1. The words and phrases “Investment firm”, “brokerage”, “dealer”, “trust manager” or “custodian”, their conjugated forms, Armenian transcription of those words in a foreign language, translations or their combination may exclusively be used in the name of the entities holding the investment services provision

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license, unless from the meaning conveyed in that expression it is obvious that it does not speak about the provision of investment services.

2. Investment firms shall have no right to use misleading words in their names that may convey false assumption on financial position, legal status or on the services provided.

Article 30. Exemptions from the Provisions of this Section

Provisions of this Section shall not apply to:

1) investment services rendered by insurance companies in the cases and in the procedure defined by the laws and regulations regulating the insurance companies and activity of insurance companies;
2) companies which provide investment services that are rendered to the legal entities that belong only to the same group, or investment services that are restricted by the management of securities issued by the companies only of that group for their staff members or managers;
3) the company that renders only the investment service provided in sub point 1 of Article 25 (i) of this Law exclusively to the investment service provider and has no right to posses the customer's resources with regard to the provision of investment services.
4) management of Guarantee Fund resources by the Bureau of Companies Carrying Out Compulsory Insurance of Liability Pertaining to the Use of Motor Vehicles, in cases and in manner provided by laws and normative acts regulating activities of the Bureau of Companies Carrying Out Compulsory Insurance of Liability Pertaining to the Use of Motor Vehicles.

(Amended according to AL-70-S, 18.05.10)

Article 31. Scope of Application of this Section

Provisions of this Section that refer to the investment service providers and to the provision of investment services, shall apply to:

1) the Republic of Armenia and communities of the Republic of Armenia;
2) the Central Bank;
3) the Central Depository.

Article 32. Unions of Investment Services Providers

1. Investment services providers for the purpose of coordination, representation and protection of interests, exchanging information and for joint solution of other issues may establish non-profit unions and (or) become members of such.

2. Unions of investment service providers may not render investment services.

3. Within 10 days from the moment of their state registration, unions of investment service providers shall inform the Central Bank about that providing information on the location, management bodies and managers and further on the changes thereof, within a 10-day period after the changes have happened.

CHAPTER 4

PERMISSION FOR IMPLEMENTATION OF ACTIVITY

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Article 33. License for Provision of Investment Services

1. Provision of investment services shall be prohibited without the license issued in the procedure defined by this Law and by the regulations adopted based on this Law, except for the cases specified by this Law.
2. The investment services provision license shall be given for an unrestricted period of time.
3. The license or the rights embedded in that license may not be pledged, transferred or otherwise disposed.
4. The license shall be issued or recognized void in conformity with the decision of the Central Bank. The license shall be recognized void exclusively in the procedure defined by this Law. In case of definition of other provisions regarding the recognition of invalidity of the license by other laws, the provisions of this Law shall prevail.
5. The investment services provision license shall contain total the full name of the investment firm and registration number, type or types of investment services permitted by the license, issuance date of the license and the number of the license.
6. A uniform license shall be established by regulations of the Central Bank.
7. The procedure for registration and licensing of investment firms shall be set forth exclusively by this Law and regulations of the Central Bank. In case of definition of other provisions with regard to the licensing of investment firms by other laws, the provisions of this Law shall prevail.

Article 34. Scope of the License

1. The license shall be issued for providing one or more types of investment services.
2. The license may not be issued for provision of non-principal services.
3. The investment firm may render only that service (those services) for which the license was issued. For the purpose of providing additional investment services, the investment firm shall be issued additional license.
4. Unless otherwise specified by this Law, the investment firm may render all non-principal services.

Article 35. Provision of Investment Services by the Banks and Credit Organizations

1. Banks and credit organizations may render investment services without holding an investment services providing license.
2. In case of provision of investment services, the bank, the credit organization shall be required, in accordance with the procedure specified by regulations of the Central Bank, to make prior notification about that to the Central Bank, at least 15 days before commencement of provision of those services.
3. Being guided by its regulation, the Central Bank shall have the right to prescript additional requirements to the banks and credit organizations targeted at organization of provision of investment services and ensuring financial detachment inside the structure of banks, credit organizations.
4. The Central Bank shall have the right to stipulated additional requirements for investment firms by its regulations in the pursuit of ensuring organizational and financial separateness of credit activities in the structure of the above companies.

Article 36. Registration and Licensing of the Investment firm

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1. For the purpose of state registration and licensing of the investment firm, the founders or authorized persons thereto shall submit to the Central Bank the documents mentioned below, in compliance with the form and content specified by regulations of the Central Bank:

1) application for registration and licensing;
2) the business plan of the investment firm;
3) the Charter of the investment firm in 6 copies as approved by the Board of Founders of the investment firm;
3.1) application for registration of the firm name of the investment company, whereas procedure on submission of application, the list of documents to be attached thereto, as well as review of the application, the firm name and changes therein shall be defined by the Republic of Armenia law;
4) information on the shareholders (participants) of the investment firm;
5) the decision of the Board of Founders of the investment firm on appointment of managers for the investment firm;
6) information on managers of the investment firm, samples of the their signatures ratified by notary, copies of certificates of their professional qualification;
7) documents of significant participants of the investment firm defined by this Law and regulations of the Central Bank adopted on the basis of Point 3, Point 4 and Point 5 under Article 54 of this Law for getting preliminary permission for significant participation.
8) draft rules of the investment firm’s activity;
9) the document verifying the payment of the Charter Capital of the investment firm to the account opened in the Central Bank or in any other bank not affiliated with that company but acting on the territory of the Republic of Armenia;
10) the list of staff members implementing investment services provision activity inside the structure of the investment firm or on its behalf and copies of the documents verifying their professional qualification;
11) the announcement on compliance of the activity area of the investment firm with the criteria set forth by the Central Bank;
12) the state duty payment receipt;
13) other documents defined by regulations of the Central Bank.

2. The Central Bank may require additional information and documents that are essential for estimation of accuracy of the documents and the information provided for by Point 1 of this Article. By its regulations, the Central Bank may define exceptions for submission of certain documents and information provided for by Point 1 of this Article, for the branches of foreign investment firms, non-resident significant participants and managers, if provision of such information or documents is restricted by the legislation of the country in question or if the above do not apply to the given person.

3. For the purpose of obtaining a license for provision of an additional investment service an acting investment firm shall submit the following documents in the form and content as defined by the regulations of the Central Bank:

1) the application for license for provision of additional investment services;
2) amendments made to the business plan of the investment firm;
3) amendments made to the rules of the activity of the investment firm;
4) other documents defined by regulations of the Central Bank

4. If during the examination of the application, amendments are made to the information required by the application and by the documents attached to that application, the applicant shall be obligated to provide the amended information, before the Central Bank makes a decision on registration and issuance of the license or on rejection of registration and issuance the

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license. If this is the case, the application shall be considered submitted from the moment the Central Bank receives the amended information and documents.

(Article 36 is amended according to AL-145-S, 08.06.09)

Article 37. Decision on Registration and Licensing

1. The Central Bank shall make a decision on registration of the investment firm and on issuance of the license, if the submitted information and documents comply with this Law, other laws and legal acts and there are no bases defined by this Law to reject the registration of the investment firm and to reject the issuance of the license.
2. The Central Bank shall be obligated, within a 5-day period from the moment it makes a decision on registration and issuance of the license, to give the registration certificate and the license to the investment firm.
3. The Central Bank shall register and license the investment firm or shall reject the registration and licensing of the investment firm within one month from the moment the Founders of the investment firm submit the application. The Central Bank shall render the decision on issuance of the license for provision of additional investment services within 20 days from the moment it receives the application for the license.
4. Within a 5 day-period after making the decision on registration of the investment firm, the Central Bank shall notify about that the state authorized body implementing registration of legal entities, to make a corresponding recording of the registration of the investment firm.
5. From the moment the investment firm is registered at the Central Bank, it shall acquire the status of a legal entity.
6. Within 3 business days following the day of making the decision on issuance or rejection of the license, the Central Bank shall grant the license to the entity that submitted the application.

Article 38. Bases for Rejecting the Registration and Licensing Application

The Central Bank shall reject registration and licensing of the investment firm or granting the license for additional investment services activity, if:

1) the submitted documents do not comply with this Law, with the regulations adopted based on this Law, are false or incomplete or the information contained therein is not reliable;
2) the managers of the company do not meet the requirements set forth in Article 58 of this Law.
3) the investment firm does not meet the requirements for provision of investment services defined by this Law and other legal acts;
4) the Charter of the investment firm contradicts the law;
5) the Central Bank has rejected or rejects any of the applications for getting preliminary consent for acquisition of significant participation in the investment firm;
6) the business plan does not correspond to the requirements set forth by this Law and the regulations adopted by the Central Bank on the basis of Article 40 of this Law.
7) per the justified opinion of the Central Bank, the business plan is unrealistic or by acting in compliance with that plan, the investment firm may not render investment services in due manner;
8) per the justified opinion of the Central Bank, the activity, financial position, negative reputation or absence of experience in the financial sphere of the Founders of the investment firm or of the entities affiliated with them may jeopardize the interests of customers or may hinder proper provision of investment services by the investment firm or duly implementation of supervision by the Central Bank;

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9) nonpayment of the minimum amount of the charter capital defined by the Central Bank on the basis of Article 73 of this Law;
10) the investment firm does not have adequate area or is not technically equipped to comply with the requirements defined by regulations of the Central Bank.

Article 39. State Duty

For granting the investment services provision license, a state duty shall be charged in the procedure and amount defined by the RoA Law on The State Duty.

Article 40. Business Plan

1. The Business Plan shall be drafted for the next three years and shall contain the information defined by regulations of the Central Bank.
2. During its activity, the investment firm in the procedure, form and periods defined by regulations of the Central Bank shall submit to the Central Bank the report on business plan implementation that was provided during the registration and licensing period.
3. The investment firm in the procedure, form and periods defined by regulations of the Central Bank shall be obligated to submit to the Central Bank the business plan for three years along with its amendments.

Article 41. Recognition of Invalidity of the Licensee in Liquidation, Reorganization, Bankruptcy of the Company and in other Cases Defined by the Law

The Board of the Central Bank, not as a sanction, shall recognize void the license of the investment firm, registration of the branch of a foreign investment firm acting in the Republic of Armenia on liquidation, reorganization, bankruptcy and other bases defined by the law.

Article 42. Recognition of Invalidity of the License and its Legal Consequences

1. The License may be recognized void wholly or per separate types of investment services. In case of recognition of invalidity of the license per separate types of investment services, the investment firm shall be deprived of the right to render the given type of investment service, with the exception of those transactions that are directed to fulfillment of obligations undertaken by the investment firm with regard to the provision of the given investment service, sale of resources and their final distribution.
2. The license shall be recognized void, if:
1) after issuance of the license, the investment firm did not render investment services for 12 months uninterruptedly;
2) in applying to the Central Bank, the investment firm submitted misleading or unreliable information or false documents;
3) the investment firm published or submitted to the Central Bank misleading, unreliable information or false documents;
4) the investment firm or its management made periodic (two and more) or significant violations of the requirements of this Law, other laws, regulations adopted based on this Law, as well as of internal legal acts of the investment firm;
5) the investment firm did not fulfill the assignment given by the Central Bank in accordance with this Law within the defined period or amount;

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6) prudential standards defined by this Law and regulations of the Central Bank adopted on this basis were violated, in the amount specified by the regulations of the Central Bank;

3. Registration of the branch of a foreign investment firm established on the territory of the Republic of Armenia shall be recognized void also in the case when the foreign investment firm was deprived of the right to render investment services in the country where it is registered or where it carries out its main activity.

4. The license wholly or per separate types of investment services may be recognized void based on the application of the investment firm, provided that the legitimate interests of the customers of the investment firm are not properly protected.

5. The Central Bank may reject the application provided for by Point 4 of this Article on recognition of invalidity of the license, if there are sufficient bases to conclude that the recognition of invalidity of the license may damage the interests of investors and other customers.

6. Within 30 days from the moment the Central Bank receives the application provided for by Point 4 of this Article, it shall make a decision on recognizing void of the license wholly or per separate types of investment service or on rejection of the application.

7. Before making a decision on recognizing void of the license based on Point 2 of this Article, the Central Bank may instruct the investment firm within the defined period to eliminate the violations that are the bases for recognition the license void.

8. In case the license is wholly recognized void, it shall be returned to the Central Bank within 3 days.

9. From the day when the decision on recognizing the license completely void becomes effective, the investment firm shall be deprived of the right to render investment services, except for those transactions that are directed to fulfillment of obligations undertaken by the investment firm, sale of resources and their final distribution. From the moment the decision of the Central Bank on recognition of the license completely void becomes effective, the investment firm shall be subjected to liquidation in the procedure defined by the law.

10. Based on the bases specified by this Article, the decision of the Central Bank on recognizing the license void shall be immediately published. The aforementioned decision shall become effective from the moment of its publication, unless other period is specified by that decision.

11. The copy of the decision of the Board of the Central Bank on revocation of the license shall be provided to the investment firm within 3 days after its adoption. Court appeal of the Board decision of the Central Bank on revocation license shall not suspend the effect of that decision throughout the entire period of the court proceeding.

Article 43. Registration of the Branch and Representation of the Foreign Investment firm to be Established on the Territory of the Republic of Armenia

1. Foreign investment firms may establish a branch on the territory of Armenia by registering it with the Central Bank, in accordance with the procedure defined by this Law and regulations of the Central Bank.

2. To register a branch of the foreign investment firm for its establishment on the territory of the Republic of Armenia, the foreign investment firm shall submit to the Central Bank the following documents and information, in the form and content set forth by regulations of the Central Bank:

1) the application for registration of the branch;

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2) the decision of the corresponding management body of the foreign investment firm regarding the establishment of a branch in the Republic of Armenia;
3) the Charter of the branch approved by the corresponding management body, in 6 copies;
4) operation rules of the branch;
5) the copies of the registration certificate, the Charter or other founding documents and the investment services provision license, pursuant to the legislation of the registering country of the investment firm, ratified by the notaries procedure, in Armenian;
6) financial statements of the foreign investment firm for the recent three years prepared in compliance with International Accounting Standards, as well as an independent audit opinion on those statements;
7) a reference on the entities having significant participation in the foreign investment firm;
8) the business plan of the branch;
9) the decision made by the corresponding authorized body of a foreign country on giving permission or on not denying the establishment of the branch in the Republic of Armenia or other document, if such document is required by the legislation of the given country;
10) a reference granted by the authorized body of the corresponding foreign country specifying that the foreign investment firm has permission for rendering investment services and renders investment services in compliance with the legislation of the given country;
11) the decision of the corresponding management body of the foreign investment firm on appointing managers for the branch of the investment firm;
12) a reference on the activity of the managers of foreign investment firm’s branch and the ratified samples of their signatures;
13) the state duty payment receipt;
14) a statement on compliance of the location of the branch of the foreign investment firm with the criteria defined by regulations of the Central Bank;
15) other documents defined by regulations of the Central Bank.

3. By its regulations, the Central Bank may set additional conditions for providing investment services by the branches of foreign investment firms on the territory of the Republic of Armenia. Those conditions shall be the same for all branches of all foreign investment firms acting on the territory of the Republic of Armenia.

4. The foreign investment firm may establish a representation on the territory of the Republic of Armenia by registering it with the Central Bank, in the procedure defined by this Law and by regulations of the Central Bank.

5. To register the representation of the foreign investment firm on the territory of Armenia, the foreign investment firm shall submit the following documents to the Central Bank, in the form and content set forth in regulations of the Central Bank:

1) an application for registration of the representation;
2) the decision of the corresponding management body of the foreign investment firm regarding the establishment of a representation in the Republic of Armenia;
3) the Charter of the representation, in 6 copies;
4) the copies of registration certificate, the Charter or other founding documents and the investment services provision license, pursuant to the legislation of the registering country of the investment firm, ratified by the notaries procedure, in Armenian;

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5) financial statements of the foreign investment firm for the recent three years prepared in compliance with International Accounting Standards, as well as an independent audit opinion on those statements;
6) a reference on the entities having significant participation in the foreign investment firm;
7) the decision made by the corresponding authorized body of a foreign country on giving permission or on not denying the establishment of the representation in the Republic of Armenia or other document;
8) a reference granted by the authorized body of the corresponding foreign country specifying that the foreign investment firm has permission for rendering investment services and renders investment services in compliance with the legislation of the given country;
9) other documents defined by regulations of the Central Bank.

6. The Central Bank shall make a decision on registration of the branch or representation of the foreign investment firm, if the submitted documents and information comply with this Law, other laws and legal acts and there are no bases for rejection defined by this Law regarding the registration of the branch or representation of the foreign investment firm.

7. Within a 5-day period from the moment the Central Bank makes the decision defined by Point 6 of this Article, it shall have the right to give the registration certificate to the foreign investment firm.

8. The Central Bank shall register the branch or representation of the foreign investment firm or shall reject the registration within a 30-day period from the moment the foreign investment firm submits the application.

9. Within a 5-day period after making the decision on registration of the branch or representation of the foreign investment firm, the Central Bank shall notify about that the state authorized body implementing registration of legal entities, to make a corresponding recording of the registration of the branch or representation of the foreign investment firm.

10. In the cases defined by its regulations, the Central Bank may require additional information that is necessary for estimation of accuracy of the information specified in Points 2 and 5 of this Article.

11. The Central Bank may determine waiver to submission of certain documents as specified in Point 2 and Point 5 of this Article in the cases defined by its regulations where the ability of submitting such documents or information is restricted by the legislation of the given country or such documents and information do not apply to the person in question.

Article 44. Bases for Rejecting the Application for Registration of the Branch and Representation of the Foreign Investment firm to be Established on the Territory of the Republic of Armenia

1. The Central Bank may reject registration of the branch of the foreign investment firm on the territory of the Republic of Armenia, if:
1) the submitted documents are false or incomplete or the information contained therein is not reliable;
2) the managers of the branch of the foreign investment firm do not meet the requirements set forth in Article 58 of this Law, the foreign investment firm or the branch to be established within the territory of the Republic of Armenia does not meet the requirements for providing investment services, defined by this Law and other legal acts;
3) the operation rules of the branch of the foreign investment firm do not comply with the requirements set forth by this Law and by regulations of the Central Bank adopted on the basis of Article 59 of this Law.

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4) the branch of the foreign investment firm does not have an adequate location or is not technically equipped to comply with the requirements of normative legal of the Central Bank;
5) the submitted business plan does not correspond to the requirements set forth in this Law and regulations of the Central Bank adopted on this basis;
6) per the justified opinion of the Central Bank, the business plan is unrealistic or by acting in compliance with that plan, the branch of the foreign investment firm may not render investment services in due manner;
7) per the justified opinion of the Central Bank, the activity, financial position, negative reputation or absence of experience in the financial sphere of the significant participants of the foreign investment firm or of the entities affiliated with them may jeopardize the interests or rights of customers or may hinder proper provision of investment services by the branch of the foreign investment firm or proper implementation of supervision by the Central Bank;
8) the given country does not give allow the Central Bank to examine or implement proper supervision of the branch pursuant to the statute;
9) per the justified opinion of the Central Bank, the branch of the foreign investment firm intends to circulate resources acquired in an illegal manner.

2. The Central Bank may reject registration of the representation of the foreign investment firm, if:

1) the submitted documents are false or incomplete or the information contained therein is not reliable;
2) the Charter of the representation of the foreign investment firm contradicts the law;
3) per the justified opinion of the Central Bank, the representation of the foreign investment firm intends to circulate resources acquired in an illegal manner.

Article 45. Branches and Representative Offices of Investment firms Operating in the Republic of Armenia

1.The investment firm operating within the territory of the Republic of Armenia can establish a branch and representative office in the Republic of Armenia, in procedures established by this Law and other legal acts.

2.A branch of the investment firm is a separate division of the investment firm that has no status of legal entity and is located outside of the venue of the investment firm, and acts within the scope of authorities vested in it by the investment firm and renders investment services on its behalf. The branch can render only those investment services for which it was issued a license.

3.A representative office of the investment firm is a separate division of the investment firm that has no status of legal entity and is located outside of the venue of the investment firm, and represents the investment firm, studies the securities market, signs contracts on behalf of the investment firm, carries out other similar functions. The representative office has no right to render investment services.

4.The branches to be founded within the territory of the Republic of Armenia by investment firms operating in the Republic of Armenia shall be registered with the Central Bank, submitting the following documents of the form and content established by regulations of the Central Bank:

1) Solicitation of the investment firm;
2) Resolution of the authorized management body of the investment firm or an extract from its protocol on branch foundation;

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3) Charter of the branch to be founded;
4) Reference on activities of managers of the branch to be founded;
5) Business plan of the branch to be founded;
6) Statement on allocation of area for the branch, as well as compliance of its technical refurbishment with the criteria established by regulations of the Central Bank;
7) Other documents established by regulations of the Central Bank.

5. In order to register its representative office to be founded within the territory of the Republic of Armenia with the Central Bank, the investment firm operating in the Republic of Armenia shall submit the following documents of the form and content established by regulations of the Central Bank:
1) Solicitation of the investment firm;
2) Resolution of the authorized management body of the investment firm or an extract from its protocol on foundation of the representative office;
3) Charter of the representative office to be founded;
4) Other documents established by regulations of the Central Bank.

6. Within 30 days of the submission of the solicitation and the required documents specified by this Article, the Central Bank shall register the branch or representative office and issue a registration certificate, and in case of registration refusal, shall inform the investment firm about the grounds for denial, within 5 working days.

7. Within five days after resolution on registration of the branch or representative office, the Central Bank shall notify about that the authorized state body that registers legal entities, to make corresponding record by the latter on registration of the branch or representative office.

8. The procedures and conditions for the cessation of activity of branch and representative office, including suspense, shall be established by of the board of the Central bank. The Central bank may not allow cessation or suspension of activity of a branch or representative office, if the suspension of activity of branches or representative offices endangers the interests of clients.

Article 46. Grounds for Refusal to Registration of a Branch or Representation created within the territory of the Republic of Armenia by an Investment Firm operating within the Territory of the Republic of Armenia

1. The Central bank may deny the investment firm’s solicitation for registration of the branch to be founded within the territory of the Republic of Armenia, if:
1) the submitted documents and information are incomplete, unreliable or false;
2) the location or technical capacity of the branch of the investment firm do not meet the requirements established by regulations of the Central Bank;
3) managers of the branch of the investment firm do not meet the criteria established by this Law;
4) the investment firm has violated prudential standards during the year preceding the submission of the branch registration documents to the Central Bank, or foundation of the branch according to the justified opinion of the Central Bank may lead to deterioration of the investment firm’s financial position;
5) business plan of the branch does not meet the requirements established by this Law and regulations of the Central Bank adopted on the basis of Article 40 of this Law;
6) in the reasonable judgment of the Central Bank, business plan of the branch is unrealistic or operating in accordance with the business plan,

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the branch of the investment firm will be unable to normally render investment services.

2. The Central Bank may refuse the investment firm's solicitation for registration of the representative office to be established within the territory of the Republic of Armenia, if:

1) the submitted documents and information are incomplete, unreliable or false;
2) in the reasonable judgment of the Central bank, opening of the representative office may lead to deterioration of the investment firm's financial position.

Article 47. Foundation of Branches and Representative Offices outside the Territory of the Republic of Armenia by Investment firms Operating within the Territory of the Republic of Armenia

1. While founding branches and representative offices out of the territory of Armenia, the investment firm operating within the territory of the Republic of Armenia shall receive the preliminary consent of the Central Bank, presenting the following documents of the form and content established by regulations of the Central Bank:

1) Solicitation on getting preliminary consent for foundation of a branch or representative office outside the territory of the Republic of Armenia;
2) Business plan of the branch or representative office to be founded outside the territory of the Republic of Armenia;
3) Other documents established by regulations of the Central Bank.

2. The Central Bank shall render the decision on preliminary consent to establishment of a branch or representative office outside the territory of the Republic of Armenia by the investment firm, if the submitted documents and information comply with this Law, other laws and legal acts, provided information is correct and reliable, and there are no grounds for rejection as defined in Article 48 of this Law to authorization of a branch or representative office established by the investment firm outside the territory of the Republic of Armenia.

3. The Central Bank shall give its consent to the investment firm to found a branch or representative office outside the territory of the Republic of Armenia or reject the solicitation within 30 days upon its submission to the Central Bank.

4. After registration (licensing, patenting) of its branch or representative office in another country according to the procedures set forth by the legislation of the corresponding country, the investment firm shall be obligated to record it with the Central Bank in 10 days, submitting a document justifying the fact of registration (licensing, patenting).

5. Within five days upon recording of the branch or representative office outside the territory of the Republic of Armenia, the Central Bank shall notify about it the authorized state body that registers legal entities, to make corresponding record by the latter on registration of the branch or representative office.

Article 48. Grounds for Refused Consent to Establishment of a Branch or Representation outside the Territory of the Republic of Armenia by an Investment firm Operating within the Republic of Armenia

The Central Bank may not give its consent to the investment firm to establish a branch or representative office outside of the territory of the Republic of Armenia, if:

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1) the submitted documents are false or incomplete, or information provided in them is unreliable;
2) in the reasonable judgment of the Central bank, opening of the branch or representative office will lead to deterioration of the investment firm’s financial position;
3) in case of founding a branch or representative office outside the territory of the Republic of Armenia, in the Central Bank’s reasonable judgment the authorized state body registering foreign investment firm is not carrying out adequate control in accordance with the international criteria over the activities of investment firms registered in the given country, or the given country does not provide opportunity to the Central Bank to check-up or oversight adequately the branch or representative office to be founded;
4) in case of founding a branch or representative office outside the territory of the Republic of Armenia, the investment firm does not prove the necessity of opening a branch and representative office in the given country or in the reasonable judgment of the Central Bank it is planning to put into circulation funds obtained illegally or support their turnover;
5) the business plan of the branch does not meet the requirements set forth by this Law or regulations of the Central Bank adopted on the basis of Article 40 of this Law;
6) in the reasonable judgment of the Central bank, business plan of the branch is unrealistic or operating in accordance with the business plan, the branch of the investment firm will be unable to normally render investment services.
7) the investment firm has been in violation of any prudential standard during the year preceding the moment of submission of documents to the Central Bank on getting preliminary consent to establish a branch or representative office, or establishment of the branch may according to the justified opinion of the Central Bank lead to deterioration of the investment firm’s financial position.

Article 49. Provision of Investment Services in the Republic of Armenia by Foreign Investment Service Provider

A foreign investment firm may provide investment services within the territory of the Republic of Armenia exclusively on the basis of a subsidiary or branch established within the territory of the Republic of Armenia.

Article 50. Requirement for Professional Qualification

1. Physical persons without professional qualification as stipulated in Point 2 of this Article shall be prohibited to act in the name of, or as a part of the investment service provider, or offer provision of such services, as well as hold the position of the executive director of an investment service provider.
2. The procedure for qualification and criteria for professional compliance of managers of the investment service provider (except for managers of structural subdivisions), physical entities providing investment services in the name of or as a part of an investment service provider shall be defined by the regulations of the Central Bank. In defining such criteria the Central Bank shall take into consideration the educational background (qualification) of the person, work experience and skills.

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3. The requirement specified in Point 1 of this Article shall not apply to the executive directors of banks and lending organizations that provide investment services. To the position of a manager of the subdivision responsible for provision of investment services by banks and lending organizations can be appointed only the person that has professional qualification meeting the requirements set forth by legal normative acts of the Central Bank.

4.The professional qualification defined under this Article shall be bestowed for a period of one year, the shortest.

Article 51. Deprivation of the Professional Qualification

The Central Bank shall be entitled to deprive an entity of professional qualification, if:

1) such entity has intentionally violated laws and other legal acts;
2) such entity has been deprived, by the regulated market operator, of the right to execute transactions with in the structure of the investment service provider or on its behalf, for violating, or acting in violation of this Law, regulations adopted in accordance with it and rules of the regulated market or those of the Central Depository;
3) such entity has carried out activities which resulted or may result in substantial financial or other losses;
4) such entity in the course of employment, carries out unjustified activities jeopardizing the interests of investors, hinders supervision activities of the Central Bank or its employees, performs careless attitude towards official duties, including commitments to the investment service provider and its customers;
5) such entity does not fulfill the assignments of the Central Bank or neglects its warnings;
6) such entity does not meet the criteria for professional qualification set forth by the Central Bank.

Article 52. Need for Qualified Specialists

1.The investment service provider shall be obligated to always have employees of the following professional qualifications set forth by this Law:

1) at least one employee to provide services specified in Points 1 and 2 of point 1 of Article 25 of this Law;
2) at least one employee to provide services specified in Point 3 of point 1 of Article 25 of this Law;
3) at least two employees to provide the service specified in Point 5 of point 1 of Article 25 of this Law;
4) at least one employee to provide the service specified in Points 4 and 6 of point 1 of Article 25 of this Law;
5) at least one employee to provide the service specified in Point 1, Article 26 of this Law.

2.The same person cannot simultaneously provide more than one of the investment services specified in Point 1 of this Article, except for services stipulated in Points 1 (1) and 1(4) of this Article.

3.By its regulations the Central Bank may set forth exceptions from the requirements specified in Point 1 of this Article, in procedures established by Article 49 of this Law, for foreign investment service providers operating within the territory of the Republic of Armenia.

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Article 53. Activity as a Part of or On Behalf of Only One Investment Service Provider

1.The same person is prohibited to be a part of or act on behalf of an investment service provider that directly or indirectly provides more than one of the investment services specified in Point 1(Item 5) under Article 25 of this Law.

2.Violation of the requirement specified in Point 1 of this Article shall be a cause for deprivation of professional qualification.

CHAPTER 5

OWNERS, MANAGEMENT

Article 54. Preliminary consent to Acquire Significant Participation

1.The entity (affiliated person thereto) which intends to acquire significant participation in the investment firm or increase its participation so that its participation in the charter capital of the investment firm that provides voting right amounts to at least 20, 50 or 75 percent, must get a preliminary consent from the Central Bank Board.

2.If the entity acquires significant participation in the investment firm or increases its voting-right-providing participation exceeding the limits specified in Point 1 of this Article, due to any event or transaction (including transfer of participatory rights as inherited), of which the entity was unaware or could not be aware of, then the entity shall be obligated to notify the Central bank, in procedures set forth by regulations of Central bank, within 10 days upon learning about the acquisition of significant participation or its increase.

3.The entity intending to acquire significant participation in the investment firm shall submit to the Central Bank an application for preliminary consent to acquisition of significant participation. The list of information and documents to be enclosed and attached to the application for preliminary consent, as well as the forms, procedures and conditions for their submission shall be established by regulations of the Central Bank.

4.For the acquisition of significant participation, through the mediation of the investment firm, the entity shall also submit to the Central bank a statement that through its participation no other entity will gain status of entity with significant indirect participation in the investment firm, otherwise that entity shall be obligated to submit to the Central Bank the documents and information on entities acquiring indirect significant participation, specified in regulations of Central Bank. To acquire the status of indirect significant participation, it is required to get the preliminary consent of the Central Bank Board, in procedures set forth by this Article.

5.In order to get the preliminary consent for acquisition of significant participation, the entity, through mediation of the investment firm, shall also submit to the Central bank substantial and comprehensive grounds (documents, information, etc.) disclosing legitimate origin of resources used for the acquisition of significant participation.

6.The Central Bank may require additional information and documents to verify the reliability of information and documents specified in Points 2 and 3 of this Article.

7.The entity that gets the agreement specified in Point 1 of this Article shall notify the Central Bank of the disposal of the acquired shares (share), in procedures established by regulations of the Central Bank, if:

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1) due to the disposal of shares (share), the voting-right-providing participation in the investment firm decreases to less than 10, 20, 50 or 75 percent, or
2) due to the disposal of shares (share), the voting-right-providing participation in the investment firm decreases by more than 10 and more percent.

The requirement for notification specified by this Point shall be effective also in the event that an entity makes a deal, as a result of which the entity stops controlling of the investment firm.

8. If along with the application for licensing of the investment service provision, an application for approval of the acquisition of significant participation is submitted to the Central Bank, then the Central bank shall issue one joint resolution on approval of the license issuance and acquisition of significant participation.

9. Within 30 days after receiving the documents and information required by this Law and regulations of the Central Bank, the latter shall issue a resolution on granting or rejecting preliminary consent for acquisition of significant participation.

10. The Central Bank shall in his decision on giving the preliminary consent specify a period during which such consent shall be effective. The above period may not exceed 6 months. The entity shall be obligated to immediately inform the Central Bank on acquisition of significant participation, increase of participation or making a deal on gaining control over the investment firm during the aforementioned period.

11. Physical entities that have permanent residence or operate in off-shore territories, as well as legal entities, entities without status of legal entity or entities related to the entities specified in this Point may acquire participation (regardless of the size of participation) in the investment firm's charter capital due to one or several transactions exclusively in procedures set forth by this Chapter, upon preliminary consent of the Central Bank. The list of the off-shore territories shall be established by the Central Bank Board.

Legal entities created through participation of entities or entities related to them which are specified by this Point may acquire participation (regardless of its size) in the charter capital of the investment firm solely in procedures specified in this Point, upon preliminary consent of the Central Bank.

Article 55. Rejection of the Preliminary consent on Acquisition of Significant Participation.

1. The Central Bank Board may refuse to give consent to acquire significant participation in the investment firm, if:

1) the entity acquiring significant participation refuses to submit or does not submit in a timely manner the documents and information as specified in Article 54 of this Law.
2) the documents and information submitted to the Central Bank do not meet the requirements set forth by this Law and regulations, or prove to be false, confusing or incomplete.
3) the physical entity acquiring significant participation has been convicted for intentionally committed crime or has an on-going conviction;
4) the entity acquiring significant participation cannot justify the legitimacy of resources used for the acquisition of participation;
5) the entity acquiring significant participation is considered disabled or partially disabled by a procedure established by law;
6) in the power of a legally effective court decision, the entity acquiring significant participation is deprived of the right to hold

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positions in financial, economic and legal sectors as explicitly stipulated in the court decision.

7) the entity acquiring significant participation is declared bankrupt and has outstanding (non-remitted) debts;
8) such transaction is targeted, leads or may lead to the restriction of free economic competition in investment services provision;
9) in the past, the entity acquiring significant participation (or affiliated parties thereto) has undertaken such a deed (activity or inactivity), which by the reasonable opinion of the Central Bank Board based on the guidelines set forth by regulations of the Central bank, may serve a valid ground to believe that its actions as someone that has the voting right during the decision making of the top management body of the investment firm may lead to bankruptcy of the investment firm or deterioration of its financial position or destroy its authority and business reputation;
10) in the reasonable judgment of the Central Bank, the activity of the entity acquiring significant participation or its related entity or character of their relationship with the investment firm may hinder the sufficient supervision implemented by the Central Bank, or the possibility of Central Bank to collect information about the given entity is restricted by its national legislation, if the given entity is a foreign entity.

2. The decision of the Central Bank on rejected consent to acquisition of significant participation must be well-founded.

3. Within seven days following the resolution on rejection, the Central Bank shall be obligated to notify the entity that submitted application for preliminary consent to acquire significant participation or its representative.

4. In case of receiving the notification specified in Point 2 of Article 54, as well as in other cases stipulated under the same Point, when it is the Central Bank that reveals the fact that a person has acquired significant participation in the investment firm, the Central Bank may recommend (and in the event of neglected recommendation claim in the court) that the entity, through which and on whose behalf the significant participation is maintained, dispose or otherwise terminate his significant participation in the investment firm within a reasonable period of time.

Article 56. Termination of the Preliminary consent on Acquisition of Significant Participation

1.The Central Bank Board may terminate validity of the preliminary consent on acquisition of significant participation in the investment firm, if any of the grounds specified in Point 1, Article 55 of this Law occur after acquisition of significant participation by the entity in procedures set forth by this Law.

2.In cases provided for under Point 1 of this Article, the Central Bank may recommend (while in the event of neglected recommendation claim in the court) that the participation in the investment firm be alienated or otherwise terminated within reasonable period of time.

Article 57. Legal Consequences of Illegal Acquisition of Significant Participation

1.Any transaction on acquisition of significant participation in the investment firm concluded in violation of any requirements of this Law shall be void.

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2. If the significant participation is acquired in violation of any requirements set forth by this Law, the person with significant participation shall not exercise the rights to vote, receive dividends, be included in the company's board without elections or to assign its representative to that board, and the purchased shares will not be considered in total amount of votes.

3. In cases provided for under Point 1 of this Article, the Central Bank may recommend (while in the event of neglected recommendation claim in the court) that the participation in the investment firm be alienated or otherwise terminated within a reasonable period of time.

4. The requirements of this Article are mandatory for the investment firm, the entity that keeps the register of participants of the investment firm, as well as for any entity that organizes execution of the voting rights vested in by the given securities.

Article 58. Requirements for Managers

1. Managers of the investment firm are the chairman and the members of the board of directors (observers council), the executive director and the members of the executive body, the deputy executive director, the chief accountant and the deputy chief accountant, the head and members of the internal audit, as well as the managers of regional and structural divisions.

2. The below persons shall not act as managers of investment firms:
   1) Persons deemed incapacitated or partially capable in accordance with the procedure defined by the law;
   2) Persons who do not have the relevant professional qualification as specified in Point 2 of Article 50 in this Law;
   3) Persons who in pursuance of the court decision are deprived of the right to hold position in financial, economic and legal fields in cases when it is explicitly stated in the court decision;
   4) Persons declared bankrupt or having outstanding (bad) debts;
   5) Persons engaged in past deed (activity or inactivity), which in the opinion of the Central Bank based on the guidelines set forth by regulations of the Central bank, makes room to believe that the given person, as a manager of the investment firm, is incapable to adequately manage the corresponding field of the investment firm's activity or his/her actions may lead to bankruptcy of the investment firm or deterioration of its financial position or destroy its authority and business reputation;

3. During the fulfillment of their obligations, managers and employees of the investment firm shall act in good faith based exclusively on the interests of the investment firm and its customers.

Article 59. Business Rules of Investment Service Providers

1. Any investment service provider shall be obligated to adopt internal rules and procedures that regulate the activities of managers and employees (hereafter, business rules).

2. Business rules shall include:
   1) measures to prevent conflict of interests between the investment service provider and the managers and employees of the investment firm;
   2) document flow and data exchange procedures related to the provision of investment and non-operating services of the investment service provider;
   3) rules for the provision of investment and non-operating services;

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4) business rules of internal audit;

5) other procedures set forth by regulations of the Central Bank.

3. The Central Bank may, by its regulations, define detailed requirements for substance of business rules of the investment service provider.

4. The investment service provider shall be obligated to inform the Central Bank, in procedures and terms set forth by regulations of the Central Bank, about any changes made in business rules.

Article 60. Internal Audit

1. The investment firm shall be obligated to have a system of internal supervision that will include all levels of management and activity of the investment firm.

2. The investment firm shall be obligated to have an independent division of internal audit (hereafter, “internal audit”), to assign corresponding independent employees or delegate the internal audit functions to independent auditors, by contract. The manager and members of internal audit (hereafter, “internal auditors”) shall meet the requirements for managers of the investment firm set forth by this Law. Internal auditor cannot be a member of management body of the investment firm, another manager and employee, as well as any person interrelated with the investment firm, its managers or other employees.

3. Internal auditor shall be appointed by the authorized management body of the investment firm. The authorized management body shall be the general meeting of participants (shareholders) of the investment firm, and if the company established a board of directors, then the board of directors. The division of internal audit may include one or more persons.

4. Internal auditor of the investment firm shall be independent in exercising its authorities and shall report to the authorized management body of the investment firm.

5. Internal auditor of the investment firm may be only a person that has the professional qualifications set forth by this Law.

6. In compliance with the internal procedures adopted by the company, the internal auditor shall:

- Control current activity and risks of the investment firm;
- Check the compliance of the investment firm’s activity with the requirements set forth by law, regulations adopted on its base, regulated market rules, business rules of the company and other legal acts;
- Draw conclusions and provide proposals on issues presented by the authorized management body and other issues.

7. Executive body of the investment firm shall be obligated to ensure adequate conditions for effective implementation of the internal auditor’s authority.

8. Internal auditor shall be obligated to inform the executive body of the investment firm, the board of directors, the corresponding regulated market operator and the Central Bank about any violation of the requirements set forth the by law, other legal acts, as well as about any significant damage caused to the interests of customers, within 5 working days after its disclosure.

9. The investment firm shall not establish re-audit committee.

Article 61. Investment Service Provision Restrictions

In order to depress business risks of investment service providers, the Central Bank may provide restrictions on provision of some types of investment

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services rendered by investment service providers or set forth in a special procedure for their provision.

CHAPTER 6

REQUIREMENTS FOR INVESTMENT SERVICE PROVIDERS' ACTIVITY

Article 62. Scope of this Chapter

This Chapter defines obligations of investment service providers and sets forth requirements to investment services contracts, information provided to customers, accounting of customer assets and security.

Article 63. Obligations of Investment Service Providers

1. Investment Service Provider shall be obligated to:
   1) Provide investment and non-operating services in due professional manner, accurately and attentively, acting in good faith, to the advantage of customers (fiduciary duty).
   2) Decline transactions that may cause conflict of interests between itself and its customers, and in case when it is impossible, prefer interests of customers.
   3) While providing investment and non-operating services, take adequate measures to prevent conflict of interests between itself and its customers or between its different customers, and in case when it is impossible, take measures to lessen such conflict.
   4) Carry out orders of customers ensuring the best possible conditions, taking into account the volume, price and time of the transaction as well as characteristics resulting from other significant conditions of the order;
   5) Introduce efficient organizational and administrative measures to prevent conflict of interests associated with introducing and dissemination of investment proposals by itself.

2. The investment service provider, before making a securities sale offer and /or sale set forth by Point 2(6), Article 6 of this Law, shall be obligated to publish information on the given securities and the issuer, the minimal requirements for content and publication procedure of which shall be defined by regulations of the Central Bank.

3. It is prohibited for investment service providers to make a securities sale offer and (or) sale set forth by Point 2(6), Article 6 of this Law, if they were aware or might be aware, had they paid due attention, about registration, listing, suspension or termination of sale permission of those securities.

Article 64. Investment Service Provision Contract

1. Investments services can be provided only based on the written contract signed between the investment service provider and its customers. Violation of the written form of the contract will lead to its invalidity.

Besides, the written form of the contract is considered preserved when investment services are provided in accordance with the rules of public offering.

2. Point 1 of this Article shall not restrict oral closing of transactions aimed at the execution of the written investment service provision contract, by agreement of the parties.

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3. Investment service provider shall inform the customers, in the form and procedures set forth by regulations of the Central bank, about acquisition, accounting and alienation of securities, as well as risks associated with such securities and peculiarities of rights underlying thereto. Such information may be provided to customers in a standardized form.

4. The investment service provision contract may be unilaterally terminated by a customer on condition that the investment service provider be informed about it through a notice, at least 10 days in advance. Within 3 working days after termination of the contract, the investment service provider shall be obligated to transfer to customer or his representative all securities and cash funds owed by the customer. The contract shall not limit the right defined under this provision.

5. By its regulations the Central Bank shall have the right to define mandatory requirements for the investment service provision contracts, which shall be obligatory for the investment service provider to include such requirements in the contract.

Article 65. Information Provided to Customers

1. The investment service provider shall be obligated, upon request from the customer, to provide to the customer any information that is subject to publication in procedures set forth by this Law and other legal acts.

2. The investment service provider shall be obligated to provide the customer, upon the latter’s request, with information on its significant participants and managers, as well as authorities and obligations of the managers.

3. The Central bank shall have the right to define, by its regulations, detailed requirements for the composition, form, content and the provision procedure of information, reports and other similar documents to be provided by the investment service provider to customers.

Article 66. Requirements for Investment Service Provision

1. While providing investment services, the investment service provider shall:
   1) require from its customer information on its knowledge and experience in the field of investment activity, as well as its investment purposes;
   2) provide to the customer information on risks related with the anticipated transactions, taking into consideration the knowledge and experience of the customer in the field of investment activity, as well as the price and volume of securities subject to the transaction;
   3) inform the customer about the effective investors protection mechanisms;
   4) At any time, upon the customer’s request, but not less than once in a quarter, provide the customer with report on cost and structure of its securities package, on transactions made by resources of the customer within the framework of its management, as well as on other conditions related to the investment service provision.

2. The Central Bank may define, by its regulations, detailed requirements for the form and content of reports, defined in Point 1 of this Article, and other similar documents.

3. The Central Bank may define, by its regulations, exceptions from the requirements defined in Point 1 of this Article for the persons providing investment services defined in points 1 and 2 of Point 1 of Article 25.

Article 67. Accounting and Protection of Customer Resources

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1. The investment service provider shall be obligated to carry out separate accounting for each customer, as well as for its own resources and its customers' recourses.

2. The investment service provider shall be obligated to take measures to ensure protection of the customer rights and resources, as well as ensure accounting and investment of resources of customers in accordance with provisions of the contract signed between itself and the customer.

3. The investment service provider cannot use resources of its customer to its advantage, unless otherwise defined by the written contract signed between the investment service provider and the customer.

4. The investment service provider shall have the right to pledge resources of the customer on its behalf, solely based on the written agreement signed with the customer.

5. The investment service provider that accounts for customer recourses on the name account or on securities or bank account opened in the name of the investment service provider, shall be obligated to keep a separate account for each customer.

6. Securities and cash funds of the customer that are managed by the investment service provider or are accounted in its name, as well as the profit resulting from their use, cannot be collected against the debts of the investment service provider. In case of bankruptcy or insolvency of the investment firm any securities under its management, cash funds and profits generated in the result of their management shall be segregated from its inventory and returned to the customer upon first request.

7. The Central bank shall be entitled to define, by its regulations, mandatory rules for the purpose of ensuring the protection of customers' rights that are set forth under this Article.

Article 68. Prohibited Actions

1. Investment service providers shall be prohibited to:
   1) advise the customer to execute a transaction, knowing beforehand that the execution of the given transaction does not proceed from the customer's interest or that the transaction, in terms of this Law, is being executed for the purpose of price abuse.
   2) at its expense, execute transactions with securities at such price that is the most advantageous in comparison with the price mentioned in the customer's assignment for execution of transactions with the same securities, before the implementation of all such assignments given by the customer on the aforementioned securities, as well as execute transactions at its expense, if the investment service provider is aware that the customer plans to give an assignment to execute similar transactions, or if they may in any other manner inflict damage on the investor.

2. The investment service provider, its managers and employees, other entities carrying out assignments on transactions with securities, entities implementing analyses on the securities market or drawing and (or) disseminating investment offers shall be prohibited to abuse market, in terms of this Law.

Article 69. Obligation to Maintain Records

1. While providing investment services, the investment service provider shall be obligated to maintain records on received and carried out assignments, in procedures set forth by regulations of the Central Bank.

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2.The information recorded in compliance with Point 1 of this Article shall be kept at least for 7 years.

Article 70. Detailed Criteria

The Central Bank shall be entitled to define detailed criteria for meeting the requirements set forth by Articles 63, 66 and 68 of this Law for the investment service providers' activities.

CHAPTER 7

PRUDENTIAL STANDARDS PERNAINING TO ACTIVITIES OF INVESTMENT FIRMS

Article 71. Main Prudential standards defined for Investment firms

1.The Central Bank shall be entitled to define the following basic prudential standards of activity of investment firms:

1) Minimal sizes of charter capital and total capital;
2) Total capital equivalence standard
3) Liquidity standard
4) Maximal size (sizes) of risk on one borrower, all borrowers
5) Maximal size (sizes) of risk on one creditor, all creditors
6) Foreign currency control standard

2.The main prudential standards shall be obligatory and identical for all investment firms operating within the territory of the Republic of Armenia, that have a license for provision of the same investment services, except for the prudential standard for total capital, stipulated by Point 1(1) of this Article, to be defined for newly founded investment firms and other cases set forth by law.

3.Limits for main prudential standards, calculation procedure and composition of elements involved in calculation shall be defined by regulations of the Central Bank.

4.For more than one type of investment firms it is essential to use the most stringent of the limitation standards established for each of them.

Article 72. Total Capital

1.Total capital of the investment firm shall be the aggregate amount of its main (primary) and additional (secondary) capitals.

2.Elements of the main (primary) capital shall be the charter capital, retained earnings and other elements defined by the Central Bank.

3.Elements of the additional (secondary) capital shall be established by regulations of the Central Bank. In order to compute standards, the Central Bank shall be entitled to restrict the participation of additional capital in the calculation of total capital.

Article 73. Minimal Size of Charter Capital and Total Capital

1.The Central Bank shall define the minimal sizes of the charter capital and total capital of the investment firm, in the form of definite amounts. The Central Bank shall be entitled to revise the minimal sizes of charter and total capitals of the investment firm, but not more often than once a year.

2.While revising the minimal sizes of the charter capital and total capital of the investment firm, the Central Bank shall also define the period, during which the investment firms shall be obligated to complete the revised minimal

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size of the charter capital or total capital, at that, the given period cannot be less than one year.

3. The Central Bank shall be entitled to define for newly founded investment firms other minimal sizes of total capital, in the form of a definite amount. The Central bank shall be entitled to revise the minimal size of total capital for newly founded investment firms, but not more often than once a year. The standard for minimal size of the total capital defined by the Central Bank for newly founded investment firms shall become effective from the moment of their adoption.

Article 74. Capital Equivalency Standard

Total capital equivalency standards of investment firms shall be:

1) Marginal ratio of total capital to risk-weighted assets;
2) Marginal ratio of main capital to risk-weighted assets.

Article 75. Liquidity Standards

Total liquidity standards of investment firms are:

1) Marginal ratio of liquid assets of the investment firm to total assets (total liquidity);
2) Marginal ratio of liquid assets of the investment firm to current liabilities (current liquidity).

Article 76. Maximal Size (Sizes) of Risk on One Borrower, All Borrowers

1. Maximal size (sizes) of risk on one borrower shall be defined as maximal size of the ratio of the amount of borrowings provided by the investment firm to one borrower and its related entities, accounts receivable towards investment firm that occurred on any base, guarantees provided against its liabilities, other liabilities set forth by normative acts of the Central Bank to the total capital of the investment firm.

2. Maximal size (sizes) of risk on all borrowers shall be defined according to Point 1 of this Article.

Article 77. Maximal Size (Sizes) of Risk on One Creditor, All Creditors

1. Maximal size (sizes) of risk on one creditor shall be defined as maximal size of the ratio of the amount of borrowings received by the investment firm from one creditor and its related entities, accounts payable of investment firm towards the creditor that occurred on any base, guarantees received against its liabilities, other liabilities set forth by normative acts of the central bank to the total capital of the investment firm.

2. Maximal size (sizes) of risk on all borrowers shall be defined according to Point 1 of this Article.

Article 78. Foreign Currency Control Standard

The foreign currency status factor of branches of investment firms and foreign investment firms shall be defined in conformity with the Law of the Republic of Armenia “On the Central Bank of the Republic of Armenia”.

Article 79. Enactment of Prudential standards

1. Where the Central bank decrees to make the main prudential standards more stringent, the prudential standards shall become effective 6 months after adoption, unless otherwise provided for by this Law.

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2.Where the Central bank decrees to moderate the main prudential standards, the prudential standards shall become effective on the date determined by the Central Bank.

Article 80. Special Prudential standards

1.In order to ensure stability of the securities market, the Central Bank may define special prudential standards for emergency circumstances with an effectiveness of up to 6 months.

2.The Central bank shall enact special prudential standards within such period that will allow the investment firms to bring their activity in compliance with the requirements of the established standards.

3.Emergency circumstance is the occurrence of massive market breakdown, crisis, or obvious threat thereto manifested in:

1) Overall rapid and considerable fluctuations of common prices of securities jeopardizing the smooth market operation or obvious threat thereto;
2) Significant damage to safe and sound operation of the securities settlement system or any obvious threat thereto.

CHAPTER 8

ACCOUNTING AND REPORTS

Article 81. Organization of Accounting

The investment firm shall conduct accounting in procedures agreed with the Central Bank and the respective government authority of the Republic of Armenia, in compliance with the Accounting Standards effective in the Republic of Armenia.

Article 82. Reports

The investment service provider shall be obligated to provide the Central Bank with reports in procedures, form and terms set fort by regulations of the Central Bank.

The Central bank shall have the right to define separate forms and separate submission procedures for reports, depending on the type of investment services provided by the entity.

Article 83. Report Publication

1. The investment firms shall, within a four month period after the end of fiscal year, publish in the auditor’s conclusion, annual financial statement and their quarterly financial reports before the 15th day of the month following each quarter. For the purpose of this Point publication means disclosure of information on website or in press.

2. The Central Bank shall have the right to require from investment firms to publish also other information, except for the commercial or other type of confidential information or official information in their internet sites, printed press or other mass media, in procedures set forth by regulations of the Central Bank.

3. Reports subject to publication shall be available at the investment firm’s venue, its branches and representative offices.

Article 84. Annual Audit of Financial and Economic Activity

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1. Financial and economic activity of the investment firm shall be audited every year by an entity implementing audit. The Central Bank shall be entitled to define, by its regulations, those criteria towards the entity implementing audit of financial and economic activity of the investment firm, meeting which the auditor shall be allowed to provide audit services to the investment firm.

2. At any time, the board may invite an audit of the investment firm, at the expense of the investment firm.

3. The contract signed with the auditor, besides stipulation of the obligation to write an auditor's conclusion, shall also stipulate writing of an auditor's report (letter to the management of the investment firm).

4. In the contract signed with the auditor shall also stipulate the submission of conclusion by the auditor:

1) on the compliance with the requirements of prudential standards of the investment firm set forth by this Law and regulations of the Central Bank;
2) on the compliance with the requirements, set forth by this law and regulations of the Central Bank, on internal audit activity of the investment firm and internal control system;
3) on completeness and fairness of statements submitted to the Central Bank.

5. The Central bank shall be entitled to force the investment firm to invite an audit within four months and to publish financial statements of the investment firm and auditor's conclusion in a newspaper with a circulation of at least 3000 copies in the territory of the Republic.

6. Auditor's conclusion and report shall be submitted by the investment firm to the Central Bank before May 1 of the year following the given financial year.

7. At the request of the Central Bank, the auditor shall be obligated to submit to the Central Bank all necessary documents on audit of the investment firm, even if they include official information, commercial or other type of confidential information. For non-fulfillment of the obligations set forth by this Point, the auditor shall be held liable under law.

8. The most detailed requirements on audit and the form and content of the auditor's conclusion shall be defined by joint regulations of the Central Bank and the state governance body authorized by the Government.

9. The Central bank shall be entitled to require from the auditor additional explanations and clarifications on its conclusion and report.

10. If the auditor's conclusion and (or) report are composed in violation of the requirements set forth by this law, or other laws and legal acts, or the audit was not implemented in procedures defined by law and legal acts, then the Central Bank shall be entitled to reject it and require a new audit to be implemented by another auditor, at the expense of the investment firm.

CHAPTER 9

REORGANIZATION AND LIQUIDATION OF INVESTMENT FIRM

Article 85. Reorganization of the Investment firm

1. The investment firm shall be reorganized exclusively through merger with another investment firm or reformation.

2. The investment firm shall be reorganized in procedures set forth by the Civil Code of the Republic of Armenia, this Law and other laws.

3. The investment firm shall be entitled to merge solely with another investment firm.

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Article 86. Merger Procedures

1. In case of a merger of one or more investment firms with another investment firm, the merging investment firms shall execute merger contract, upon prior agreement with the Central Bank.
2. In order to get the agreement for execution of the merger contract, the investment firm (firms) shall, in procedures, form and terms defined by the Central Bank, submit to the Central Bank:
   1) an application for preliminary consent;
   2) a resolution on merger of corresponding management bodies of the investment firms to be reorganized ;
   3) essential conditions of the transaction;
   4) business plan kept up as a result of the merger for the forthcoming three years;
   5) information about persons who will be acquiring significant participation in the merger company. Moreover, the merger company shall in line with the application for preliminary consent for the merger submit in accordance with the procedures defined by this Law and regulations of the Central Bank the application for preliminary consent to the party or affiliated parties thereto acquiring significant participation in his charter capital, as well as other documents as required.
   6) other information set forth by regulations of the Central Bank.
3. The Board of the Central Bank, within one month from receiving the necessary documents and information specified in Point 2 of this Article, shall make a decision on giving or denying the preliminary consent, stipulated in Point 1 of this Article.
4. The Board of the Central Bank shall deny execution of the merger contract, if:
   1) the merger of the investment firm (companies) or submitted documents are in conflict with laws or other legal acts;
   2) the required documents were not submitted in due procedures, or the presented documents or information are incomplete, unreliable or false;
   3) in the reasonable judgment of the Central Bank, the financial position of the investment firm retained as a result of the merger will be significantly jeopardized or the requirements set forth by this law or regulations of the Central bank will be violated.
   4) in the reasonable judgment of the Central Bank, due to the merger, the investment firm or the entity having significant participation in the investment firm or its related entities will gain superior or monopoly position on the securities market.
   5) in the reasonable judgment of the Central Bank, due to the merger, interests of customers of any party will be endangered.
5. Within one month after getting the preliminary consent of the Central bank, merging investment firms shall, attached to the application submit the merger contract for approval to the Board of the Central Bank, as well as other documents and information required by the regulations of the Central Bank. The Board of the Central Bank shall approve the merger contract within 15 days after receipt, if the contract meets the conditions of the preliminary consent.

Article 87. Legal Consequences of Merger

1. The investment firms that made a decision on merger, within the period defined by the merger contract, shall take measures stipulated in the merger contract, approve the act on transfer and along with the charter or the amendments and supplements to the charter of the retained investment firm shall

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submit to the Central Bank for registration, in procedures set for the by this law and regulations defined by the Central Bank.

2. From the moment of registration with the Central Bank of the charter or the amendments and supplements to the charter of the retained investment firm, a record on cessation of the activity of the merged investment firm (companies) shall be made in the registration log. From the moment of such record, the remaining investment firm shall be considered reorganized.

3. Within one month from receiving the preliminary consent of the Central Bank on merger, the retained company shall provide to the Central Bank an application for license reformulation.

Article 88. Merger Notification

Within three days of receiving the preliminary consent of the Central Bank for merger, the merging investment firms shall, in procedures defined by the Central Bank, to publish an announcement about that on their Internet sites and in a daily newspaper with a circulation of at least 3000 copies in the territory of the Republic of Armenia.

Article 89. Grounds for Liquidation of the Investment firm

The investment firm shall be liquidated:

1) by the decision of the General Meeting of participants of the investment firm (self-liquidation);
2) in case of recognition of the license fully void;
3) in case of bankruptcy of the investment firm.

Article 90. Liquidation of the Investment Firm Effective by the Decision of the General Meeting of Participants (self-liquidation)

1. General Meeting of participants shall have the right to make a decision on liquidation of the investment firm, if the investment firm has fulfilled all obligations resulting from the investment service provision contracts and if the investment firm has sufficient resources to meet the requirements of all other creditors.

2. In case of liquidation of the investment firm as resolved by the decision of the General Meeting, The General Meeting shall render a decision on applying to the Central Bank for preliminary consent. The General Meeting, based on such decision shall submit to the Central Bank an application for preliminary consent on liquidation by attaching the documents and information that justify the liquidation, the list of which shall be defined by regulations of the Central Bank.

3. The Central Bank Board shall, within a 90-day period, discuss the application for preliminary consent on liquidation of the investment firm and make a decision on granting or refusal of the application.

4. The Central Bank Board shall be entitled to refuse the application for preliminary consent on liquidation of the investment firm, if in the reasonable judgment of the Central Bank Board the liquidation may jeopardize the rights and legitimate interests of the customers of the investment firm or the investment firm will not be able to duly fulfill its obligations.

5. If the Central Bank Board grants a preliminary consent on liquidation to the investment firm, the investment firm shall take measures to duly fulfill all its obligations resulting from contracts on provision of investment services signed with its customers.

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6.Only after the fulfillment of all its obligations resulting from contracts on provision of investment services signed with customers, the General Meeting shall be entitled to make a decision on liquidation.

7.After adopting a decision on liquidation, the investment firm shall submit to the Central Bank, within a three day period, an application for liquidation permission, by attaching the documents and information that justify the liquidation, the list of which shall be defined by regulations of the Central Bank.

8.Within 30 days the Central Bank Board shall examine the investment firm's application for liquidation permission and make a decision on granting or refusal of the application.

9.The Central Bank Board shall have the right to refuse the application for receiving the liquidation permission, if there are obligations resulting from the investment service provision or the investment firm will not be capable to satisfy the claims of its other creditors.

10. In case of granting liquidation permission, the Central Bank Board shall also adopt a decision about recognizing the investment service provision license fully void.

Article 91. Liquidation Commission of the Investment firm

1.The Liquidation Commission of the investment firm shall be established within 5 days after the adoption by the Central Bank of a decision on granting permission for liquidation of the investment firm.

2.A Liquidation Commission shall be established to liquidate the investment firm, to sell its property (resources) and satisfy the lawful claims of creditors.

3.The Liquidation Commission shall consist of at least three members. The Chairman and members of the Liquidation Commission can only be the entities that have the professional qualification set forth by this Law.

4.Before the formation of the Liquidation Commission, its authorities shall be exercised by the executive body of the given investment firm, unless otherwise defined by the Charter of the investment firm.

5.From the moment of establishment of the Liquidation Commission, all management authorities of the investment firm to be liquidated shall be transferred to the Liquidation Commission.

6.Within 5 days of the establishment of the Liquidation Commission, the Liquidation Commission shall make an announcement in a daily newspaper with a circulation of at least 3000 copies within the territory of the Republic of Armenia and shall notify the Central Bank about the liquidation of the investment firm and the procedures for submission of climes by creditors, the period of which cannot be less than 60 days.

7.If no Liquidation Commission is formed, the Liquidation Commission of the investment firm shall be established by the decision of the Central Bank Board.

Article 92. Investment firm Liquidation Procedures

1.Management bodies of the investment firm shall be obliged, within a three-day period upon the establishment of the Liquidation Commission, to hand over to the Liquidation Commission the seal, stamp-seals, lead seal, letterheads, documents, material and other values.

2.Within 3 days upon the establishment of the Liquidation Commission, the Chairman of the Liquidation Commission shall apply to the authorized state body, in order to include the phrase "investment firm to be liquidated" in the firm-name of the investment firm subject to liquidation. Within three days upon receiving the application, the authorized state body shall make a change, by

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including the phrase “investment firm to be liquidated”, in the firm name of the investment firm that should undergo liquidation.

3. The Liquidation Commission, after changing the firm name of the investment firm to be liquidated, in procedures defined by Point 2 of this Article, shall be obliged, within 15 days, to change the seal, stamp-seals, lead seal and letterheads, by including the phrase “investment firm to be liquidated.”

4. Before satisfying the climes of creditors, the Liquidation Commission shall:

1) take inventory and assess assets and liabilities of the investment firm to be liquidated;
2) take measures to reveal all creditors of the investment firm and to collect accounts receivable of the investment firm;
3) take measures to sale assets of the investment firm to be liquidated, to the best advantage;
4) take measures to ensure fulfillment of available obligations towards the investment firm to be liquidated;
5) define procedures for distribute resources, left after fulfillment of obligations of the investment firm, among participants.

5. Within a period of 7 days after deadline for submission of creditors’ claims, the Liquidation Commission shall approve and publish, in a daily newspaper with a circulation of at least 3000 copies in the territory of the Republic, the interim balance sheet that shall include the following information:

1) on the property structure of the investment firm;
2) on the list of creditors’ claims, including: total amount of claims reflected in the balance sheet of the investment firm or submitted to the investment firm, the amount due to each creditor, the order for claim satisfaction defined by this Law, as well as a separate list of claims rejected by it.
3) on results of discussion of requirements towards the creditors;
4) other information defined by legal and normative acts of the Central Bank.

6. The Liquidation Commission shall be required to present to the Central Bank one copy of the newspaper that published the liquid balance, on the day of publication. The Central Bank may oblige the Liquidation Commission to publish the interim liquid balance in a daily newspaper with a circulation of at least 3000 copies on the territory of the Republic of Armenia.

7. The Liquidation Commission shall fulfill the creditors’ requirements in the order specified under Article 93 of this Law, in accordance with the liquidation balance, starting the day of its publication.

(Article 92 is amended according to AL-145-S, 08.06.09)

Article 93. Order of Settlement of Liabilities

1. Obligations guaranteed by collateral shall be satisfied, out of order, from the amount resulting from sale of the object of collateral guaranteeing the fulfillment of the given obligation. If the cost of the obligation exceeds the sale cost of the object of collateral guaranteeing the given obligation, the part of the obligation not guaranteed by collateral shall be satisfied along with the available obligations towards other creditors.

2. Liabilities of the investment firm shall be settled at the expense of liquid assets in the following order:

1) First: the justified and necessary costs for performance of its authorities by the Liquidation Commission defined in this Law, including remuneration of the Chairman and members of the commission and other equipollent payments;
2) Second: the claims arising from the investment contracts and non-principal services supply contracts;
3) Third: the claims that were not included in the first and second turns;

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4) Fourth: the claims of the investment firm towards the state and community budgets;

5) Fifth: the claims of the investment firm participants.

3. From the number of creditors of the investment firm, the claims of which should be satisfied in the second term of the satisfaction order, defined by Point 2 of this Article, exclusion shall be made for the participants of the investment firm, entities affiliated to the investment firm and its participants.

4. Creditors of the same turn shall have equal rights of settlement of their claims by the investment firm. The claims of the creditors within the same turn shall be settled only after full settlement of claims of the previous turn.

5. If the Liquidation Commission rejects the creditor's claims or avoids discussing them, the creditor shall have the right to appeal the actions of the Liquidation Commission in court prior to the approval of the liquid balance of the investment firm. If the creditor's claims are subject to settlement within the turn, which the Liquidation Commission is settling at that moment, then the court may suspend the settlement of the liabilities by the Liquidation Commission within the given turn, until the issuance of a court decision.

6. If the creditor made a claim after expiration of the period for fulfillment of liabilities set forth by this Law, then its claim shall be settled at the expense of those liquid assets that will remain after fulfillment of claims forwarded in due time.

7. If the creditor that made a claim and was registered with the Liquidation Commission failed to appear to collect what he claimed within the time period allowed for settlement of liabilities in the given turn announced in daily newspapers with at least 3000 circulation within the Republic of Armenia, then the assets or goods assigned for such a creditor shall be transferred in legally established procedure as a notary deposit or shall be put into custody.

8. Prior to the settlement of liabilities in each turn, the Liquidation Commission shall publish information on the venue, procedures and deadlines of settlement of liabilities of the given turn in a daily newspaper with at least 3000 circulation within the Republic of Armenia. The main information on the venue, procedures and deadlines of settlement of liabilities, as well as any amendments to such shall acquire legal power on the next day after the publication in a daily newspaper with at least 3000 circulation.

9. The deadline for settlement of liabilities included in the second turn shall be no less than 21 days. If such deadline is missed for whatsoever reason, it shall not be reinstated.

10. The claims that were rejected by the Liquidation Commission and not appealed in court, as well as those that were rejected by court, shall be considered remitted.

Article 94. Oversight of the Liquidation Commission and Reporting

1. For the purpose of oversight of the investment firm liquidation process, the Central Bank may conduct a re-audit of the given investment firm in procedures established by the Law of the Republic of Armenia "On the Central Bank of the Republic of Armenia".

2. The Liquidation Commission shall be required to submit reports to the Central Bank in procedures, forms, periodicity and deadlines set forth by legal and normative acts of the Central Bank.

3. The Liquidation Commission shall be required periodically, but not less than once in a month, to publish information on its activities in a daily newspaper with at least 3000 circulation within the Republic of Armenia, in procedures and forms defined by legal and normative acts of the Central Bank.

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4.The Central Bank shall have the right to request from the Liquidation Commission any information on the activities of the Liquidation Commission.

Article 95. Approval of Liquid Balance. Termination of Activities of the Liquidation Commission

1.After settlement of liabilities with creditors the Liquidation Commission shall develop the liquid balance of the company and submit it to the Central Bank, within 3 days of its approval by the General Meeting of participants of the investment firm subject to liquidation.

2.Within 10 days the Central Bank shall issue a resolution on approval or rejection of the liquid balance, specifying bases for rejection. The Central Bank shall reject approval of the liquid balance in case, when the Liquidation Commission violates the provisions of this Law.

3.If the Central Bank does not approve the liquid balance, within 10 days the Liquidation Commission shall eliminate the reasons underlying the rejection by the Central Bank and, after approval of the new liquid balance by the General Meeting of participants of the investment firm subject to liquidation, submit a new application for approval to the Central Bank. The Central Bank shall consider that application in procedures defined in Point 2 of this Article.

4.Within 3 days of the issuance of the resolution on approval of the company’s liquid balance, the Central Bank shall make a record in the investment firms’ registration log on taking the investment firm to be dissolved out of the list. After that the investment firm shall be considered dissolved and its activities shall be considered terminated. The Central Bank shall notify about that the agency implementing state registration of legal entities.

5.Within 3 days of the issuance of the resolution on approval of the company’s liquid balance by the Central Bank, the Liquidation Commission shall, in procedures and forms defined by legal and normative acts of the Central Bank, publish information on liquidation of the investment firm and then be relieved of responsibilities associated with the investment firm liquidation.

Article 96. Remuneration of Members of Liquidation Commission

1.Remuneration of the members of the Liquidation Commission shall be made at the expense of the assets of the dissolved company.

2.The Central Bank may define, by its decision, limits for remuneration of members of the Liquidation Commission.

CHAPTER 10

OFFICIAL INFORMATION

Article 97. Official Information

1.Under this Law, official information (hereinafter, “the information”) shall include: any information related to the customer’s account that has been obtained by investment services providers (including the Central Depository) in the course of servicing the customer and transactions executed on the assignment or in favor of the customer, as well as any information considered as a commercial or official secret of the customer, and any information related to the customer’s activity plan, design, invention, utility model or industrial design and any other such information, which the customer has intended to keep

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secret and the investment services provider was or should have been aware of such intention.

2. Any customer-related information furnished to the Central Bank in connection with the supervision of the investment services provider defined under Point 1 of this Article, shall be considered official information.

Article 98. Disclosure of Official Information

1. Any person, state entity or official shall be prohibited to disclose any official information, which it was confided in or aware of or provided to in the course of its official or business activity, except for instances described in Point to of this Article. The investment services provider, its manager or official must reject any solicitation or request to provide any official information, if it is not submitted in conformity with the provisions of this Law.

Disclosure of official information shall be any publication or distribution of such information (or any of its carriers), in writing or verbal form, through the mass media or otherwise, or any attempt to make such information available to any third person(s), or any direct or indirect provision of any opportunity to any third person(s) to obtain such information (authorizing, not hindering or making possible the disclosure of such information by the breach of the procedure of maintaining such information).

2. The following shall not be considered disclosure of official information and shall not be prohibited under Point 1 of this Article:

1) provision or disclosure of any information by the investment services provider to any entities or organizations that render legal, accounting and other representative services, or perform certain activity for the investment services provider, if such provision or disclosure is required in order to render the services or to perform the works, and if such entities or organizations have provided a written commitment to maintain such information and to abstain from its disclosure;
2) disclosure of information related only to the customer of the investment services provider, if such disclosure was made by the customer in writing or through a verbal permission granted in the court;
3) provision of official information to the Central Bank in the course of conducting supervision of the activities of the investment services provider. During the supervision of the investment services provider the Central Bank shall have the right to receive and become familiarized with the information concerning the customers of the investment services provider, if such information is required for valuation or supervision of credits and other investments, and assets;
4) provision of official information in conformity with the requirements set forth by the Civil Procedure Code of the Republic of Armenia and the Criminal Procedure Code of the Republic of Armenia.
5) provision of information, in cases as defined by this Law or other legal acts, from the registry of nominal securities owners to the issuer or persons making a securities offer pursuant to this law .
6) provision of information related to the securities accounts opened for the customers of other persons entitled to administer the Central Depositary and Securities Holders (registered holders) register, and provision of information related to the holders of shares of joint stock companies, in accordance with the terms and conditions established by the Central Bank in coordination with the tax authorities pursuant to the law of the Republic of Armenia “On Taxes”.
7) Provision of information to the tax authorities, related to the transactions with securities, carried out by the Central Depositary,

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exclusively pursuant to a court decision taken in accordance with the terms and conditions established under the Republic of Armenia Code of Criminal Litigation and Code of Civil Litigation.

(Amended according to AL-102-S, 24.06.10)

Article 99. Responsibility to Maintain Official Information

1. Investment services providers shall keep official information in conformity with Points 2 and 3 of this Article.
2. Managers, officials, former managers and officials of investment services providers, as well as the entities and organizations that are rendering or have rendered services or are performing or have performed work for such providers, shall be prohibited to disclose official information confided to or known by them in the course of their service or work, and to use such information arising from their or any third person's (or persons') interests or to provide a direct or indirect opportunity to the third person(s) to use such information (authorizing, not hindering or making possible the disclosure of such information by the breach of the procedure of maintaining such information).
3. Investment services providers shall take such technical measures and define such organizational rules that are necessary to ensure the proper maintenance of official information.

Article 100. Provision of Official Information

1. Provision of official information, in cases and on bases defined under this Law, shall be the verbal or the written disclosure of such information to state bodies, officials and citizens.
2. Any person (other than the investment services provider), who has been confided in or aware of any official information in the course of their service or work, shall not provide such information to any other persons. Provision of any official information that the Central Bank has learnt about the customers of the investment services provider in the course of supervision of the investment services provider shall be made only in conformity with Point 1 of this Article.

Article 101. Provision of Official Information on Civil and Criminal Cases

1. Investment services providers shall submit official information required for civil cases only on the basis of the court decision made in the procedure defined by the Civil Procedure Code of the Republic of Armenia. The decision shall specify the entity and the information subject to disclosure.
2. Official information on criminal cases shall be regulated by the Criminal Procedure Code of the Republic of Armenia.
3. It is prohibited to provide any official information, based on the decision defined by Point 1 of this Article, about other entities not specified in that decision.

Article 102. Provision of Official Information to the Heirs (Legal Successors) of Customers

Provision of official information by the investment services provider to the heirs (legal successors) of the customer shall be performed in the procedure defined by the Civil Code of the Republic of Armenia.

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SECTION 4

REGULATED MARKET

CHAPTER 11

PERMISSION TO PROFESSIONAL ACTIVITY

Article 103. Professional Activity License

1. The Regulated Market (hereinafter also referred to as Market) Operator (hereinafter, the Operator) is a joint-stock company licensed to act as the Regulated Market Operator (hereinafter in this Section referred to as "the License"), in procedures as defined by this Law.
2. It shall be prohibited to organize trade in securities without the License granted in procedures set forth by this Law. Investment services providers shall be prohibited to perform any transaction in securities on the territory of the Republic of Armenia using market resources, if the given market organizer does not have the License specified in Point 1 of this Article.
3. The License shall be granted or abrogated upon the resolution of the Central Bank. The License shall be abrogated in procedures set forth by this Law. If any other provisions defined by other laws are available with regard to abrogation of the License, provisions of this Law shall prevail.
4. Each regulated market shall have a single Operator.
5. The Operator shall have the right to perform organization of public trading in foreign currency in conformity with the requirements defined by the Legislation and corresponding legal and normative acts and market rules. In such instance the Operator shall have the right to perform determination and offset (clearing) of mutual liabilities (claims) resulting from transactions executed in the course of public trading in foreign currency.
6. Under this Law, in procedures and cases defined by legal and normative acts of the Central Bank the Operator shall establish a guarantee fund for reduction of risks associated with trading in foreign currency. In its legal and normative acts the Central Bank shall define the size, structure, and conditions for formation and use of the guarantee fund.
7. The Central Bank has the right to permit, by its legal and normative acts, performance of such activities by the Operator, which are closely related to the activity described under Point 1 of this Article, by setting additional requirements for them, if necessary.
8. The Operator is prohibited to perform any activity that is not associated with market organization or any other activity that is associated with market organization, but, in the reasonable judgments of the Central Bank, may hinder normal functioning of the market, unless otherwise specified by legal and normative acts adopted pursuant to Point 5 of this Article.
9. The entity (or group of entities) not holding a License specified in Point 1 of this Article is prohibited to use in its name or in its promotional materials the following phrases, their translations or other details associated with them: "regulated securities market", "stock exchange".
10. Provisions of this Section shall not apply to the Central Bank, if the latter performs activities of organizing trading of securities issued by the Republic of Armenia or the Central Bank.

Article 104. Registration and Licensing of the Operator

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1. For state registration and licensing of activities the founders of the Operator shall, in procedures and forms defined by legal and normative acts of the Central Bank, submit the following to the Central Bank:

1) an application for registration and licensing;
2) business-plan of the Operator;
3) Charter of the Operator in 6 copies approved by the Founders Assembly of the Operator;
3.1) application for registration of the firm name of the Operator, whereas procedure on submission of application, the list of documents to be attached thereto, as well as review of the application, the firm name and changes therein shall be defined by the Republic of Armenia law;
4) information on shareholders (participants) of the Operator;
5) decision of the Founders Assembly of the Operator on assignment of managers of the Operator;
6) information on managers of the Operator, samples of signatures of managers ratified by notary, copies of their professional qualification certificates;
7) documents defined by this Law and regulations of the Central Bank adopted on this basis to obtain preliminary consent for significant participation of those entities that have significant participation in the Operator;
8) draft versions of market rules;
9) a document verifying the payment of the charter capital of the Operator to the account established in the Central Bank or any other bank of the Republic of Armenia;
10) a contract sighed with the Central Depository for ensuring fulfillment of liabilities emerged during transactions on the given market;
11) trade participation preliminary consents signed with at least five investment services providers;
12) state duty payment receipt;
13) other documents defined by legal acts of the Central Bank.

2. The Central Bank may request additional information and documentation necessary for evaluation of authenticity of presented information and documentation specified in Point 1 of this Article. The Central Bank by its legal and normative acts may define exceptions from the entire list of information and documentation specified in Point 1 of this Article, for non-resident significant participants and managers, if ability of submission of such documents and information is restricted by legislation of the given country or does not apply to the person in question.

3. If during the review of the application changes occur in the data presented in the application and attached documents, then the applicant shall be required to present the amended information prior to the issuance of a resolution on registration and granting of a License or rejection of registration and granting of a License by the Central Bank. In such instances the application shall be considered submitted, from the moment of receiving the amended information and documentation by the Central Bank.

(Article 104 is amended according to AL-145-S, 08.06.09)

Article 105. Resolution on Registration and Licensing

1.The Central Bank shall issue a resolution on registration and granting of a License to the Operator, if submitted information and documentation is in compliance with this Law, other laws and legal acts, and there are no bases defined by this Law for rejection of registration and licensing of the Operator.

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2.Within 5 days of the issuance of the resolution on registration and granting of a License, the Central Bank shall be required to give to the Operator the certificate of registration and the License.

3.The Central Bank shall register and License the Operator or reject registration and licensing within two months after the moment of receiving the application.

4.Simultaneously with the issuance of a resolution on registration and licensing the Central Bank shall register the market rules in procedures defined by this Law.

5.Within 5 days of the issuance of a resolution on registration of the Operator, the Central Bank shall notify about that the authorized body implementing state registration of legal entities for making a corresponding record by the latter about registration of the Operator.

6.From the moment of its registration with the Central Bank the Operator shall acquire a status of a legal entity.

Article 106. Bases for Rejection of Registration and Licensing

The Central Bank may reject registration and licensing of the Operator on the following bases:

1) the applicant submitted false or incomplete documents or submitted documents that contained non-authentic information;
2) managers of the Operator do not comply with the requirements set forth by this Law and legal and normative acts of the Central Bank adopted on the basis of Article 114 of this Law;
3) the Operator does not comply with the requirements of market organization, defined by this Law and legal and normative acts of the Central Bank;
4) the Charter of the Operator contradicts this Law;
5) market rules contradict this Law and other legal acts adopted on the basis of this Law, or provisions of market rules are not precise and sufficiently transparent, what may threaten normal functioning of the market and the interests of the investors;
6) at least one application for preliminary consent to acquisition of significant participation in the Operator has been or is rejected by the Central Bank;
7) the submitted business plan does not comply with the requirements set forth by this Law and legal and normative acts of the Central Bank adopted on the basis of Article 108 of this Law;
8) in the reasonable judgment of the Central Bank, the business-plan of the Operator is not realistic, or acting in compliance with this business plan the Operator would not be able to ensure normal functioning of the market;
9) according to the justified opinion of the Central Bank, the activity of founders of the Operator or affiliated entities, their financial status, poor reputation and absence of experience in the financial area may threaten interests of the investors or hinder normal organization of the market by the Operator or supervision by the Central Bank;
10) the minimal size of the Charter Capital set forth by the Central Bank was not paid.

Article 107. State Duty

For issuance of a License provided for by Point 1 of Article 103, a state duty shall be charged in procedures and size set forth by the Law of the Republic of Armenia “On State Duty”.

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Article 108. Business Plan of the Operator

1. The business plan shall be developed for the nearest three years and shall contain detailed description of commercial, informational and other systems to be installed by the Operator, details of organizational structure, informational technologies and other technical resources of the applicant and its economic indicators, as well as other information defined by legal and normative acts of the Central Bank.

2. In the course of its activity, in procedures, forms and deadlines set forth by legal and normative acts of the Central Bank, the Operator shall submit a report to the Central Bank on implementation of the business plan presented during registration and licensing process.

3. The Operator shall be required to submit to the Central Bank the business plan for three years and changes to the business plan, in procedures, forms and periods defined by legal and normative acts of the Central Bank.

Article 109. Invalidity of the License due to Liquidation, Reorganization, Bankruptcy of the Operator and Other Legally Defined Cases

The Board of the Central Bank shall consider the License invalid, not as a measure of punishment, in case of liquidation, reorganization, or bankruptcy of the Operator and based on other bases set forth under laws.

Article 110. Invalidity of the License and Legal Consequences

1. The License may be considered invalid in the following cases:
   1) During 12 months after the issuance of the License the Operator continuously fails to perform activity on market organization;
   2) Bases specified in Article 106 of this Law have been revealed;
   3) While applying for a License the Operator submitted to the Central Bank misleading or non-authentic information or false documents;
   4) The Operator published or submitted to the Central Bank misleading or non- authentic information or false documents;
   5) The Operator or its managers made periodic (two and more) or serious violations of this Law, other laws and legal acts adopted on the basis of this Law, as well as market rules;
   6) The Operator failed to accomplish assignments of the Central Bank per this Law in due time and size;
   7) The size of the charter capital or the total capital set forth by this Law and legal and normative acts of the Central Bank has been violated in the amount set forth by legal and normative acts of the Central Bank.

2. If the bases specified in Point 1 (2) of this Article have been revealed, the Central Bank may assign the Operator to eliminate within a certain period of time the reasons for recognizing the License null and void.

3. The License may be considered null and void based on the request of the Operator, unless otherwise specified by this Law.

4. The Board of the Central Bank may reject the Operator’s voluntary termination of the License or refuse to deem the License void in the following cases:
   1) termination of the License will deprive the securities market of the only vitally important service;
   2) termination of the License may lead to a serious market shock, crisis, major violations of the normal market operation or to a real threat of such violations

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5.Within 30 days after receiving the request of the Operator mentioned in Point 3 of this Article the Central Bank shall issue a resolution on considering the License invalid or on rejection of the request.

6.If the License is considered invalid, then within 3 days it should be returned to the Central Bank.

7.The day the resolution voiding the License of the Operator becomes effective the Operator shall be deprived of its right to organize the market and subjected to liquidation pursuant to legal procedures.

8.The resolution of the Board of the Central Bank on recognition of invalidity of the License based on the bases defined in this Article shall be immediately published. This resolution shall come into effect from the moment of its publication, unless some other date is specified by the resolution.

9.After issuance of the resolution by the Central Bank the copy of the resolution shall be provided to the Operator within 3 days. Appeal of the resolution of the Board of the Central Bank in court will not terminate the effectiveness of the resolution during the entire period of court proceedings.

Article 111. Operational Risks Management

1.Information and other systems that are used by the Operator to register transactions and relevant information should be reliable and reduce transaction risks as much as possible for the market and Market Participants.

2.The Central Bank shall have the right to define by its legal and normative acts minimal technical requirements and reliability indicators for systems specified in Point 1 of this Article.

3.The Operator shall be required to take sufficient measures of internal supervision in order to manage operational and administrative risks.

Article 112. Charter Capital and Total Capital of the Operator

1.The minimal size and the calculation procedure of the charter capital and the total capital of the Operator shall be defined by legal and normative acts of the Central Bank.

2.The total capital of the Operator is a sum total of its fixed (primary) capital and its additional (secondary) capital.

3.The elements of the fixed (primary) capital are: the charter capital, the retained earnings and other elements defined by the Central Bank.

4.The elements of the additional (secondary) capital shall be defined by legal and normative acts of the Central Bank. With the purpose of calculation of standards the Central Bank may restrict participation of the additional capital in the estimation of the total capital.

Article 113. Significant Participation

With regard to significant participation in the Operator provisions of Articles 54-57 of this Law shall apply.

CHAPTER 12

SELF-REGULATION AND OPERATOR MANAGEMENT

Article 114. Management of the Operator

1.The Operator shall be required to form a Council of Observers (Directors), the exclusive jurisdiction of which shall be approving market rules and

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amendments and/or supplements thereof. The procedure for formation and functioning of the Observers Council shall be defined by the Charter of the Operator.

2. The member of the Operator's executive body, as well as any official or staff member of the Operator (except for the members or the Chairman of the Observers Council) shall not have the right to be a manager, an official, a staff member or a participant of any entity providing investment services.

3. A member of the Observers Council shall not act at the same time as a member of the Operator's executive body. Only the below specified persons shall not become members of the Operator's executive body or Observers Council, managers of the supervisory service, chairmen of the disciplinary committee or managers of other similar bodies (hereinafter head of the Operator):

1) Persons deemed incapacitated or partially capable pursuant to the statute;
2) Persons deprived of the professional qualification defined in Point 2 of Article 50 in this Law;
3) Persons deprived, in pursuance of the court decision, of the right to hold positions in financial, economic, legal fields;
4) Persons declared bankrupt and possessing outstanding (bad debts) liabilities;
5) Persons which committed such deeds in the past that, according to the guidelines set forth by legal and normative acts of the Central Bank and according in the reasonable judgment of the Central Bank, may serve a basis to conclude that the given entity, as a manager of the Operator, is not capable to duly manage the corresponding area of the Operator's activity, or its actions may lead to bankruptcy of the Operator or destabilize its financial situation or undermine its authority and business reputation;

4. The Operator shall develop activities of the Operator and its management bodies and Market Participants, as well as create a body supervising trading on the market. The procedure and jurisdictions of that body shall be defined by market rules. The member and the employee of the supervisory service shall have professional qualifications as defined in Point 2 of Article 50 in this Law.

5. The Law of the Republic of Armenia "On Joint Stock Companies" shall apply to the Operator, unless otherwise defined by this Law.

Article 115. Market Rules

1. The Operator shall define market rules to ensure smooth and sound operation of the market.

2. Market rules shall include at least the following:

1) organizational structure of the market (description of markets, sub-markets or platforms to be organized), as well as the organizational structure of the Operator to the extent it is not defined in the Charter of the Operator;
2) terms, procedures and deadlines of issuing permission for trading in securities market, suspending and terminating the permission;
3) trading procedure;
4) procedure and terms of presenting information to the Operator;
5) procedure and terms of issuing, suspending and terminating the permission for Market Participants (members) to participate in trading;
6) procedure for disclosure, registration and sharing of information on securities prices, executed transactions and other information related to securities trading;

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7) rights and responsibilities of Reporting Issuers and Market Participants towards each others, other Market Participants and the Operator;
8) rights and responsibilities of management bodies of the Operator or their members, the entities authorized to issue resolutions on giving permission to trading in securities' market, on suspending or terminating the permission, as well as the terms and procedures for election, assignment to or dismissal from a position on those entities;
9) responsibilities for violation of market rules set forth by the Operator;
10) procedures for settlement of disputes on securities trading;
11) tariffs, including payments for participation in trading on the market and for permissions to trading in securities;
12) rules of ethics and behavior;
13) provisions regulating establishment and use of the guarantee fund, if such fund is established.

3. Market rules shall define standard terms of contracts authorizing participation in trading on the market, as well as those contracts to be signed with those Issuers, the securities of which should be permitted to trade on the market.

4. A contract between the Operator and the Market Participant or the Issuer on payments for participation in the market, permission to trade in securities of the Issuer, execution of transactions with securities on market or other services payments shall not be part of market rules.

5. The Operator shall prior to adopting the market rules allow the interested parties to give comments and feedback to the rules.

Article 116. Registration of Market Rules

1. Market rules approved by the Observers Council, as well as the amendments and supplements thereof (hereinafter, "the market rules") shall be submitted for registration with the Central Bank.

2. For registration of market rules the Operator shall submit to the Central Bank a solicitation (application) in the form defined by the Central Bank. Attached to the solicitation the Operator shall present also draft market rules and justifications for their enforcement.

3. With the purpose of evaluating the accuracy and authenticity of documents specified in Point 2 of this Article the Central Bank may request from the Operator additional information and documents. Within 5 working days from the moment of receiving such a request the Operator shall present in a written form the requested information and documents.

4. The Central Bank shall issue a resolution on registration or rejection of registration of market rules within 45 days of their submission to the Central Bank.

5. The Central Bank may reject registration of rules, if the Operator presented misleading, incomplete, contradictory information attached to the solicitation, or proposed rules contradict this Law or legal acts adopted on the basis of this Law, or, in the reasonable judgment of the Central Bank, the proposed rules threaten the lawful interests of the investors or those entities, to whom these rules apply.

6. If according to the justified opinion of the Central Bank the Operator fails to fulfill the functions or meet the requirements defined by its rules or ensure observance of the requirements defined by its rules, or the rules or activities are necessary for protection of the investors, the Central Bank shall have the right to order, by its decision, the Operator to adopt certain rule

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(rules) or issue certain resolution within the scope thereto or take other action in the procedure and time defined by the Central Bank.

7. Market rules approved by the Observers Council of the Operator shall come into effect from the day of registration with the Central Bank. Rules which make the current regime more stringent shall become effective after 6 months from the date of registration, except for emergency circumstances defined in Article 80 of this Law.

Within 3 working days after registration of market rules with the Central Bank the Operator shall be required to publish them on its web-site. The rules can be published only after their registration with the Central Bank.

CHAPTER 13

ORGANIZATION OF MARKET

Article 117. General Responsibilities of the Operator

1. The Operator shall be required to adopt and apply such rules that will ensure transparency and efficiency of market operation.

2. Under this Section, operation of the market is considered transparent and efficient if it ensures that:

1) The implementation of offers and transactions by market participants is carried out in compliance with the defined requirements and is organized in a way to make information about them immediately available to the participants;
2) All market participants concurrently and equally receive information on Issuers and trading in securities and that information is available to the public.

Article 118. Equality of Participants

1. Investment services provider shall have the right to become a market participant, if it complies with the requirements of this Law, other legal acts adopted on the basis of this Law, and the given market rules. The Operator shall have the right, by its Charter and market rules, to declare that only market participants are authorized to participate in trading on the market.

2. The Issuer or the entity soliciting permission for trading in securities on the market may apply for such permission, if the given securities, the Issuer and the trade in securities comply with the requirements of this Law, other legal acts adopted on the basis of this Law, and market rules.

3. The Operator shall authorize trading in given securities or authorize participation of entities in trading only in cases when the Issuer of given securities and the entity applying for participation in the market comply with the requirements of market rules, and pay for services provided by the Operator.

4. Payments specified in Point 3 of this Article should be equal for all market participants and all Issuers or groups of Issuers of the securities on sale on the market.

Article 119. Requirement of Publication if Trade Prospectus with regard to Permission to Trade on the Market

1. Permission to trade in securities on the regulated market is prohibited without publication of the Trade Prospectus that complies with the requirements of this Law.

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2. Provisions of the Prospectus specified in Articles 8-11, 15, 16, 18, 19 and 23 of this Law, and those related to registration and publication of supplements to the Prospectus shall apply to the Trade Prospectus and its supplements, unless otherwise defined by this Chapter.

3. Provisions related to the public offers, the Underwriters and Issuers defined in Articles 18, 19, and 23 of this Law shall apply to the permission to trade in securities on the market, to entities soliciting permission to trade in securities on the market and to reporting issuers, unless otherwise defined by this Chapter.

4. Articles 12 and 13 of this Law shall apply to the Trade Prospectus, considering that the entity that caused damage has the right to indemnify losses by purchasing securities offered for sale on the market from the aggrieved entity at the price paid in the past for the security or at their sale price announced immediately after permission.

5. Provisions of Chapters 11-14 of this Law shall not apply to securities defined by Article 4 of this Law. The aforementioned securities shall be permitted for trade and sale on the market according to the given market rules.

6. The Central Bank shall have the right to define, by its legal and normative acts, special terms and procedures for clearing and final settlement of mutual liabilities (claims) resulting from the permission to trade in securities on the market defined in Article 4 of this Law, trading in securities and transactions with securities.

Article 120. Publication of the Trade Prospectus and Permission to Trade in Securities on the Market

1. The Trade Prospectus shall be published no later than on the working day preceding the permission to trade in securities on the market, at least in an electronic form, i.e. on the web-site of the Issuer, the investment services provider that is engaged in sale of securities (including the entity charging payments for securities) or the Operator of the given market.

2. Entities specified in Point 1 of this Article shall provide the copy of the Trade Prospectus in a printed form to any entity upon request at no charge. Printed version of the Prospectus shall be provided to the entity no later than on the next working day after receiving the entity’s request.

3. The Central Bank shall be required to publish the Trade Prospectus registered with the Central Bank on its official web-site for the period of 12 months after the day of registration.

4. The Prospectus developed for public offer of given securities can be published instead of the Trade Prospectus defined by this Law, if the Issuer or the Underwriter, within 5 working days immediately after accomplishment of the Distribution of given securities, applies for permission to trade in securities on the market.

Article 121. Exceptions from Requirement to Publish the Trade Prospectus

1. The requirement to publish the Trade Prospectus defined in Point 1 of Article 119 shall not apply to the following securities:

1) Shares, the total amount of which during 12 month does not exceed 10 % of the total amount of shares of the same class already permitted to trade on the given regulated market.
2) Shares issued to the market to exchange them with shares of the same class of the given Issuer that were already permitted to trade on the given regulated market, if it does not cause increase of charter capital of the Issuer.

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3) Securities that are offered by the Issuer through exchange in connection with acquisition of equity securities of another company; and if there is a document available for interested investors, which, according to the opinion of the Central Bank, contains information equivalent to that required by the Trade Prospectus.
4) Securities that are offered by the Issuer to the shareholders of the affiliating company in connection with incorporation of the Issuer with another company; and if there is a document available for interested investors, which, according to the opinion of the Central Bank, contains information equivalent to that required by the Trade Prospectus.
5) Shares of the same class of securities already permitted to trade on the given market, for which they are paid as dividends, if there is a document available for interested investors containing information on the number and type of shares, as well as on the purpose and terms of the offer.
6) Securities that are offered by the Issuer or the entity from the Issuer's group to the acting or former manager or to staff members of the given Issuer, if the securities of the same class are already permitted to trade on the given market and there is a document available for interested investors containing information on the number and type of shares, as well as on the purpose and terms of the offer.
7) The case, when the charter capital is changed by increasing or decreasing the nominal value of securities, in procedures defined by Articles 35 and 36 of the RA Law On Joint Stock Companies.
8) Shares that belong to the same class of shares already permitted to trade on the given regulated market and have been issued for the purposes of exchange with other securities or to exercise rights resulting from that.
9) Securities that were issued by the Issuer of securities that have already been permitted to trade on the given market, if the total nominal value of offered securities does not exceed within 12 months the value defined by legal and normative acts of the Central Bank.

2. Based on the document defined by Items 3 and 4 of Point 1 of this Article, the Issuer or the entity soliciting permission to trade in securities on the market may apply for permission to trade in securities only upon preliminary consent of the Central Bank. With the purpose of obtaining preliminary consent of the Central Bank the Issuer or the entity soliciting permission to trade in securities on the market shall submit an application. The form and the list of attachments shall be defined by legal and normative acts of the Central Bank. The Central Bank shall issue the resolution on giving preliminary consent or on rejecting the application within 20 working days after receiving all required documents. The Central Bank shall reject the preliminary consent if the submitted documents do not comply with this Law and requirements specified in regulations of the Central Bank or if there is significant omission or distortion.

3. The requirements to the form and contents of the documents provided for by Items 5 and 6 of Point 1 of this Article shall be set forth by legal and normative acts of the Central Bank.

4. The document specified under Items 3-6 of Point 1 of this Article shall be deemed available for interested investors, if it has been duly delivered to all interested investors or has been published on the official web-site of the Issuer or the entity soliciting permission to trade in securities on the market, and the printed version of the document is available for all interested investors in the head office of the Issuer or the entity soliciting permission to trade in securities on the market. Under Items 3-6 of Point 1 of Article 1, the interested investor shall be the entity, to which the offer of the given securities has been addressed.

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Article 122. Supplements to the Trade Prospectus and Effective Period

1. Effective period of the trade prospectus is the period following publication of the trade prospectus in the course of which admission of securities to trade on the regulated market based on the prospectus is question is deemed valid.

2. Effective period of the trade prospectus shall be 12 months unless requirements set forth in Point 4 of this Article are violated.

3. Subsequent to the end of the effective date of the trade prospectus trade of securities admitted to trade on regulated market on the basis of the prospectus in question shall be prohibited.

If, starting the moment of submission of an application for registration of the Trade Prospectus until the day of giving permission to trade in securities on the regulated market, any changes in the information to be included in the Prospectus take place, or any new significant circumstance or fact occurs, or any inaccuracy or discrepancy is revealed in the Trade Prospectus, the Issuer or the entity soliciting permission to trade in securities on the market shall be required, within 5 working days after the day of being informed or the day it might obviously be informed about it, to submit to the Central Bank a supplement to the Trade Prospectus. Provisions of Points 2-5 of Article 14 of this Law shall apply to introduction of amendments and supplements to the Trade Prospectus.

Article 123. Settlement of Disputes

1. The entity may in court procedures or, if there is a written agreement between that entity and the Operator about dispute resolution in arbitration tribunal, by decision of arbitration tribunal recognize the right of his securities' admission to trade on the market and oblige the Operator to permit to trade in those securities on the market.

2. The entity may in court procedures or, if there is a written agreement between that entity and the Operator about dispute resolution in arbitration tribunal, by decision of the arbitration tribunal to recognize the right of participation in the market and oblige the Operator to grant him the status of a market participant.

Article 124. Market Participant Responsibilities

A Market Participant shall commit to the following:

1) Observe the requirements of the market rules;
2) Provide the Operator with accurate and complete information defined by legal acts and market rules;
3) Upon request of the Operator or in cases defined by market rules, provide information to the Operator on transactions with securities permitted to trade on the market, that were made beyond the given market;
4) Avoid market abuse; adhere to the principles of honest and conscientious trade.

Article 125. Responsibilities of Reporting Issuers

1. The Reporting Issuer shall be required to fulfill the obligations specified in Items 1 and 2 of Article 124 of this Law.

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2. The managers of the Reporting Issuer and other staff members, as well as entities supervising the Issuer are required to adhere to principles of honest and conscientious trade, while making transactions with given securities.

3. In addition to requirements defined by Article 126 of this Law, the Reporting Issuers shall be required, after publication of the annual report in procedures defined by legal and normative acts of the Central Bank, to publish another report on information published during the previous year pursuant to the Law of the Republic of Armenia on Accounting and other legal acts. The report shall contain references to sources of presented information.

4. The requirements provided for by Item 3 of this Article shall not apply to issuers of securities specified under Point 1 (3) of Article 6 of this Law.

Article 126. Disclosure of Information by Reporting Issuer on Regular Basis

1. The Reporting Issuer shall publish and submit to the Central Bank:
   1) annual reports approved by the independent auditor;
   2) interim reports.
2. Detailed requirements to the form, content, frequency and procedures for publication of reports specified by Point 1 of this Article shall be defined by legal and normative acts of the Central Bank. While defining the aforementioned requirements, the size of the Reporting Issuer, volumes of transactions made with securities issued by that Issuer, and the type of securities shall be taken into consideration.
3. The Reporting Issuer shall be required to provide reports specified in Point 1 of this Article to any entity upon request of that entity, by charging only the cost of copying.
4. The requirement specified in Point 1 of this Article shall not apply to the following entities:
   1) the Republic of Armenia, communities of the Republic of Armenia and the Central Bank;
   2) the entities that issued securities guaranteed by the Republic of Armenia and the Central Bank;
   3) the issuers of securities defined by Point 1 (3) of Article 6 of this Law.
5. The Market Operator may define by market rules additional requirements to the Reporting Issuers on disclosure of information.
6. Under this Article and Article 127 of this Law, the Reporting Issuer shall be also the issuer of permitted securities underlying the depository note.

Article 127. Disclosure of Information on Significant Facts

1. The Reporting Issuer shall be required to publish significant facts and information about him and securities issued by him, in procedures set forth by legal and normative acts of the Central Bank. The Central Bank may by its legal and normative acts define the incomplete list of significant facts and information specified in this Point.
2. The requirement set forth by Point 1 of this Article shall not apply to the issuers specified by Point 4 of Article 126 of this Law.
3. The information specified in Point 1 of this Article shall be submitted by the Reporting Issuer also to the Central Bank and the Operator of the market, where the given securities are permitted to trade.
4. On the basis of a written application of the Reporting Issuer the Central Bank may define exceptions from requirements to information disclosure specified in Point 1 of this Article, if:
   1) disclosure of such information contradicts public interests, or may lead to public disclosure of state secret;

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2) disclosure of such information may damage lawful interests of the Reporting Issuer, on condition that non-publication of that information may not mislead the investors that are in the process of taking decision on sale or purchase of securities of the Reporting Issuer.

5. In cases defined by Point 4 of this Article the Reporting Issuer shall present information on significant facts only to the Central Bank together with a written justification of the necessity for non-disclosure. The Reporting Issuer shall be required to specify the period, during which the presented information will be considered confidential. Immediately upon expiration of that period the Issuer shall disclose that information in procedures defined by Point 1 of this Article, as well as present the information to the Operator of the market, where securities issued by that Issuer are permitted to trade.

6. Within 5 working days from the moment of receiving the application foreseen by Point 4 of this Point the Central Bank shall issue a resolution on keeping or rejecting confidentiality. The Central Bank shall reject confidentiality, if it believes, based on sufficient bases, that the information is essential and non-disclosure of that information may threaten the interests of investors or hinder fair pricing of given securities, except for the cases defined by Point 7 of this Article. Within 3 days after rejection of confidentiality the Reporting Issuer shall be required to disclose the information in procedures defined by Point 1 of this Article, as well as present the information to the Operator of the regulated market, where securities issued by that Issuer are permitted to trade.

7. The Central Bank shall disclose information deemed confidential before expiration of the period of confidentiality specified in Point 5 of this Article in the following instances:

1) bases for considering the information confidential are not available any more;
2) the Reporting Issuer did not ensure confidentiality of the information and the information became available to third entities.

8. The Central Bank shall have the right to define by its legal and normative acts the list and description of those data, which confidentiality should in any case be kept by the Central Bank.

9. If the Reporting Issuer failed to fulfill its responsibilities within the period set forth in Point 6 of this Article, the Central Bank may submit to the Market Operator and publish those data by it. This shall not release the Issuer from responsibilities set forth by Law.

10. The procedure for submission of information and documents shall be defined by legal and normative acts of the Central Bank. The Central Bank shall be required to exclude publication of such information and documents by its internal rules and procedures or by taking other measures.

11. The Market Operator may set forth additional requirements for issuers on disclosure of essential facts and information.

Article 128. Auditor of the Reporting Issuer and Audit of Reports

1. Annual financial reports of the Reporting Issuer shall be subject to mandatory audit.

2. Audit of financial-economic activities of the Reporting Issuer shall be conducted by an independent and reliable audit company having sufficient experience and professional abilities in the area of auditing such issuers. The Central Bank may by its legal and normative acts define criteria for the entity engaged in audit of financial-economic activities and the entity that complies with the criteria will have the right to provide audit services to the Reporting Issuer.

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Article 129. Transaction on Market

1. With the purpose of protection of investors and fair pricing of securities the Central Bank shall have the right to set forth, by its legal and normative acts, the mandatory terms of and requirements to permission to trade in and sale of securities on market.
2. Investment services providers shall be prohibited to make any transaction with securities on market by violating this Law, legal and normative acts of the Central Bank and market rules adopted in conformity with those acts; the Operator shall be prohibited to permit such transaction or not to pursue such violation.
3. Securities admitted to trade on the market shall be prohibited to trade on other markets, except for cases defined in Point 4 of this Article.
4. The Central Bank shall have the right to define by its regulations exceptions from the requirements set forth in Point 3 of this Article for the following cases:
   1) Private transactions, i.e. transactions parties to which are known beforehand;
   2) Transactions executed by underwriters within the framework of securities distribution;
   3) Admission to trade on other regulated markets or sale of securities admitted to trade on the Market.
5. If any transaction that is deemed to be an exception from the cases defined by legal and normative acts adopted pursuant to Point 4 of this Article is executed by or through the entity providing investments services beyond the market, then the latter shall present the price and description of that transaction to the Operator in the form and procedures set forth by legal and normative acts of the Central Bank. That information shall be published by the Operator.
6. On the market, the security sale/purchase contract (transaction) shall be deemed signed from the moment of accepting the offer proposed to the market according to the market rules.

Article 130. Suspension and Termination of Trade in Securities

1. Based on the necessity to protect investors interests the Central Bank may upon its decision order to the Operator to do the following:
   1) For at most 10 working days suspend trade in securities, if, based on the strong opinion of the Central Bank, the requirements defined by this Law, other legal acts adopted on the basis of this Law, have been or may be violated.
   2) Terminate trade in certain securities on the market, if the requirements towards trading defined by this Law, other legal acts adopted on the basis of this Law, and market rules have been violated or, upon strong opinion of the Central Bank, trade in those securities threaten investors interests.
   3) Change or annul the resolution of the Operator specified in Points 2 and 3 of this Article.
2. The Operator shall have the right to terminate trade in any security permitted to trade on the market, if the Issuer of that security violated the requirements set forth by this Law, other legal acts adopted on the basis of this Law, and market rules, or failed to fulfill its responsibilities towards the Operator, or if other bases are defined by market rules.
3. The Operator may terminate trade in any security on the regulated market, if the Issuer of that security seriously violated requirements defined by this

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Law, other legal acts adopted on the basis of this Law, and market rules, or if other bases are defined by market rules.

4.Upon application of the Reporting Issuer the Operator may terminate trade in securities of the given Issuer on the regulated market, if the Issuer dully fulfilled its responsibilities towards the Operator vested in by this Law, other legal acts adopted on the basis of this Law and the market rules.

5.The resolution of the Reporting Issuer on termination of trade in securities issued by him to the regulated market shall be issued by the General Meeting of Shareholders of the Issuer by ¾ of votes of owners of voting shares that participate in the General Meeting, which should be no less than 2/3 of votes of owners of voting shares.

6.The Operator shall be obliged to inform in defined procedures the Issuer, trade in securities of which has been suspended or terminated.

Article 131. Registration of Transactions

1.The Operator shall in a chronological order keep records on all transactions made on the market.

2.The Operator shall be required to register at least such information on each transaction made with securities, which contains date of the transaction, the market participant that signed the transaction, the security being the subject of the transaction, as well as the distinctive code, nominal value and price of that security.

3.Information on transactions registered by the Operator shall be kept no less than for 7 years.

4.With the purpose of registration of information on transactions the Operator shall have the right to request from market participants any information about essential terms of the transaction, the customers or creditors of the market participant that signed the transaction, the time of incurring liabilities to or receiving instructions for customers or creditors of that market participant and fulfillment of those liabilities and instructions, as well as other data pursuant to market rules.

Article 132. Special Conditions of Bankruptcy

1.The insolvency manager or the liquidation manager of the insolvent reporting issuer or of the investment services provider shall keep on observing market rules by the company.

2.The contributions of the investment services provider to the guarantee fund established in procedures set forth under this Law or other legal acts adopted on the basis of this Law shall not be included into liquid assets of the entity controlling the assets of the investment services provider or the guarantee fund.

Article 133. Responsibility to Keep Confidentiality of Information not Subject to Publication

1.The Operator, its bodies, their managers and other staff members shall be required for uncertain period of time to keep confidentiality of information and make unavailable to third entities the information received in the course of implementation of their official responsibilities, functions, cooperation of the Operator with the Central Bank provided for by Point 2 of Article 140 of this Law, if it is not subject to publication, pursuant to this Law, other legal acts or market rules.

2.In legally defined procedures and cases the information specified under Point 1 of this Article shall be disclosed by the appropriate body of the

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Operator, its managers and other staff members to other bodies of the Operator, managers or other staff members, as well as to third entities that are responsible for keeping such information, in cases and procedures defined by the Charter of the Operator or other acts.

Article 134. Responsibility to Transfer Information

Information presented to the Operator shall be precise, accurate and complete. The entity shall immediately transfer the information to the Operator, unless other period defined by this Law, other legal acts and market rules.

Article 135. Publication of Information by the Operator

With the purpose of ensuring transparency of securities market the Operator shall be required to publish information obtained from market participants and reporting issuers, in the volume and procedures set forth under this Law, legal and normative acts of the Central Bank and market rules.

Article 136. Publication of Information on Trading

1. The Operator shall be required to ensure continual availability of information on purchase, sale of any security permitted to trade on the market, the price of the last transaction, changes of the price, the minimal and maximal price and the volume and number of transactions made with the given security.
2. The Central Bank shall have the right to define in its legal and normative acts detailed requirements to the contents, volume, periodicity of disclosure, form of the information defined by Point 1 of this Article.

Article 137. Procedure for Disclosure of Information

1. Information specified under Articles 135 and 136 of this Law shall be disclosed by the Operator at least on its web-site.
2. Information specified under Article 136 of this Law shall be disclosed in Armenian and English languages.

Article 138. Exemption from Responsibility for Provision and Disclosure of Information

1. The entity responsible for provision to the Operator or publication of information may be exempt of such responsibility by cases, procedures defined by market rules and upon permission of the Operator. The Operator shall be required to inform immediately the Central Bank about such permission.
2. The Central Bank may by its order oblige the Operator to annul the permission specified in Point 1 of this Article, if, in the reasonable judgment of the Central Bank, the issuance of such permission is not justified from the viewpoint of protection of investors rights, financial condition of the market and the Issuer.
3. If, within 3 working days after receiving a notification about issuance of the permission specified under Point 1 of this Article, the Central Bank does not issue the aforementioned order, the consent of the Central Bank to issuance of the permission specified by Point 1 of this Article shall be considered given.

Article 139. Responsibility of the Operator to Control the Market

1. The Operator shall be obliged to control pricing and execution of transactions on the market with the purpose of revealing and preventing

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transactions made by using internal information, by price abuse and violation of legal acts.

2.The Operator shall control market participants and reportable issuers within the limits and in procedures set forth under this law, other legal acts and market rules.

3. The Operator shall have the right to check the documents of market participants with regard to their right to participate in market and request from them information necessary to implement control. The Operator shall have the same rights towards the reporting issuers.

Article 140. Cooperation with the Central Bank

1.The Operator and the Central Bank shall cooperate in order to implement efficient control over the market by the Central Bank.

2.The Operator shall be required to inform the Central Bank about any violation of legally defined requirements, in procedures established by the Central Bank.

3.While implementing control over the market, the Central Bank shall have the right to provide information to the Operator, which is necessary to appropriately control the market, including such information not subject to publication that was obtained by the Central Bank in connection with implementation of supervisory activities set forth under this Law.

4.Upon request of the Central Bank the Operator shall be obliged to provide to the Central Bank free access to informational, technological and other systems used for market organization, transactions mediation and transfer of information.

Article 141. Reports of the Operator

1.In forms, procedures and time frames established by the Central Bank the Operator shall be required to present to the Central Bank reports, including its quarterly reports and annual financial reports approved by the independent audit opinion.

2.The Central Bank may request any other report, reference or explanation regarding the Operator, market participants, reporting issuers or their activities, which is necessary for implementation of its authorities vested in by this Law.

3.Within 5 working days after receiving the request specified in Point 2 of this Article the Operator shall be obliged to submit to the Central Bank the requested information and/or documents.

Article 142. Penalties Imposed by the Operator

1.In procedures and amounts set forth by market rules, the Operator may impose penalties on market participants and reporting issuers for violation of requirements defined by this law, other legal acts adopted on the basis of this Law, and market rules.

2.Where a decision on imposing penalties on the given entity is rendered, the latter shall have the right, within 10 working days from the moment of getting the decision, to appeal that resolution in court or in arbitration tribunal established by the Operator in procedures defined by this Law, other legal acts and market rules.

3.Appeal of the resolution on the aforementioned penalties shall not terminate their enforcement.

4.The Operator shall be obliged in procedures defined by market rules to publish information on the fact of enforcement of penalties, the time, the

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nature of violation and the identity of the entity committed the violation and the court decision, if the penalty was appealed in court.

CHAPTER14

THE STOCK EXCHANGE

Article 143. The Concept of Stock Exchange

1. The stock exchange is a regulated market, which operates in compliance with the minimal requirements set forth by this Chapter and regulations of the Central Bank.
2. The provisions of this Law on market and market operator shall extend respectively to the stock exchange (hereinafter Exchange) and operators of the stock exchange (hereinafter Exchange operators), unless otherwise defined by this Chapter.

Article 144. Members of the Exchange

1. A member to the Exchange shall be a person, who was granted by the Exchange operator the right to enter into transactions with all or certain securities admitted to trade (listed) in the Exchange and acts in accordance with the rules of the Exchange.
2. Membership to Exchange is open only to persons providing investment services, who meet the requirements set forth by the Exchange rules.
3. The Exchange operator shall be entitled to define by his charter or the Exchange rules that only members of the Exchange may participate in Exchange trade.
4. Members of the Exchange shall be obliged to pay the Exchange operator for the services provided thereby, unless otherwise provided for by the Exchange rules.
5. The provisions of this Law referring to participants of the regulated market shall apply to members of the Exchange, unless otherwise defined by this Chapter.

Article 145. The Exchange Rules

In addition to market rules defined in Article 115 of this Law, the Exchange rules shall define:

1) Grounds, terms and procedures for listing, delisting and suspension of listing of securities,
2) Obligations of issuers of listed security with regard to the Exchange operator,
3) Grounds, terms and procedures for admittance or termination of membership,
4) Rights and responsibilities of the Exchange members to the Exchange operator, other members, as well as customers and lenders,
5) Rights, obligations, procedures and conditions for selections or appointment of persons authorized to take decision with regard to securities' listing, management body of the operator or members therein.

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Article 146. Listing

1. Only securities listed in the Exchange pursuant to this Law, other legal acts adopted on this basis and the Exchange rules may be permitted to trade in the Exchange by the Exchange operator.
2. Unless otherwise defined by this Chapter, the provisions on permission of securities to market trade, as well as suspension and termination of the permission shall extend to listing, suspended listing and delisting of securities in the Exchange.

Article 147. Listing Conditions

1. Only securities, which and the issuers of which correspond to the requirements set out by this Law, regulations of the Central Bank and the Exchange rules may be listed with the Exchange.
2. Upon listing the securities and the issuers thereof shall at least conform the requirements set forth by the regulations of the Central Bank, which shall stipulate:
   1) Requirements on the issuer, including requirements on issuer's legal status, capital and financial situation, issuer's management bodies, activities and conditions thereto,
   2) Requirements on securities, including legal status of the securities, special rules for free circulation, public offering, listing of the same-class securities and form of the security,
   3) Requirements on securities issued by foreign issuers,
   4) Other requirements, including requirements on minimal value of listed debt securities and listing conditions of convertible bonds.

CHAPTER 15

SECURITIES TENDER OFFER

Article 148. Securities Tender Offer

1. This Chapter shall apply to tender offer of equity securities issued by joint stock companies registered within the territory of the Republic of Armenia and admitted to trade in the regulated market of the Republic of Armenia.

   The issuer's offer to purchase the securities issued by him shall not be considered a securities tender offer.
2. A tender offer is a public offer to purchase all or a part of equity securities of the same class, based on which the person or persons (the buyer) who is making the offer proposes that the owners of such class of securities alienate 10 and more percent of securities of such class to the purchaser. The tender offer may be made at the market price of the given securities, the procedure and conditions to calculation of which shall be defined by the Central Bank.
3. The person, prior to public disclosure of the securities tender offer, shall obtain the preliminary consent of the Central Bank. In order to receive the preliminary consent of the Central Bank the persons who is making the tender offer shall submit to the Central Bank the securities tender offer statement (hereinafter in this Article referred to as statement) and the requirements on information contained therein shall be defined by the regulations of the Central Bank.

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4. The Central Bank shall render the decision on giving or rejecting the request for preliminary consent within a period of 15 business days after receiving the statement. The Central Bank shall be entitled to reject the preliminary consent if the statement or conditions of the offer contradict the provisions of this Law, regulations of the Central Bank.

5. The person who is making the securities tender offer shall within a period of 5 business days after receiving the preliminary consent of the Central Bank, disclose the tender offer pursuant to the procedure defined by regulations of the Central Bank. All advertising and other materials that are publicly disclosed or provided to securities owners in parallel to the tender offer shall contain the information included in the statement.

6. The Central Bank shall have the authority of requesting from the person making a tender offer any document or information about the offer, including those referring to lawfulness of the purpose of securities acquisition, origins of resources used for the offer.

7. Any offer, announcement, statement and amendments thereto, information, advertising and other materials (hereinafter referred to as the announcements) under this Article shall also be submitted to the issuer, no later than on the date of their public disclosure.

8. Any public offer or advice to accept or reject the tender offer of securities shall be executed in conformity with this Law and regulations of the Central Bank adopted on this basis.

9. It is prohibited to misrepresent (omit), with direct or indirect intention, any material fact from any announcement, published or provided in accordance with this Article, with respect to any securities tender offer.

10. During the securities tender offer, it shall be unlawful for any persons who have made the offer

1) to purchase or offer to purchase any security, which is the subject of the tender offer (or any security subject to be exchanged with such securities), otherwise or through other means than it is provided for in the tender offer;
2) to sell any security of the issuer, which is the subject of the tender offer, or which may be exchanged with it. This provision does not limit the compensation offered to the owners of the securities by the tender offer or the possibility to convert a part of it with the securities of other issuer in compliance with point 11 in this Article.

11. The compensation to owners of the securities proposed by the securities tender offer may be given by money means and/or securities of other issuer or the same issuer admitted to trade in the regulated market except for the tender offer made in compliance with Article 152 of this Law, in which case the above compensation may be made only by money means.

Article 149. Conditions to Tender Offer and Changes Thereto

1. The period of tender offer of securities shall be no less than 15 days and no longer than 60 days.

2. Tender offer conditions shall be the same for all owners of securities of the same class. If announcements with respect to the tender offer are provided to the securities owners, all such owners of securities of the same class shall receive the same announcements.

3. Any person who has accepted the tender offer of the securities, has the right to withdraw his acceptance at any time between the date of the publication of the tender offer

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(or the change thereto) and the closing date.

4.The person who has made the tender offer of securities may change the conditions of tender offer prior to its closing date, by offering to increase the size of compensation suggested to the securities owners or prolong the period of the tender offer. In order to introduce changes to the tender offer of securities the person making the offer shall request the preliminary consent of the Central Bank by submitting additions to the statement. The Central Bank shall render the decision on giving or refusing the preliminary consent within 3 business days after receiving the addition to the statement. The Central Bank may refuse to give preliminary consent if the changes introduced by the addition deteriorate the positions of securities owners as compared to initial conditions of the offer.

The person who is making the tender offer of securities shall be obliged to disclose, in compliance with the regulations of the Central Bank, the changes incorporated in the tender offer of securities within 3 days after receiving the preliminary consent of the Central Bank.

5.If any person who has made the tender offer of securities changes the conditions of the tender offer, prior to its closing date, by offering to increase the size of the compensation suggested to the securities owners, such person shall pay the increased size of the compensation against all offered securities (or pay the difference, if the previous compensation is already paid) regardless of the fact that the securities were offered and accepted prior to the announcement of the change.

Article 150. Acceptance of Greater Number of Securities than envisaged by Tender Offer

1.If the tender offer of securities was made for a part of any class of security, and if within the effective date of such offer (between the date when the offer is published or provided till the closing date of the offer) the actual number of offered securities is greater than it was envisaged by the tender offer, the securities shall be accepted proportionally, according to the number of securities offered by each owner.

2.The requirements set forth by Point 1 of this Article shall also apply to such securities that are offered within the effective period for provision of changes stipulated in point 4, Article 149 of this Law.

Article 151. Procedure for Unification of Persons

Under Articles 148, 149, 150 and 152 of this Law, all persons who, for purposes of acquiring, holding or disposing any of the securities of an issuer, have agreed (orally, or in writing) to act jointly, for the purposes of this Law shall be considered one person, and securities of the same class acquired by each of them shall be unified in order to determine their percentage among all securities of such class.

Article 152. The Mandatory Tender Offer of Securities

1.Any person, who as a result of one or more transactions with the issuer’s equity securities becomes the owner of more than 75% of the same class of equity securities, shall make a tender offer for all securities of that class in compliance with the requirements of this Chapter.

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2. For cases stipulated by point 1 of this Article the person shall submit the tender offer to the Central Bank within a period of 10 business days from the date of the transaction as a result of which the person became the owner of more than 75% of the same class of securities.

3. The requirements set forth by point 1 of this Article shall also apply to waiver of permission for trade of stock in the regulated market on grounds stipulated by point 4 of Article 130, the procedure and conditions for which are defined by regulations of the Central Bank.

4. The requirement set forth by point 1 of this Article shall not apply to the cases below:

1) The person became the owner of more than 75% of the same class of securities as a result of reducing the statutory capital of the company,
2) The person became the owner of more than 75% of the same class of securities as a result of non mandatory tender offer for all securities of the given class made by him in accordance with the provisions of this Chapter.
3) The securities were purchased by an investment service provider for underwriting purposes,
4) The person has alienated more than 75% of the same class of securities, within 10 business days from the date of acquisition, to a third person, who under Article 151 of this Law is not considered to have agreed to act jointly, under the condition that the issuer's general meeting of shareholders is not convened during that period.

CHAPTER 16

ACQUISITION OF PARTICIPATION

Article 153. Scope of this Chapter

This Chapter applies to acquisition of participation in joint stock companies registered within the territory of the Republic of Armenia, the securities of which are admitted to trade in the regulated market of the Republic of Armenia.

Article 154. Obligation for Notification

1. Any person who acquires, directly or indirectly, personally or through affiliated persons, such participation in the company as a result of which his participation with voting right in the statutory capital of the company makes 5%, 10%, 20%, 50%, 75% and more, shall notify immediately, but no later than within a period of 4 business days, both the issuer and the Central Bank in accordance with the procedure defined by the Central Bank.

2. If the person's participation with voting right in the statutory capital of the company becomes less than any limit stipulated by point 1 of this Article, the person shall immediately, but no later than within a period of 4 days, notify both the issuer and the Central Bank as stipulated by the Central Bank.

3. The periods defined in points 1 and 2 of this Article shall be counted from the moment when the person learnt or could have learnt given his reasonable attention about acquisition, increase or decrease of such participation.

Article 155. Verification to Acquisition or Alienation of Participation

Upon request of the Central Bank or the company the person who has submitted notification pursuant to points 1 and 2 of Article 154 in this Law, shall verify the size of direct or indirect participation, its acquisition and alienation.

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Article 156. Obligation for Disclosure

The issuer shall be obliged to organize disclosure of information collected in compliance with Article 154 of this Law in accordance with the provisions of regulations of the Central Bank.

Article 157. Exceptions from Notification Requirement

1. The Central Bank shall have the right to, based on the application submitted by the person, including written justifications, define waiver from the obligation for notification set forth by Article 154 of this Law, if:
   1) The applicant is providing investment services defined under points 2 and 4 of Point 1 of Article 25 of this Law,
   2) The applicant is a participant of the regulated market of the Republic of Armenia,
   3) The waiver is requested with regard to acquisition or alienation of significant participation undertaken upon provision of investment services stipulated in points 2 and 4 of Point 1 of Article 25 in this Law, and
   4) The applicant shall not use his participation to hinder the company's governance practices.
2. Where the Central Bank fails to render a decision on waiver within a period of 7 days from the date of receiving the application mentioned in point 1 of this Article, the application shall be deemed rejected. Upon request of the person the Central Bank shall justify the rejection of waiver.
3. The Central Bank may define the list of information required for the purpose of rendering the decision on waiver and processing the application.

CHAPTER 17

PROHIBITION OF MARKET ABUSE

Article 158. Market Abuse

For the purpose of this Law, market abuse is the inaccurate use of inside information with regard to execution of market transaction, including price manipulations.

Article 159. Application of Provisions on Market Abuse

1. Unless otherwise stipulated by this Chapter, the provisions of this Chapter shall apply to all securities admitted to trade in the regulated market of the Republic of Armenia, as well as the securities and relations thereon with pending permission for trade in the regulated market.
2. The prohibition stipulated by Article 162 of this Law shall also apply to such securities, which are though not admitted to trade in the regulated market, their prices depend on the prices of securities admitted to trade in such market.
3. The provisions of this Chapter shall not apply to the transactions executed by the Republic of Armenia, the Central Bank or persons acting on their behalf within the framework of monetary and currency policies and state debt management.

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Article 160. Inside Information

1. Inside information is any non-public information that contains direct or indirect information with respect to one or more securities or their issuers, public disclosure of which may considerably affect prices of the securities and/or derivatives thereto.
2. For persons making orders with respect to securities, any non-public information provided by the customer, which contains information about customer's orders and directly or indirectly refers to one or more issuers or their securities, public disclosure of which may considerably affect prices of their securities and/or derivatives thereto.
3. The information stipulated in points 1 and 2 of this Article shall contain information about past, current or truly possible facts or events, sufficient to draw justified conclusion about possible impact of the above facts or events on prices of securities and/or derivatives thereto.
4. The information stipulated in points 1 and 2 of this Article, which would considerably affect the price of securities or derivatives thereto if publicly disclosed, is the material information which a reasonable investor would take into serious consideration upon making his decision to purchase or sell such securities.

Article 161. Insider

1. An insider is any person, who due or with respect to his participation in the capital of the issuer, membership and position held in any management body of the issuer, or performance of any other duties or services is in the possession of any inside information.
2. If the person stipulated in point 1 of this Article is a legal entity, any natural person participating in decision making process with regard to execution of transactions for the above legal entity, shall also be considered an insider.
3. An insider is also a person in the possession of inside information, who could have discovered, if had exercised reasonable diligence that the information constitutes inside information.
4. Every person, who is familiarized with inside information the source of which is apparently one or more insider, is also considered as an insider

Article 162. Prohibition of Inaccurate Use of Inside Information

1. Inaccurate use of inside information shall be prohibited.
2. The following acts of the insider constitute inaccurate use of inside information:
   1) Direct or indirect purchase or sale or endeavor to purchase or sell, on the basis of inside information, securities or any derivative of such security on his or other person's account.
   2) Disclosure of inside information to a third person, except for cases, when such disclosure is connected with fulfillment of usual functions or performance of his official duties.
   3) Advice, offer or other form of persuasion against a third person to purchase or sell securities or derivatives of such securities on the basis of inside information.
3. The use of inside information is not deemed inaccurate if the information is considered inside for the purpose of execution of securities purchase or sale transaction and the person in the possession of the information, being a party to the transaction, executed the transaction before he was considered an insider.

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Article 163. Disclosure of Inside Information

1. The securities issuer shall immediately disclose the inside information directly concerning the issuer. The inside information shall be disclosed in such a way that will ensure quick access to it and complete, accurate and timely assessment by the general public.
2. Disclosure of inside information shall not be delayed, except for cases defined in Article 164 of this Law. The Central Bank may stipulate in his regulations detailed requirements on the form and procedure of inside information disclosure.
3. In addition to requirements set forth in point 1 of this Article, the securities issuer shall immediately disclose inside information by posting it on his website.
4. Any material change incorporated in publicly disclosed inside information shall be immediately disclosed by the same procedures and means used to disclose the initial inside information pursuant to the requirements of set forth under this Chapter.
5. The securities issuer shall ensure equal disclosure of inside information directly concerning the issuer among all groups of investors.

Article 164. Delay in Disclosure of Inside Information

1. Where disclosure of inside information may cause material harm to legal interests of the issuer, the latter may delay disclosure of inside information under the conditions that such delay will not result in disorientation of the public and that he will ensure confidentiality of inside information.
2. The Central Bank may define with his regulations a rough list of situations when disclosure of inside information may harm legal interests of the issuer, as well as requirements with regard to confidentiality of inside information.
3. The provisions set forth by points 4 - 9 in Article 127 of this Law shall apply to the issuer in cases defined under point 1 of this Article.

Article 165. Disclosure of Inside Information in the Case of Information Leakage

1. If the issuer or the person acting in his name or on his behalf provides information to a third person about his job, professional position or performance of other duties or provision of services, the issuer shall be obliged to publicly disclose such information in equal volumes simultaneous to provision of information to the third person (if the provision of information was intentional), or immediately after provision of information to the third person (if the provision of information was unintentional).
2. The requirement set forth in point 1 of this Article shall not apply to such cases when the third person is liable for confidentiality of information as stipulated by the legislation, charter or contract.

Article 166. Indemnification of Damages

1. Any person shall have the right to claim from the issuer indemnification of damages caused as a result of non-disclosure or disclosure of wrongful information, if:
   1) The person has purchased securities after unlawful non-disclosure or inaccurate disclosure of inside information and is considered to be in

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the possession of such information at the moment of learning the fact about such disclosure or non-disclosure of inside information.

2) The person has sold the securities purchased before unlawful non-disclosure or inaccurate disclosure after he learnt about the fact of such disclosure or non-disclosure.

2. The issuer shall not bear liability for indemnification of the damages stipulated in point 1 of this Article, if the person at damage had knowledge of the inside information or was aware of the fact that information was inaccurate.

3. Limitation of action for indemnification of damages stipulated in point 1 of this Article shall be one year from the date when the investor discovered the fact about illegal non-disclosure or inaccurate disclosure of inside information, but no longer than 3 years from the date when illegal non-disclosure or inaccurate disclosure of inside information occurred.

Article 167. General Obligations of Issuers with Respect to Inside Information

1. If the issuer fails to disclose the inside information as stipulated above, he shall ensure the confidentiality of inside information and oversee the access of persons to such information. The issuer shall deny access of inside information to persons, who do not need to be in the possession of such information for performance of their obligations with respect to the issuer’s activities.

2. The issuer shall ensure awareness of insiders about the obligations with respect to inside information and responsibilities for inaccurate use of inside information.

3. The issuer shall take sufficient legal, organizational and technical measures to ensure performance of his obligations defined under Article 165 of this Law.

Article 168. List of Insiders

1. The issuer and the person acting on his behalf (hereinafter in this Article referred to as the list keeper) shall keep the list of persons who in the course of performing their duties or otherwise deal with inside information (hereinafter referred to as the list of insiders). The list keeper shall clearly distinguish in the list of insiders the persons having permanent access to inside information from other persons dealing with such information.

2. The list of insiders shall enable the issuer to check and control the flow of inside information according to separate parts of the information.

3. The list keeper shall update the list of insiders on regular basis and add up in the list the persons currently in the possession of inside information.

4. The list keeper shall appoint a person responsible for maintenance of the list of insiders, its accuracy and regular update of the data included therein.

5. The list of insiders shall contain information as stipulated by regulations of the Central Bank.

6. The list keeper shall ensure capture of the information contained in the list of insiders for no less than 5 years from the date of incorporating such information in the list of insiders.

7. The list keeper shall submit the list of insiders to the Central Bank as stipulated by the provision of regulations of the Central Bank.

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Article 169. Submission and Disclosure of Information about Transactions

1. The manager of reporting issuer, as well as persons affiliated to him and to the issuer shall submit reports to the Central Bank on transactions in issuer's stocks, derivatives or other securities related to such derivatives within a period of 5 days from the date of execution.
2. The content of information contained in the reports stipulated in point 1 of this Article, as well as the form and procedure of submission of the reports shall be defined by regulations of the Central Bank.
3. The Central Bank shall disclose the reports specified in point 1 of this Article by posting on its official website. The Central Bank may allow a third person to post the reports specified in point 1 of this Article on a website managed by that person.
4. For the purpose of this Article, managers are members of the issuer's executive body, observers' (directors') board, as well as such employees of the issuer, who are in permanent possession of the inside information concerning the issuer and exercise the authority of decision making with regard to management and development of the issuer's activities.
5. The Central Bank may define waiver of requirements set forth in point 1 of this Article for issuers of securities stipulated under item 3, point 1 of Article 6 in this Law.

Article 170. The Obligation for Defining Internal Controls

1. Any reporting issuer shall define internal controls for regulation of the process of ensuring confidentiality and disclosure of the inside information.
2. Any reporting issuer shall define internal controls for regulation of the process of execution of securities transactions by management bodies, other employees and significant participants of the issuer.
3. The requirement for defining internal controls specified in point 2 of this Article shall extend to such persons, who in the course of performing their functions, duties or services are in the possession of inside information.
4. The persons defined under points 1 to 3 of this Article shall be obliged to submit to the Central Bank the internal controls set forth in Article as requested by the Central Bank within 5 days after receiving such request.

Article 171. Price Manipulation

1. Price manipulation shall be prohibited in the securities market.
2. For the purpose of this Law price manipulation is:
   1) Execution or order of such transactions, which lead or may lead to creation of false or misleading picture or signals about the market price of securities, their supply or demand, except for the cases when the person who executed or ordered the transaction has been acting in accordance with the decision stipulated under item 2 in point 3 of this Article.
   2) Execution or order of such transactions, which lead to irregular deviations in the price of security or definition of artificial level of the security's price, except for the cases when the person who executed or ordered the transaction has been acting in accordance with the decision stipulated under item 2 in point 3 of this Article.
   3) Execution or order of such transaction, which are conducted through false, abusive or misrepresenting and/or misleading mechanisms.

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4) Dissemination of such information that carries false or misleading signals to market participants on prices of securities, including dissemination of distorted information about the security if the person spreading such information was aware or could have discovered the fact that the information does not correspond to the reality, if he had exercised due diligence.
5) Other similar activities, which though do not fall under points 1 - 4 of this Article.

3. The Central Bank shall define with his regulations:
1) Criteria for defining evidence of price manipulation stipulated in point 2 of this Article and detailed description of the circumstances which serve as ground for the protocol.
2) Cases when the acts stipulated under point 2 of this Article or other similar acts shall not be deemed price manipulation.

4. The following acts performed in compliance with the regulations of the Central Bank shall not be deemed price manipulation:
1) A series of transactions with one or more persons affected in the regulated market for sale and (or) purchase of securities for the purpose of maintaining, fixing or stabilizing the price of such security,
2) Buyback of the securities by the issuer for the purpose of reducing the statutory capital, performing the liabilities rising from debt securities convertible to equity securities or carrying out programs for provision of employee’s stocks.

5. Upon regarding the publication of distorted information by journalists in the course of their professional duties as an act stipulated under item 4 in point 2 of this Article, rules regulating the activities of journalists shall be considered, except for the cases when the journalist acted in lucrative impulse.

Article 172. Investment Proposals

1. For the purpose of this Law, an investment proposal is a written or oral study or other information containing certain advice or recommendation on choosing a strategy for investments in securities, which is implemented for the purpose of informing the general public or undefined or broad circles of persons through publication or other means.

2. The study or other information mentioned in point 1 of this Article shall contain:
1) Information prepared by the independent analyst, investment service provider and persons engaged in provision of investment proposals as their main type of activity, including their employees or persons empowered by them, which directly or indirectly contains investment proposal on a specific security or its issuer.
2) Information prepared by persons stipulated in item 1 under this point, which contains advice on decision making with regard to investments in specific securities and is particularly expressed by such words as ’’purchase’’, ’’sell’’, ’’keep’’, their conjugated forms or other words with similar meaning.

3. The Central Bank may define by his regulations detailed requirements on persons who prepare and distribute investment proposals, as well as preparation and distribution of investment proposals and the information contained in investment proposals.

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Article 173. Submission of Information

1. Any person who discovered any information giving rise to doubts about price manipulation, shall submit such information to the Central Bank.
2. The obligation stipulated in point 1 of this Article shall also apply to natural persons within the staff of legal entities or those acting on their behalf, who have access to inside information.
3. The Central Bank shall collect, maintain and use the information and documents stipulated in point 1 of this Article for the sole purpose of detecting violations of limitations and obligations as stipulated under this Chapter, performing its obligations defined under this Chapter and cooperating with authorized bodies of other countries.
4. Where the information stipulated in this Article no longer serves the purpose defined under point 3 of this Article, it shall be immediately destroyed.

Article 174. The Obligation of Investment Service Providers to Notify the Central Bank

1. The investment service provider shall be obliged to immediately notify the Central Bank about any justified doubt in evidence of price manipulations either in oral, written or electronic form. In the event of oral notification, the investment service provider shall, upon request of the Central Bank, submit the orally notified information in writing no later than before the close of the day following the oral notification.
2. The doubt specified in point 1 of this Article shall be justified by evidence.
3. The investment service provider upon notifying the Central Bank about doubts against any person shall ensure the confidentiality of the fact that the Central Bank has been notified about such doubts.
4. The notification on the doubt specified in point 1 of this Article shall include:
   1) Description of the doubtful transaction, including the type of security, transaction and order,
   2) Justification to the doubt,
   3) Identification of parties to the transaction,
   4) Information about activities of the person voicing the doubt,
   5) Other material information considered such in the opinion of the person voicing the doubt.
5. If the information specified in point 4 of this Article is not fully available to the person voicing the doubt, the notification on doubt shall at least include justification thereto. The rest of the information required under point 4 of this Article shall be submitted to the Central Bank as soon as they become available.

SECTION 5

THE CENTRAL DEPOSITORY CUSTODY OF SECURITIES, CLEARING AND SETTLEMENT SYSTEMS

CHAPER 18

THE CENTRAL DEPOSITORY

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Article 175. The Central Depository

1. The Central Depository is a joint stock company, which performs the functions of a centralized custodian, centralized registry and settlement system operator of securities.

2. The Central Depository, based on the contract signed with the operator of the regulated market, shall have the right to perform the function of determining and clearing the mutual liabilities (claims) rising from securities transactions effected in the regulated market.

3. The Central Bank shall have the right to permit the Central Depository to perform additional types of activities related to the implementation of functions specified in points 1 and 2 of this Article and define additional requirements as needed.

4. The Central Depository is prohibited to perform any activity other than those stipulated under this Article, unless otherwise defined by the regulations adopted in compliance with point 3 of this Article.

5. The requirements set forth by the Law of the Republic of Armenia on Joint Stock Companies shall apply to the Central Depository, if this Law does not define other distinctions.

6. The provisions of this Section shall not apply to the Central Bank, if the Central Bank performs functions of centralized custodian and (or) operator of the settlement system with regard to securities issued by the Republic of Armenia or the Central Bank.

Article 176. Functions of the Central Depository

1.The Central Depository, in the procedure defined by this Law, regulations of the Central Bank and the rules of the Central Depository, shall perform the following functions:

1) As a centralized custodian.
   a) provide custodian services to sub-custodians and other persons as defined by regulations of the Central Bank,
   b) dematerialize securities and maintain the accounts of such securities ,
   c) donate distinctive passwords to securities.
2) as a centralized registry, based on the contract signed with the issuer, the Central Depository shall maintain a uniform data-base (registry) to include data about the securities owners (nominees), number of securities they hold (registered on their names), type and class of securities;
3) as an operator of the clearing and settlement system (hereinafter also referred to as the clearing and settlement system), the Central Depository shall
   a) determine and clear mutual liabilities and claims rising as a result of transactions in securities (clearing),
   b) as a result of transactions in securities, transfer securities to respective accounts and perform settlement (settlement),
   c) based on the contract signed with the clearing and settlement service provider specified in point 1 of Article 18 of the Law of the Republic of Armenia on Clearing and Settlement Systems and Clearing and Settlement Organizations, organize fulfillment of money obligations amongst the members of clearing and settlement system,
   d) conduct necessary surveys for implementation of clearing and settlement of securities and the funds in a procedure defined by the

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law, legal acts, rules of the clearing and settlement system and contracts executed thereof,

e) establish and manage guarantee funds to guarantee fulfillment of mutual liabilities of members of clearing and settlement system as well as for risk mitigation purposes with respect to performance of the functions of clearing and settlement system,

f) act as a party to all transactions (central agent for parties) in accordance with the rules of the clearing and settlement system in matters related to fulfillment of mutual liabilities rising from securities transactions.

2. The Central Depository, in accordance with its rules, shall have the right to render other services deemed necessary or purposeful for implementation of functions stipulated in point 1 of this Article, and other related services, in conformity with the procedure and on conditions set forth by regulations of the Central Bank.

Article 177. Statutory Capital and Total Capital of the Central Depository

1. The Central Bank shall define the minimal sizes of the statutory and total capitals of the Central Depository in the shape of certain amount. The Central Bank may revise the requirements for minimal sizes of the statutory and total capitals of the Central Depository but no sooner than on yearly basis.

2. The total capital of the Central Depository shall be the combination of the core (primary) and supplementary (secondary) capitals.

3. The core capital (primary) shall consist of the following components: statutory capital, retained profit and other components as defined by the Central Bank.

4. The components of supplementary (secondary) capital shall be defined by regulations of the Central Bank. For the purpose of calculation of the limits specified in point 1 of this Article, the Central Bank may impose limitations on participation of the supplementary capital in calculation of the total capital.

Article 178. Shareholders and Stocks of the Central Depository

1. Any change to the statutory capital of the Central Depository, including reduction of the statutory capital, reorganization and liquidation, requires preliminary consent of the Central Bank.

2. The Central Depository shall not issue privileged stocks.

3. Pledging of privileged stocks shall be prohibited with the Central Depository.

4. Provisions stipulated by Articles 54 – 57 of this Law shall apply to significant participation in the Central Depository.

5. Investment service providers shall not own, directly or indirectly, more than 50 percent of the shares of the Central Depository with voting right or have the possibility, fixed by actual or contractual right, to exercise substantial impact on the Central Depository.

Article 179. Management of the Central Depository

1. A member of the Observers' Council of the Central Depository shall not act at the same time as a member of the executive body of the Central Depository. The manager or member of the Observers' Council, executive body or supervision committee or manager or member of other similar bodies within the Central Depository (hereinafter referred to as the manager of the Central Depository) shall not be any of the persons mentioned below:

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1) Person considered incapacitated or partially capacitated in pursuance of the procedures defined by statute;
2) Person deprived of professional qualification required by the Law,
3) Person deprived, by a court decision, of the right to hold offices in financial, economic and legal areas,
4) Person declared bankrupt and having outstanding liabilities (bad debts),
5) Person who committed such deeds in the past, which, in the opinion of the Central Bank justified by the guidebook defined in accordance with the regulations of the Central Bank serve as ground for the conclusion that the person will not be able to manage the respective aspects of management of the Central Depository, or his actions may result in bankruptcy or deterioration of the financial status, disrepute or discredit the business fame of the Central Depository.

2. Managers or employees of the Central Depository, except for members of the Observers' Council or the chairman shall not have the right to act as a manager, acting manager, employee or participant of an investment service provider.

3. The Central Bank as resolved thereof, shall have the right to define requirements for clear distinction between the authorities of the management bodies and managers of the Central Depository.

Article 180. Rules of the Central Depository and their Registration

1. To ensure proper performance of its functions the Central Depository shall adopt rules, which shall at the minimum define the following:
1) Procedure for securities custody, opening and maintaining of accounts,
2) Procedure for provision of services with regard to performance of the rights and liabilities from securities,
3) Procedure for donating distinctive passwords to securities,
4) Requirements pertaining to the clearing and settlement system,
5) Requirements on members of the clearing and settlement system,
6) Procedure and conditions for granting, suspending, terminating the membership to clearing and settlement system and depriving of the membership,
7) Description of the means used for performing the transfer order,
8) Procedure for performance of mutual claims and liabilities from securities transactions, description of the activities of the Central Depository in the event of clearing and settlement system break down caused by technical or other reasons,
9) Procedures for establishment and use of the guarantee fund and methods to guarantee transfer orders,
10) Conditions for settlement nonpayment, including the transfer moment and the moment after which recall of the latter shall be impossible,
11) Rights and obligation of members of the Central Depository and the clearing and settlement system,
12) Procedures for incorporating amendments and additions to the rules of the Central Depository and appealing thereof,
13) Tariffs to services provided by the Central Depository,
14) Codes of conduct,

2. The Central Depository shall prior to final adoption of her rules allow interested parties to submit their comments and feedback on the rules.

3. The rules of the Central Depository, amendments and additions thereto (hereinafter referred to as the rules) shall be submitted to the Central Bank for registration.

4. For registration of the rules the Central Depository shall submit an application (petition) to the Central Bank, the form of which is defined by the

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Central Bank. Draft rules and the justification to the need of adopting such rules shall be attached to the application.

5.The Central Bank shall have the right to request from the Central Depository additional information and documents to assess the accuracy and trustworthiness of the documents specified in point 4 of this Article. The Central Depository within a period of 5 business days after receiving such request shall submit to the Central Bank the information and documents as required.

6.The Central Bank shall render the decision on registration or rejection of the above application within a period of 45 days from the submission date of the application.

7.The Central Bank shall reject registration of the rules if the rules, information or documents contradict the law or other regulations, contain misleading, incomplete or controversial data or according to the justified opinion of the Central Bank such rules may not ensure efficient activity of the Central Depository.

8.The Central Bank may in its decision instruct the Central Depository to adopt certain rule(s) or render certain decision within the authorities therein or initiate other action in the procedures and time as defined by the Central Bank, if according to the justified opinion of the Central Bank the Central Depository failed to perform the functions or requirements defined by its rules, or fails to ensure adherence to the requirements defined by its rules, or such rules or actions are necessary for investor protection purposes.

9.The rules shall become effective on the date of registration with the Central Bank, unless the rules define a later date. The Central Depository shall post the rules on its official website within a period of 3 business days after the registration date in the Central Bank. The rules shall be made publicly available only after registration with the Central Bank.

Article 181. Maintenance and Security of Information available in the Central Depository

1.The Central Depository shall ensure relevant administrative, technical and software activities for the purpose of eliminating the maintenance of information available in the Central Depository and unauthorized use, destruction or modification.

2.In the event of revocation of the license and/or registration of the Central Depository all the information kept in the Central Depository, including the register shall be transferred to another entity having a license of Central Depository or to the Central Bank in the procedures, form and time as defined by the Central Bank.

Article 182. Reports of the Central Depository

1.The Central Depository shall be obliged to submit reports to the Central Bank, including its quarterly and annual financial reports, approved by an independent audit conclusion, in the format, procedure and time set out by regulations of the Central Bank.

2.The Central Depository shall be obliged to publish information in the procedure, format and time established by regulations of the Central Bank.

3.The Central Bank shall have the right to require any other information, notice or explanation about the members of the Central Depository, the clearing and settlement system or their activity, which is necessary to carry out the jurisdiction established by this Law.

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4. The Central Depository shall be obliged to submit the required information and/or documents to the Central Bank within 5 business days from the receipt of the request, mentioned in the Part 3 of this Article.

Article 183. Supervisory Authority of the Central Depository

1. The Central Depository conducts supervision over clearing and settlement of transactions with securities, as well as the process of rendering services related to the custody of securities for the purpose of identifying the violations by the custodians and members of settlement system.
2. The Central Depository conducts supervision over solvency of the members of the settlement system for the purpose of managing the risks of failure in fulfilling their obligations.
3. The methods of supervision mentioned in the Part 1 and 2 of this Article are stipulated by the rules of the Central Depository.

Article 184. Registration and Licensing of the Central Depository

1. For the purpose of state registration and licensing of the Central Depository its founders, in the format, procedure and content established by the Central Bank, submit to the Central Bank:
   1) an application for registration and licensing;
   2) the business plan of the Central Depository;
   3) the charter of the Central Depository, approved by the Founding Board of the Central Depository, in 6 copies;
   3.1) application for registration of the firm name of the Central Depository, whereas procedure on submission of application, the list of documents to be attached thereto, as well as review of the application, the firm name and changes therein shall be defined by the Republic of Armenia law;
   4) information about the shareholders (participants) of the Central Depository;
   5) the decision of the Founding Board of the Central Depository on appointing managers of the Central Depository;
   6) information on the managers of the Central Depository, samples of validated signatures of the managers, copies of certificates of their professional qualification;
   7) documents, established by this Law and regulations of the Central Bank, for obtaining preliminary consent on significant participation of the persons with significant participation in the Central Depository;
   8) the financial reports of the last three years, approved by an independent audit conclusion, for the legal entities with significant participation in the Central Depository;
   9) information on the persons with significant participation in the Central Depository and persons affiliated with them;
   10) the draft rules of the Central Depository;
   11) the statutory capital of the Central Depository in the Central Bank or document, proving the payment to the savings account opened in any bank, not affiliated with the Central Depository and functioning on the territory of the Republic of Armenia;
   12) a payment receipt of a state duty;
   13) other documents defined by regulations of the Central Bank.
2. The Central Bank can require additional information and documents, which are necessary to assess the authenticity of the documents and information, prescribed by the Part 1 of this Article. The Central Bank, through its legal acts, can define exceptions in the submission of some documents and information,

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prescribed by the Part 1 of this Article, for significant non-resident participants and managers, if the ability of submitting such documents or information is restricted by the legislation of the given country or the latter do not apply to the person in question.

3. In the event that at the time of processing the application, amendments were made in the information, required by the application and attached documents, the applicant shall be obliged to submit the changed information as well prior to the making a decision on registration and provision of a license or on registration and refusal to provide a license by Board of the Central Bank. In that case the application is considered as submitted from the moment of receiving the amended information and documents by the Central Bank.

4. The Board of the Central Bank shall render the decision on the registration of the Central Depository and provision of a license, in the event that the submitted documents and information comply with this Law, other laws and legal acts, and there are no grounds, established by this Law, to refuse the registration of the Central Depository and provision of a license.

5. The Central Bank shall be obliged to submit the certificate of registration and the license to the Central Depository within five days from making a decision on registration and provision of a license.

6. The Central Bank shall register and issue a license to the Central Depository or refuses the registration and licensing within two months from receiving documents, defined by the Points 1-3 of this Article.

7. The Central Bank, within five days from adopting a decision on the registration of the Central Depository, shall inform about it to the state authorized body registering legal entities for the latter to make a relevant note on the registration of the Central Depository.

8. The Central Depository shall obtain a status of a legal entity upon registration in the Central Bank.

(Article 184 is amended according to AL-145-S, 08.06.09)

Article 185. Grounds for Refusing the Application on Registration and Licensing

The Board of the Central Bank may refuse the registration and licensing of the Central Depository in the event that:

1) false or incomplete documents were submitted, or untrustworthy information was reflected in the submitted documents;
2) the managers of the Central Depository fail to meet the requirements, set out by this Law and legal acts of the Central Bank;
3) the Central Depository fails to meet the requirements, set out by this Law and other legal acts;
4) the statute of the Central Depository contradicts the Law;
5) the rules of the Central Depository contradict this Law and other legal acts, adopted on its basis, or the provisions of the rules are not precise or clear enough, which can endanger the normal activity of the market and/or the settlement system or the interests of investors;
6) the Central Bank has refused or refuses at least one of the applications to obtain a preliminary consent on significant participation in the Central Depository;
7) the submitted business plan fails to comply with the requirements, set out by this Law and legal acts of the Central Bank;
8) the business plan is unrealistic in the justified opinion of the Central Bank, or by following the plan the Central Depository fails to ensure the normal activity of the settlement system;
9) in the justified opinion of the Central Bank the activity, financial situation, authority or expertise of the founders of the Central

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Depository and their interconnected persons can endanger the interests of investors or hinder the organization of the normal activity of the settlement system by the Central Depository or proper supervision by the Central Bank;

10) the minimal rate of the statutory capital, established by the Central Bank, was not paid.

Article 186. State Duty

A state duty is accrued for issuing a license to the Central Depository within the procedure and rate, set out by the Republic of Armenia Law “On State Duty”.

Article 187. Business Plan

1. The business plan shall be prepared for the upcoming three years and shall contain a detailed description of clearing and settlement systems, internal organizational structure of the Central Depository, places of activity, applied information technologies and other technical means, as well as its economic indicators and other information, set out by the legal acts of the Central Bank.
2. Within the course of its activity the Central Depository, in the procedure, format and time, established by the legal acts of the Central Bank, shall submit a report on the implementation of the business plan, submitted during the registration and licensing.
3. The Central Depository shall be obliged to submit a business plan for a three-year activity and the changes taking place in it, in the procedure, format and time, established by the legal acts of the Central Bank.

Article 188. Recognizing the License as Invalid in the case of Liquidation, Reorganization, Bankruptcy of the Central Depository and Other Cases Established by the Law

The Council of the Central Bank shall recognize the license of the Central Depository as invalid, not as a means of punishment, on the grounds of liquidation, reorganization, bankruptcy and other grounds established by the law.

Article 189. Recognizing the License as Invalid and Its Legal Consequences

1. The license can be recognized as invalid in the event that:
   1) the Central Depository does not function for consecutive 12 months from obtaining the license.
   2) the action or inaction of the Central Depository results in the endangerment of the normal and legal activity of the securities market;
   3) the action of the inaction of the Central Depository leads to the outflow of information, not subject to publicizing or provision in the established procedure.
   4) the grounds, established by the Article 185 of this Law, have come forth;
   5) when applying for a license, the Central Depository submitted misleading or untrustworthy information or false documents to the Central Bank;
   6) the Central Depository publicized or submitted misleading, untrustworthy information or false documents to the Central Bank;
   7) the Central Depository or its managers allowed periodic (two and more) or essential violations of the requirements of this Law, other laws, legal acts adopted on their basis, as well as those of the rules of the Central Bank;

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8) the Central Depository failed to fulfill the assignments, given by the Central Bank in accordance with this Law, within the established time or extent;
9) the rates of the statutory capital or total capital, established by this Law and legal acts of the Central Bank, were violated to the extent defined by the legal acts of the Central Bank.

2. In the event that the grounds, stipulated by the Point 4 of the Part 1 of this Article, come forth, the Central Bank may assign the Central Depository to remove, within a certain time period, the grounds for recognizing the license as invalid.

3. The license may be recognized as invalid on the basis of the own application of the Central Depository, unless otherwise prescribed by this Law.

4. The Central Bank may refuse the voluntary termination of the validity or the recognition of the license of the Central Depository as invalid, in the event that:
1) the termination of the validity of the license shall deprive the securities market of the only vital service, or
2) the termination of the validity of the license may significantly hamper the secure and effective activity of the settlement system of transactions with securities or create an obvious threat against it.

5. The Board of the Central Bank shall adopt a decision on recognizing the license as invalid or refusing the application within 30 days from receiving the application, prescribed by the Point 3 of this Article.

6. In the event of recognizing the license as invalid, it shall be returned to the Central Bank within a three-day period.

7. Once the decision of the Board of the Central Bank voiding the license enters into force, the Central Depository shall be deprived of the right to carry out the functions prescribed by the license and shall be subject to liquidation in the procedure established by statute.

8. The decision of the Council of the Central Bank, on recognizing the license as invalid on the grounds established by this Article, shall be immediately publicized. The mentioned decision shall enter into force from the moment of publicizing, unless other time period is prescribed by the decision.

9. The copy of the decision of the Central Bank on recognizing the license as invalid shall be provided to the Central Depository within a three-day period from its adoption. The appeal on the decision of the Central Bank on recognizing the license as invalid in the court shall not terminate the validity of that decision throughout the entire period of court examination.

Article 190. Regulation of the Service Fees

1. The service fees of the Central Depository shall be regulated by the Central Bank. The Central Bank, with the initiative of the Central Depository or that of its own, shall establish the maximal rates of the service fees of the Central Depository.

2. The maximal rates of the service fees, established by the Central Bank, shall provide an opportunity to cover the reasonable cost price of the rendered service and allow for such a percentage of profitability, which shall ensure the development of clearing and settlement system.

3. The fees and terms of the services are public. The opportunity to benefit from discounted fees, which complies with the criteria established for persons with a right to benefit from such prices, shall be equally provided to any person.

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CHAPTER 19

CUSTODIAN SYSTEM OF SECURITIES

Article 191. Custody of Securities

1. Custodial activities of securities (Custody) include safekeeping securities, registration and transfer of the title and other property rights over the securities.
2. If the safekeeping (custody) of securities does not, at the same time, implement registration of rights over those securities, shall not be considered custody for the purpose of this Law.
3. Any person engaged in custodial activities shall be considered securities custodian (hereinafter custodian). The provisions on custodians and custodial activities stipulated under this Chapter shall apply to the Central Depositary and the custodial activities performed by him.

Article 192. Custodian System of Securities

1. The custodian system of securities in the Republic of Armenia is two-level. The Central Depository acts as the first level (centralized custodian), while the custodians act as the second level.
2. Each custodian is considered a sub-custodian of the Central Depository with the exceptions stipulated by the legal acts of the Central Bank. The functions of the sub-custodian are carried out based on the agreement signed between the sub-custodian and the Central Depository, in compliance with the legal acts of the Central Bank.

Article 193. Requirements on Custodians

1. The custodian, in compliance with this Law and regulations of the Central Bank, shall be obliged to offer its customers the following services:
   1) opening and maintaining securities account of the customer, by registering the time and essential terms of each transaction connected with that account;
   2) registration of rights of the customer towards securities;
   3) acting of the customer as the nominee of securities;
   4) for the purpose of implementing the securities-driven rights, transfer of information and documents by the issuer or other custodian to the customer, as well as by the customer to the issuer or other custodian;
   5) registry, consolidation, transfer, termination of rights towards securities and those of securities-driven property and other property rights, and other services related to the registration of other operations.
2. The custodian shall have the right to render additional services to its customers in compliance with the legal acts of the Central Bank.
3. The agreement of custody may be unilaterally liquidated by the customer on the condition of informing the custodian at least 20 days beforehand. Upon liquidation of the agreement, within a three-day period, the custodian shall be obliged to pass the customer his/her securities and monetary means. The right established by this Provision shall not be restricted by the agreement.
4. The custodian shall be obliged to fulfill the assignments of the customer in a good-faith manner, and, based on his/her interests, implement those securities-driven rights, the obligation for fulfillment or implementation of which was undertaken by the agreement.

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5.The Central Bank shall have the right to define requirements on the technical equipment for custodians through its legal acts.

Article 194. Securities Accounts

1.The custody of securities shall be implemented through the securities accounts, opened and handled by the custodians, with the procedure established by this Law, legal acts of the Central Bank and rules of the Central Depository.

2.The securities account is the integrity of electronic notes, handled by the custodian, about the account holder, securities registered on the account holder’s account, rights and restrictions towards those securities, registration of securities and deadlines for note-taking, and other information established by the custodian with the legal acts of the Central Bank.

3.Any person may hold a securities account.

4.The securities account of the nominee (as a special type of a securities account) may be possessed only by custodians, as well as by foreign individuals, who are entitled to have securities accounts in their name, belonging to other persons, pursuant to the laws of their country. The securities registered in the securities account of the nominee shall not be included in the liquidation means of the nominee, in the case of the liquidation of the nominee. At the time of implementing the rights, stipulated by the securities (securities-driven), the nominee shall be obliged to follow the instructions of the customer (owner of the security). The account of the nominee is distinguished by a special note by a custodian. The Central Bank may establish additional requirements on handling the accounts of the nominee.

Article 195. Securities Subject to Mandatory Centralized Registry

1. The following securities in the Central Depository are subject to a mandatory centralized registry:

1) securities, allowed for trade in a regulated market, with the exception of securities, established by the Point 1 of Article 4 of this Law and other cases, established by the legal acts of the Central Bank;
2) rights for subscription to securities, mentioned in the Point 1 of this Part, which have been publicly offered to the public.

2. For the purpose of ensuring the requirement, set out by the Part 1 of this Article, the issuer shall sign an agreement with the Central Depository on handling the centralized registry.

3. Before the start of public deployment of securities, the issuer shall be obliged to sign an agreement with the Central Depository, prescribed by the Part 2 of this Article. In the event that the securities are to be allowed for trade in a regulated market, which were not publicly offered to the public in the past, the issuer shall be obliged to sign an agreement with the Central Depository, prescribed by the Part 2 of this Article, prior to applying for a permit for trade in a regulated market.

Article 196. Transfer of Property Right

The property right towards nominal securities shall be considered transferred from the moment, when it is registered in the Central Depository or by other custodian in the name of the purchaser (or its nominee).

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Article 197. Provision of the List of Owners

1. The issuer shall have the right to require from the Central Depository the list of owners of securities, issued by it, at any time.
2. The Central Depository shall be obliged to provide the issuer with the list of owners of securities, issued by it, within 5 working days from receiving the query, mentioned in the Part 1 of this Article.
3. Each custodian shall be obliged to provide the Central Depository upon its request with the list of owners of securities, registered by it, within 3 working days from receiving such a request.

CHAPTER 20

SETTLEMENT SYSTEM OF SECURITIES

Article 198. Settlement System of Securities

1. The settlement system of securities is integrity of administrative, technical and legal means for the fulfillment of mutual obligations, resulting from transactions signed with securities, and ensuring their fulfillment.
2. Within the context of this Chapter, the assignment for transfer is the payment assignments, given for the fulfillment of obligations resulting from transactions with securities, or orders or instructions, given for the purpose of transferring the securities.

Article 199. Management of Operational Risks

1. The Central Depository shall organize the activity of the settlement system in a way, so that at the time of fulfilling the transfer assignments the data collection, processing and transfer, and other required processes ensure the fulfillment of transfer assignments, in compliance with the terms mentioned therein and rules of the Central Depository.
2. For the purpose of managing operational risks, the Central Depository shall instill rules of procedure for effective internal monitoring.
3. The Central Depository, its bodies, their managers and employees shall be obliged to maintain and not to make the information, which they have obtained in relation to fulfillment of their official responsibilities or cooperation of the latter with the Central Bank, available to third parties, in the event that it is not subject to publicizing or provision to other persons, pursuant to the law, legal acts or rules of the Central Depository.

Article 200. Members of the Settlement System

1. A member of the settlement system is considered a person, who signed an agreement with the Central Depository for the purpose of fulfilling the transfer assignments through the settlement system and in compliance with its rules. The settlement system shall have at least three members.
2. The following persons can be a member of the settlement system:
   1) specialized participants of a securities market;
   2) the Central Bank;
   3) operator of a foreign settlement system, specialized participants of a foreign securities market, within the cases and procedure, established by the legal acts of the Central Bank;

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4) other persons, established by the legal acts of the Central Bank.

3. The members of the settlement system shall meet the requirements, set out by the rules of the Central Depository.

4. Within the cases and procedure, established by the rules of the Central Depository, a member of the settlement system may act as an intermediary between the settlement system and third parties in relation to rendering services of the settlement system.

5. Within the cases and procedure, established by the rules of the Central Depository, a member of the settlement system shall inform interested persons about his/her membership in the system and rules of the settlement system.

Article 201. Irrevocability of Transfer Assignments

In compliance with the rules of the settlement system the transfer assignment, given to the Central Depository, shall not be modified or called back from the moment, established by the rules of the Central Depository. All the actions, performed after that moment, which aim at the modification or invalidation of the transfer assignment, shall be deemed void.

Article 202. Settlement

Settlement of claims and liabilities between members of the clearing and settlement system, as well as members of the Depository and the clearing and settlement system shall be executed through transfers in accounts. In such cases settlement is executed with regard to similar claims and liabilities through transfers in accounts after determination of net positions.

Article 203. Ensuring Performance of Settlement

1. In order to guarantee the settlement the Central Depository shall establish a fund of guarantee means (hereinafter guarantee fund) the composition, grounds and procedure for establishment for which shall be defined by the rules of the Central Depository.

2. The funds from the guarantee fund shall be used to perform the liabilities accrued as a result of securities transactions if the funds accumulated on the account or other guarantee funds of the member of clearing and settlement system are not sufficient for timely performance of the liabilities.

3. Members of the clearing and settlement system may envisage the possibility of pledging in accordance with the rules of the Central Depository all or some of their securities registered in the custodial system for the benefit of the Central Depository or other members therein under the condition that such securities are not burdened with the rights of third persons or such securities are not subject to any limitations stipulated by the charter of the issuer.

4. In the event of default in liabilities from securities transactions the securities pledged as specified in point 3 above, the Central Depository or the member of the clearing and settlement system for the benefit of whom the securities were pledged may transfer the securities to their accounts in performance of the liability unless otherwise defined by the rules of the Central Depository pertaining to pledging. The person on the benefit of whom the securities were pledged shall have such right in the event a bankruptcy proceeding is filed for the member default in liabilities.

5. Pursuant to point 3 in this Article the pledged securities shall not be included in the liquidation funds of the pledger.

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Article 204. Special Rules Pertaining to Members of the Clearing and Settlement System

1. In the event of insolvency of any member to the clearing and settlement system, the Central Depository shall continue admission of the transfer orders made by such member. If in the course of activities of the temporary administration satisfaction of claims of debtors to any member of the clearing and settlement system (declaration of moratorium), the Central Depository shall immediately suspend admission of the transfer orders made by such member according to the rules of the Central Depository. In case of bankruptcy of any member of the clearing and settlement system, the Central Depository shall discontinue admission of the transfer orders made by such member pursuant to the rules of the Central Depository.
2. The Central Bank shall notify the Central Depository within a period of 1 business day from the date of its decision on insolvency, moratorium or bankruptcy of any member of the clearing and settlement system.
3. Transfer orders submitted to the Central Depository within the period lying between declaration of bankruptcy or/and moratorium and the notification date envisaged in point 2 above may be executed by the Central Depository, if the Central Depository was not aware and couldn’t have learnt the fact about bankruptcy of the clearing and settlement system member or declaration of the moratorium.
4. In the event of bankruptcy of the clearing and settlement system member the payments made to the guarantee fund shall not be accrued with the liquidation funds.

Article 205. Consequences of the Central Depository Bankruptcy

1. The Central Depository shall immediately terminate admission of transfer orders where the Central Depository is deemed bankrupt.
2. The Central Depository shall immediately inform the Central Bank about the cases defined in point 1 of this Article.

SECTION 6

SUPERVISION AND SANCTIONS

CHAPTER 21

SUPERVISION AND LIABILITY FOR VIOLATION OF THIS LAW

Article 206. Common Grounds of the Authority to Conduct Supervision and Apply Sanctions

1. The supervision over enforcement of requirements set forth by this Law, as well as other legal acts adopted on this basis shall be performed by the Central Bank.
2. The Central Bank shall, within the scope of its authorities, perform supervision over persons engaged in provision of investment services within the territory of the Republic of Armenia, persons engaged in public offering of securities within the territory of the Republic of Armenia, reporting issuers, operators of the regulated market, Central Depositary, as well as their

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directors and other managers, persons qualified as professional participants acting within their staff or on their behalf, significant participants, and persons, directly or indirectly, involved in major transactions executed in securities market.

3. The Central Bank shall be entitled to apply sanctions in cases stipulated by law against persons listed in point 2 of this Article.

4. The authority of supervision shall be performed by the Central Bank through on-site and off-site supervision.

5. The Central Bank shall perform on-site and off-site supervision pursuant to the provisions of this Law, the Law of the Republic of Armenia on Central Bank of Armenia and regulations of the Central Bank.

Article 207. Off-site Supervision of the Central Bank

1. For purposes of performing off-site supervision, the Central Bank, by its regulation determines the procedure and terms for reports, references, explanatory notes and other such documents envisaged by this Law and Central Bank regulations. An electronic way of submission of documents defined under this Point may be established.

2. The reports, references, explanatory notes and other such documents shall be made available to the public in accordance with the procedure defined by the Central Bank, provided that this Law does not otherwise. The Central Bank shall have the authority to establish exceptions to this rule if it finds that public disclosure of such documents may threaten the legal interests of investors, or result in disclosure of state, banking, commercial secrecy or administrative information.

3. In cases when the persons mentioned in point 2 of Article 206 in this Law fails to submit documents defined under point 1 of this Article, or if they submit such documents in delay or in any other substantial violation of the established procedure, or if the documents are incomplete, the Central Bank, with prior notice and opportunity for hearing, issues a warning to eliminate the violation during the period specified by the Central Bank and/or orders to take measures for preventing such violations in future.

Article 208. Central Bank Inspections

1. The Central Bank shall conduct inspections on need-driven basis in conformity with the procedure and periodicity defined by the legislation. The Central Bank shall be entitled to develop an inspection plan (scheduled inspections) and/or conduct inspections as needed.

2. Where persons specified in point 2 of Article 206 of this Law hinder the inspections or fail to provide the documents required during the inspection, the Central Bank, with prior notice and opportunity for hearing, issues a warning to that person(s), and instructs to eliminate the violation within the period specified by the Central Bank and/or take certain measures to prevent such violations in future.

Article 209. The Authority of Imposing Sanctions

1. In cases of violation of this Law and requirements of other legal acts regulating securities market, the Central Bank shall be entitled to apply the following sanctions:

   1) Warning to eliminate the violation and or instruction to prevent such violations in the future (hereinafter warning),

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2) Fine,
3) Revocation of license,
4) Deprivation of the professional qualification.

The Central Bank shall have the right to impose fine in line with issuing a warning for each violation.

2. The Sanctions shall be imposed in compliance with the provisions of the Law of the Republic of Armenia on the Central Bank of Armenia.

Article 210. Warning

1. Where a person violates this Law, other legal acts on this basis that regulate the securities market, the Chairman of the Central Bank by its decision is entitled, to issue a warning.

2. The decision to issue a warning shall become effective on the date when it is filed with the addressee's activity location or place of abode (in case of physical persons), submitted or delivered to the location or residence stated or from the moment of notifying them in a proper way and is subject to mandatory fulfillment by the warned person. The warning may include the list of recommended measures necessary to bring the activity of the warned person into consistency with this Law and other legal acts.

3. The warning shall be justified through written statement of the reasons thereto, including such facts that served as grounds for the resolution of the Central Bank. Any actions by persons, which may cause violation of the securities market regulation laws and other legal acts, may serve as basis for such resolution of the Central Bank.

Article 211. The Fine

1. Where a person violates this Law, other legal acts adopted on this basis and regulation the securities market, and fails to fails to perform the order of the Central Bank issued in the form of a warning, the Chairman of the Central Bank, in his decision shall be entitled to impose the fines established by this Article.

2. Unless otherwise stipulated by this Chapter or other laws, the maximum size of the fine for separate violations shall not exceed
1) one thousand-fold of the minimum salary for natural persons and
2) two thousand fold of the minimum salary for legal entities.

3. Additional fines shall be imposed for continuous violations: for each succeeding day of every violation no more than:
1) One hundred fold of the minimum salary for natural persons, and
2) Two hundred fold of the minimum salary for legal entities.

4. When determining the size of the fine the Central Bank shall take into consideration:
1) the nature of the violation (deliberate violation, or indifference or carelessness),
2) existence of damage, caused to other persons by the violation and its size,
3) the extent of the unjustified enrichment, taking into account the compensations given to other persons,
4) the circumstance whether such person has previously permitted or has been liable to such or other violation, and the size and nature of the previous violation,
5) the extent of the necessity to exclude future violations by the same or other persons, etc.

5. The fines defined under this Article shall be allotted to the State budget. In cases of non-payment, such fines shall be levied by court procedure, based on the claim of the Central Bank.

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In cases of actual or possible insufficiency of the funds, such fines shall be collected after meeting requirements of civil claims, and after payment of other penalties and fines defined by other laws.

Article 212. Revocation of the License

The license of persons licensed in accordance with the provisions of this Law shall be deemed revoked by the resolution of the board of the Central Bank in cases stipulated by this Law.

Article 213. Deprivation of the Professional Qualification

The persons qualified as professional participants in accordance with Article 50 of this Law shall be deprived of the professional qualification by the resolution of the Central Bank in cases stipulated by this Law.

Article 214. Additional Liability

The liability stipulated hereunder shall be applied together with any other liability defined by the law (criminal, administrative, civil, etc) as main or additional liability.

CHAPTER 22

CIVIL LIABILITIES

Article 215. Liabilities for Misrepresentation of Information

1.Any person, who misrepresents (omits) or otherwise distorts any material fact in any provision contained in any application, prospectus, statement or any other such documents filed pursuant to this Law and regulations adopted in accordance with this Law, or in any provision (in announcement or information) included therein or attached thereto, shall be liable for damages caused to a person, who unaware of the fact that the provision was misrepresented or misleading, in reliance upon such provision purchased or sold security at the price, which was affected by such provision.

2.For the purpose of determining the issue of indemnification of actual damages caused to the purchaser, the misapprehension of the purchaser is considered to be caused by the fault of the person, who has performed the actions defined in point 1 of this Article, unless the latter proves that he, has been acting in good faith and were not aware of misrepresentation or omission of the information in question.

3.Any person, who discloses information deemed protected under this Law or fails to perform the obligation to keep such information confidential, shall bear liability for any damage caused to the customer as a result of such violation. Insufficiencies in technical means or administrative rules undertaken by an investment firm for keeping confidential information shall not be serve as ground for property liability as defined under this point.

4.Limitation of action for such claims is one year after detection of the above mentioned misrepresentation (omission), but no later than 3 years the document containing such provision was submitted.

Article 216. Responsibilities of Managers

1.Any member of the board of directors (member of other such body), the executive director (member of executive body), member of the Auditing body or other officer (head of subdivision or advisor) of any reporting issuer shall act

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in good faith and with due care as performing their rights and official obligations, in such a way which would be in place with a person holding an equivalent office and leading his private business under equivalent conditions, and adopt such decisions, which in their mind are determined first of all by the interests of the issuer and his securities owners.

2. Any member of the board (other such body) or the executive body (if that body adopts decisions by voting) of a reporting issuer when voting in favor of any decision in violation of the obligations defined in point 1 of this Article, or any director (member of the executive body) or any official (head of the sub-division or advisor) of a reporting issuer when adopting a decision or providing advice in written form in violation of the obligations set forth by point 1 of this Article, shall bear joint and several liability (correspondingly, with other persons who have voted for or adopted such decision, or provided such advice) for any damage caused to the issuer by such decision or advice, except for cases provided for under point 3 of this Law.

Indemnification for such damage may be claimed, by court procedure, by the issuer, and if he refuses to do so, by any owner of securities of the issuer admitted to trade in the regulated market.

3. Persons specified in point 2 of this Article (hereinafter in this point referred to as liable person) shall be exempt from the liabilities set forth by the same Article.

1) Liable persons (other than the person who made the decision independently – to the extent of his decision, and the advisor to the extent of his advice)
   a) has refused to perform requirements of such decision within the scope of his official responsibilities, and
   b) has notified in a written form, within 3 days after the decision was taken, the Central bank and board members of the issuer (other such body) by announcing that he does not assume any liability for the decision or for any consequences of its relevant part,
2) proves that such decision or advice is compelled by law or other legal acts,
3) proves that when voting in favor of the decision, or taking such decision, advising or performing his official responsibilities, he was not aware that it might cause damages and he relied upon information, expertise, reports or manuals (documents), which were developed or recommended by
   a) one or more officers or employees within the scope of the official responsibilities,
   b) employee of the issuer or legal advisor, accountant, auditor, financial advisor or other person with the right to provide expert opinion to the issuer on contractual basis, except for cases provided for in point 4 of this Article.

4. A liable person shall not be exempted from liabilities set forth by item 3 of point 3 in this Article, if it proves that:

1) he had been aware of such mistake or inaccuracy in the documents envisaged by item 3 of point 3 in this Article which resulted in infliction of the damage,
2) his office and knowledge of the subject, in case of sound survey would have allowed him to reveal the mistake or inaccuracy or the inevitability of the damage, whilst he didn’t undertake to study the issue in good faith.

5. Limitation for action for such claims shall be one year from the date of detection of such violation, but no later than three years from the date when the violation occurred.

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Article 217. Liability for Price Manipulation

1.Any person, who with direct or indirect intention, has performed activities or transactions prohibited under Article 171 of this Law, shall bear joint and several liability for damages caused to any person, who has purchased or sold securities as a result of the above activity or transaction at a distorted price.

2.Limitation of action for such claims shell be one year after the date of detection of such violation, but no later than three years after the date when the violation occurred.

Article 218. Liabilities of Controlling Persons

1. Any person, who due to (through) stock ownership, contract or arrangement or otherwise (independently or together with other persons), directly or indirectly controls (controlling person) a person (controlled person) bearing civil liability under this Law shall also be liable jointly and severally with the controlled person for other persons to the extent the controlled person bears liability for other persons, except for the cases when the controlling person acted in good faith and were not aware of the fact of violation, and upon obtaining such knowledge informed the Central Bank about it, and to the extent possible took actions to prevent the violation or its continuity.

2. No person shall be liable for the sole reason of employing a person who is bearing civil liabilities under this Article, except for the controlling persons, which bear liability according to point 1 in this Article.

Article 219. Additional Liabilities

Civil liabilities defined under this Chapter shall not limit the execution of rights and performance of liabilities stipulated by other laws.

SECTION 7

OTHER PROVISIONS

Article 220. Suspension of Periods Defined by this Law

1.All periods defined by this Law, including periods specified for registration and licensing, record keeping, preliminary consent, consent, registration, approval or adoption of any legal act on the basis of this Law may be suspended by the Central bank for the purpose of clarifying certain issues required by the Central bank but for a period of no longer than 6 months.

2.Where the Central bank within the specified period fails to reject the application, petition, request or any other solicitation submitted for registration and licensing, record keeping, preliminary consent, consent, registration, approval or adoption of any other legal act, or inform the person about suspension of the specified period the legal acts shall be deemed adopted satisfied as stipulated by law.

Article 221. Registration of Changes

1.Investment firms operating within the territory of the Republic of Armenia, including branches and representations of foreign investment firms, the

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regulated market operator and Central depositary shall be obliged to file with the Central bank the following changes within 10 days after they occur:

1) Amendments and/or additions to the charter,
2) Changes in the composition of management bodies (except for structural subdivision heads)
3) Other changes defined by the law or regulations of the Central Bank.

2. The Central Bank shall register or reject registration of the changes stipulated under point 1 of this Article within 30 days after receiving the documents submitted for such purposes.

3. The Central bank shall register the changes, if the latter do not contradict laws or other legal acts and were submitted pursuant to the requirements set by regulations of the Central bank.

4. The procedure and form of submitting the changes for registration with the Central Bank shall be defined by the regulations of the Central Bank.

5. The changes defined by this Law and regulations of the Central bank shall enter into force as soon as registered by the Central Bank.

6. In the event of access statutory capital investment firms operating within the territory of the Republic of Armenia, regulated market operator and the Central Depositary shall open an accumulative account with the Central Bank or any commercial bank operating in the Republic of Armenia, which is not affiliated to the given person. The funds of the accumulative account shall be frozen by the Central Bank or commercial bank and the person shall not be able to own, control and use those funds before registration of the changes by the Central Bank pursuant to this Article.

7. Within 5 working days after registration of the firm name of an investment company, regulated market operator, or the Central Depositary, the Central Bank shall notify thereof the authorized state body for registration of legal persons.

(Article 221 is amended according to AL-145-S, 08.06.09)

SECTION 8

ETERING OF THIS LAW INTO FORCE TRANSITIONAL PROVISIONS

Article 222. Entering into Force and Application of the Law and its Separate Provisions

1. This Law shall enter into force in 4 months after its official publication, except for this Section and the provisions of this Law stipulated by this Section which shall become effective on the 10th day of its official publication.

2. The Armenian Stock Exchange, SRO and the Central Depositary of Armenia, SRO shall reorganize into joint stock companies.

3. The Armenian Stock Exchange, SRO and the Central Depositary of Armenia, SRO shall within one day after rendering the decision on reorganization but no later than the 12th day of official publication of this Law, notify in writing all of their borrowers. Borrowers of the Armenian Stock Exchange, SRO and those of the Central Depositary of Armenia, SRO shall have the right to require additional guarantees for fulfillment of obligations, termination or early performance of obligations, as well as compensation of losses within 7 days after notification.

4. The stocks of the reorganized companies shall be equally distributed as of the date of the decision on reorganization among the members of the Armenian

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Stock Exchange, SRO and the Central Depositary of Armenia, SRO respectively. Total nominal value of the allocated stocks shall be equal to:

1) the net assets of the SRO (hereinafter net assets) as of the last day of the latest quarter preceding the reorganization, if such amount is not smaller than the minimal requirement for statutory capital of joint stock companies defined by the Law of the Republic of Armenia on Joint Stock Companies. In this case upon acquisition of stocks of a reorganized company persons entitled for such acquisition shall not make any payment.
2) the difference between the minimal statutory capital as defined for open joint stock companies by the Law of the Republic of Armenia on Joint Stock Companies and the value of net assets, if the value of net assets of the given SRO is positive but still smaller from the minimum capital requirements set forth for statutory capital of open joint stock companies by the Law of the Republic of Armenia on Joint Stock Companies. In this case the total payment made upon acquisition of stocks of a reorganized company by a person entitled for such acquisition shall be equal to difference of the minimal statutory capital of open joint stock companies as required by the Law of the Republic of Armenia on Joint Stock Companies and the actual value of net assets.

5. If the value of net assets of the SRO is negative the total nominal value of allocated stocks shall be equal to the minimal statutory capital of open joint stock companies as required by the Law of the Republic of Armenia on Joint Stock Companies.

6. In cases defined under Item 2, Point 4 and Point 5 of this Article, members of the SRO shall have the right to pay for issued stocks and acquire such in the amounts determined by the above Points.

7. In cases defined under Point 5 of this Article persons intending to acquire stocks in the given reorganized company shall, prior to payment for the stocks and acquisition thereof, invest money in the reorganized company in question for the purpose of covering the accumulated losses.

8. Where a person fails to exercise the right defined under Point 6 of this Article, as well as make the investment specified in Point 7 of this Article, the member of the given SRO shall alienate the right stipulated in Point 6 of this Article in its entirety to the Republic of Armenia or another person determined by Decree of the Government within a minimum of two days before applying to the Central Bank in accordance with the procedures defined in Point 9 of this Article. In this case the obligation for investment in money specified in Point 7 of this Article shall lie with the Republic of Armenia or the respective person as decreed by the Government.

9. The Armenian Stock Exchange, SRO and the Central Depositary of Armenia, SRO shall apply to the Central Bank for re-registration as joint stock companies within a period of 20 days from the official publication date of this Law and submit of the following documents:

1) The decision on reorganization into an open joint stock company;
2) The Charter in 6 copies;
3) The Transfer Act;
4) The application for re-registration.

10. The Central Bank shall, based on the documents specified in Point 9 of this Article, re-register the Armenian Stock Exchange, SRO and the Central Depositary of Armenia, SRO as open joint stock companies (hereinafter also re-registered companies) in a simplified procedure within 5 business days after submission of the above documents. Registration of the Armenian Stock Exchange, SRO and the Central Depositary of Armenia, SRO in the state registry of legal

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entities shall be deemed expired on the date of their re-registration with the Central Bank.

11. Shareholders of the re-registered companies shall, within a period of 5 days after registration with the Central Bank, alienate stocks owned by them to the Republic of Armenia or relevant person as decreed by the Government.

12. The Republic of Armenia may capitalize the stocks acquired in accordance with the procedure defined in Point 11 of this Article. This Point shall be considered an indispensible part program for capitalization of the state property defined by the Law of the Republic of Armenia on 2006-2007 Program for Capitalization of the State Property.

13. In the event of failure in applying to the Central Bank as defined by Point 9 of this Article, the Central Bank may apply to court claiming liquidation of the Armenian Stock Exchange, SRO and/or the Central Depository of Armenia, SRO.

14. The re-registered companies shall, within a period of 4 months from effective date of this Law, apply to the Central Bank for registration and licensing as Operator of the Regulated Market and Central Depositary, respectively, in accordance with the procedures defined by this Law. The Central Bank shall have the right to define exceptions from submission of documents required by Articles 104 and 184 of this Law and/or distinctions for re-registered companies, managers and significant participants thereto.

15. In the cases stipulated by Point 13 of this Article, liquidation of the Armenian Stock Exchange, SRO and/or the Central Depository of Armenia, SRO (including appropriation of the property upon liquidation) shall be executed in accordance with the requirements on liquidation of unions of legal entities defined by the Civil Code of the Republic of Armenia. The second sentence in Point 2 (Item g.), Article 92 of the RA Law on Securities Market Regulation adopted on July 6, 2000 shall be voided on the 10th date of publication of this Law.

16. For the whole period of reorganization, re-registration and licensing the functions organizing the trade in securities and foreign currency and that of the centralized custodian, centralized registry and operator of the securities settlement system (clearing and settlement agent of securities transactions) exercised by the stock exchange and the central depository, respectively shall continue undisturbed. Prior to registration and licensing pursuant to this Law, the re-registered companies shall continue acting in accordance to their internal controls as far as they do not contradict the provisions of this Law.

17. Professional persons operating on the basis of the license granted in accordance with the Law of the Republic of Armenia on Securities Market Regulation, dated 6 July, 2000 shall be re-registered and licensed as investment firms in compliance with the provisions of this Law within a period of 4 months after effective date of this Law. Licenses of professional participants who failed to re-register or re-license as investment firms pursuant to this Law within a period of 4 months after effective date of this Law shall be deemed voided under this Law. For the purpose of cases stipulated hereby, state registration of legal entities shall be conducted by the Central Bank, whilst registration of professional persons as legal entities in the state registry of legal entities shall be deemed void upon his re-registration with the Central Bank as an investment firm. The Central Bank shall have the right, on the basis of its regulations, to define exceptions from submission of the documents required by Point 1 of Article 36 of this Law and/or distinctions for companies re-registered and re-licensed in accordance with this Point, as well as managers and significant participants thereto.

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18. Prior to the deadline set forth in Point 17 of this Article, persons licensed to engage in brokerage activities shall have the right to provide the investment services stipulated in Article 25, Point 1, Items 1-4, and 6; persons licensed to perform trust management of securities – the investment services stipulated in Article 25, Point 1, Item 5; and persons licensed to engage in dealer activities – the investment services stipulated in Article 25, Point 1, Items 4 and 6.

19. Professional participants specified in Point 17 under this Article shall from the effective date of this Law up to re-registration and re-licensing pursuant to this Law operate in accordance with the provisions of the Law of the Republic of Armenia on Securities Market Regulation dated July 6, 2000.

20. After effective date of this Law, Point 5 under Article 130 shall apply to issuers of securities admitted to trade on the regulated market.

21. Securities listed on the stock exchange as of the effective date of this Law shall be considered admitted to trade with the stock exchange or regulated market pursuant to the market rules, if the issuer of the given security within a period of 15 business days after effective date of this Law submitted to the stock exchange an application for keeping the listing. Where the application for keeping the listing is not submitted before the deadline defined in this Point, those securities shall be deemed delisted. The Central Bank shall notify issuers of securities listed on the stock exchange about the above within 5 business days after effective date of this Law.

22. The professional qualification for activities in the securities market existing as of the effective date of this Law and granted pursuant to the Law of the Republic of Armenia on Securities Market Regulation, dated July 6, 2000 shall be effective for a period of 3 years after effective date of this Law.

23. Subsequent to the effective date of this Law, regulations of the Central Bank adopted on the basis of the Law of the Republic of Armenia on Securities Market Regulation, dated July 6, 2000 shall remain in force to the extent they do not contradict the provisions of this Law.

24. The Law of the Republic of Armenia on Securities Market Regulation, dated 6 July, 2000 shall be deemed void on the effective date of this Law, except for cases defined under Point 19 of this Article.

President of the Republic of Armenia,
ROBERT KOCHARYAN
October 20, 2007, Yerevan
LA-195-N

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